

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

Financial Report

December 31, 2013

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

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**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA**

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Independent Auditor's Report

To the Board of Commissioners
Hatfield Township
Hatfield, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hatfield Township, Montgomery County, Pennsylvania, as of December 31, 2013, and for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements of Hatfield Township's primary government as listed in the table of contents.

Management's Responsibilities for the Financial Statements

The Township's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion on the reporting entity and unmodified audit opinion on the governmental activities, the business-type activities, major funds, and the aggregate remaining fund information of the primary government.

Basis for Adverse Opinion on the Reporting Entity

The financial statements referred to above include only the primary government of Hatfield Township, Montgomery County, Pennsylvania, which consists of all funds, departments, and offices that comprise the Township's legal entity. The financial statements do not include financial data for the Township's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government.

Adverse Opinion on the Reporting Entity

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on the Reporting Entity paragraph, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Hatfield Township, Montgomery County, Pennsylvania, as of December 31, 2013, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. The Township's component units issue their own financial statements which are audited by other accounting firms. At this time, the component units' audit reports for the year ended December 31, 2013 are not complete.

Opinion on the Governmental Activities, the Business-type Activities, Major Funds, and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of Hatfield Township, Montgomery County, Pennsylvania as of December 31, 2013, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on pages 4 through 14 and 69 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The additional budget schedules on pages 74 and 79 through 84 and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budget schedules and combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dunlap & Associates, P.C.
DUNLAP & ASSOCIATES, P.C.

Chalfont, Pa.
June 27, 2014

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2013

This discussion and analysis of Hatfield Township's financial performance provides an overview of the Township's financial activities for the year ended December 31, 2013. Please read it in conjunction with the Township's financial statement, which begins after the Management Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- Earned Income Taxes increased 19% in 2013 due to an improving economy.
- The Township implemented a Defined Contribution Pension Plan for non-uniform new hires effective January 1, 2013, which closed the Township Defined Benefit Pension Plan to any new employees. The immediate cost savings was \$30,000.
- The Hatfield Aquatic Center had its worst year since the new pool opened, with overall revenue dropping \$57,745 due to unseasonable weather in June, and a change in the price structure of pool membership.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 15 and 16-17) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how Township services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's major funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting on the Township as a Whole

The Statement of Net Position and Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer the question of whether or not the Township is better or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements report the Township's net position and changes in them. The Township's net position (the difference between assets and liabilities) provide a measurement of the Township's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the Township's financial health is improving or deteriorating.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2013

USING THIS REPORT (Continued)

Reporting Significant Funds

The fund financial statements begin on page 18 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State law. However, the Board of Commissioners established many other funds to help it control or manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The Township's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance Township programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled at the end of the fund financial statements.

The Township as a Trustee

The Township is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for escrow deposits received from developers, businesses, and individuals for legal and engineering fees. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 27 and 28. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWNSHIP AS A WHOLE

The Statement of Net Position provides an overview of the Township's assets, liabilities, and net position. Over time, this statement will provide a good indicator of the Township's fiscal health.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2013

THE TOWNSHIP AS A WHOLE (Continued)

Table 1
Net Position
(Governmental and Business-Type Activities)

Account	2013	2012	\$ Change	% Change
Capital Assets	\$33,422,966	\$33,386,805	\$ 36,161	0.11
Current and Other Assets	4,123,419	4,034,130	89,289	2.21
Total Assets	<u>37,546,385</u>	<u>37,420,935</u>	<u>125,450</u>	0.34
Long-Term Liabilities	5,757,409	6,479,912	(722,503)	(11.15)
Other Liabilities	832,993	1,001,967	(168,974)	(16.86)
Total Liabilities	<u>6,590,402</u>	<u>7,481,879</u>	<u>(891,477)</u>	(11.92)
Net Position				
Invested in Capital Assets,				
Net of Related Debt	27,528,622	27,015,613	513,009	1.90
Restricted	1,458,448	1,728,813	(270,365)	(15.64)
Unrestricted	<u>1,968,913</u>	<u>1,194,630</u>	<u>774,283</u>	64.81
Total Net Position	<u>\$30,955,983</u>	<u>\$29,939,056</u>	<u>\$ 1,016,927</u>	3.40

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2013

THE TOWNSHIP AS A WHOLE (Continued)

Table 2
Changes in Net Assets
(Governmental and Business-Type Activities)

Account	2013	2012	\$ Change	% Change
Program Revenues				
General Government	\$ 396,110	\$ 472,338	\$ (76,228)	(16.14)
Police	1,040,411	956,087	84,324	8.82
Fire	230,516	208,242	22,274	10.70
Code Enforcement	424,461	387,224	37,237	9.62
Highway Maintenance	1,195,453	986,764	208,689	21.15
Snow Removal	1,701	842	859	102.02
Parks and Recreation	209,613	237,979	(28,366)	(11.92)
Pool	630,024	687,809	(57,785)	(8.40)
General Revenues				
Real Estate Taxes	3,743,579	3,708,212	35,367	0.95
Transfer Taxes	312,400	222,351	90,049	40.50
Earned Income Taxes	2,903,150	2,430,075	473,075	19.47
Other Taxes	661,039	588,466	72,573	12.33
Grants and Contributions	30,000	25,143	4,857	19.32
Interest and Rents	18,398	23,348	(4,950)	(21.20)
Loss on Disposal of Equipment	17,438	(65,722)	83,160	(126.53)
Miscellaneous	119,416	195,387	(75,971)	(38.88)
Total Revenues (Forwarded)	<u>\$11,933,709</u>	<u>\$11,064,545</u>	<u>\$ 869,164</u>	7.86

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2013

THE TOWNSHIP AS A WHOLE (Continued)

Table 2
Changes in Net Position
(Governmental and Business-Type Activities)

Account	2013	2012	\$ Change	% Change
Total Revenues (Forwarded)	<u>\$11,933,709</u>	<u>\$11,064,545</u>	<u>\$ 869,164</u>	7.86
Program Expenses				
Finance and Tax Collection	78,506	89,418	(10,912)	(12.20)
Professional Services	226,487	259,848	(33,361)	(12.84)
General Government	1,211,762	1,349,322	(137,560)	(10.19)
Police	4,951,282	4,893,392	57,890	1.18
Fire	783,393	604,044	179,349	29.69
Code Enforcement	284,739	298,928	(14,189)	(4.75)
Highway Maintenance	1,939,318	2,469,407	(530,089)	(21.47)
Snow and Ice Removal	41,067	16,331	24,736	151.47
Street Lighting	67,512	64,264	3,248	5.05
Parks and Recreation	440,625	413,122	27,503	6.66
Pool	<u>892,091</u>	<u>984,939</u>	<u>(92,848)</u>	<u>(9.43)</u>
Total Expenses	<u>10,916,782</u>	<u>11,443,015</u>	<u>(526,233)</u>	<u>(4.60)</u>
Changes in Net Position	<u>\$ 1,016,927</u>	<u>\$ (378,470)</u>	<u>\$ 1,395,397</u>	<u>(368.69)</u>

Revenue Overview

Revenues increased by \$869,164, or approximately 8%, compared to 2012:

- Earned Income Tax increased by 19% due changes in the law of how EIT is collected, and an improving economy.
- Real Estate Transfer increased by \$90,049 due to a pick up in housing.
- The Township collected \$155,000 in back taxes through liens in 2013.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2013**

THE TOWNSHIP AS A WHOLE (Continued)

Figure 1

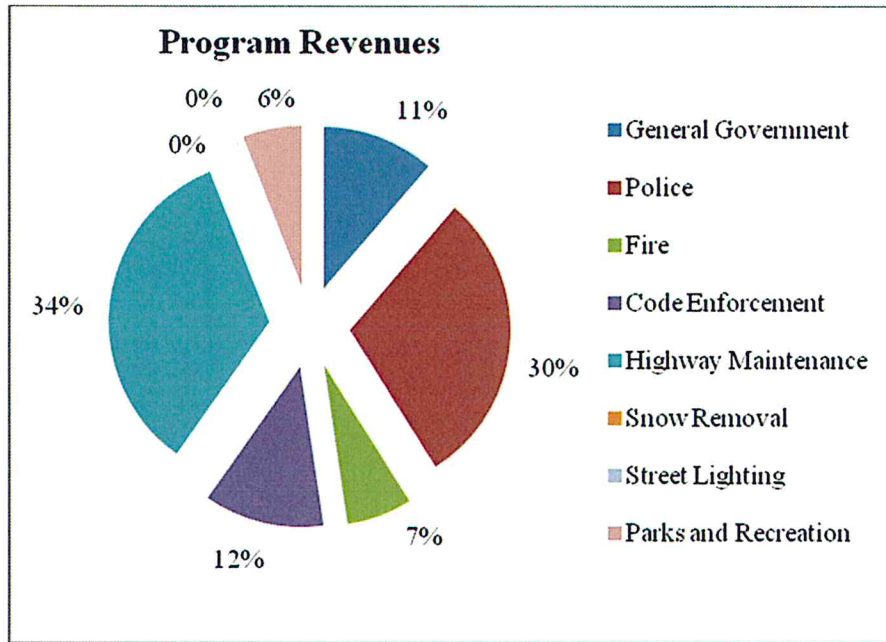
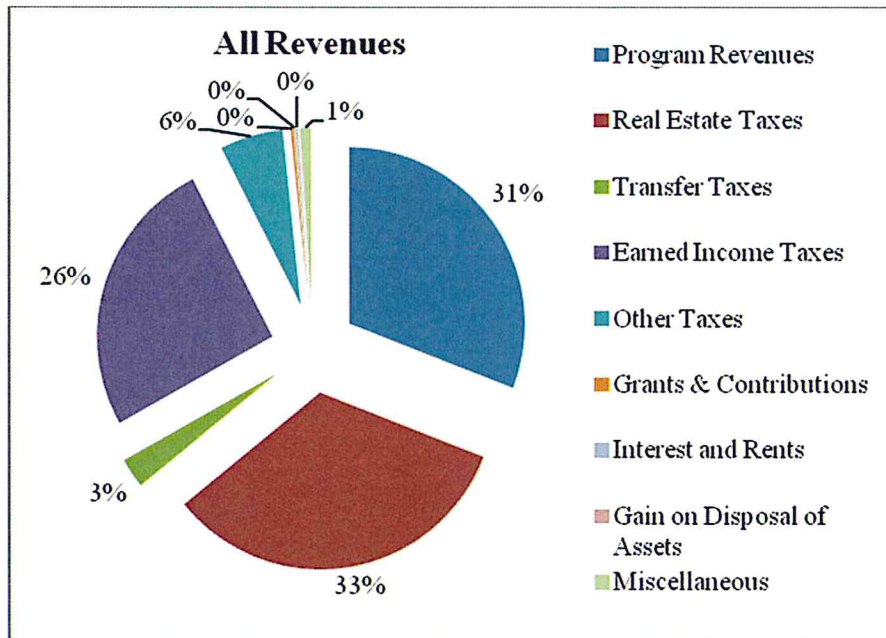


Figure 2



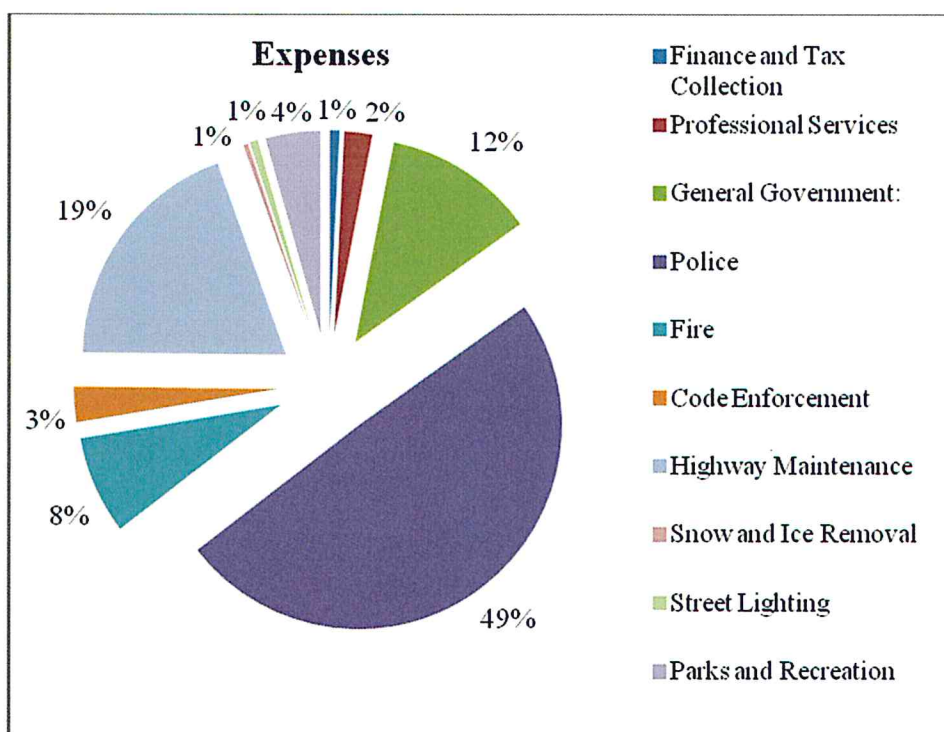
**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2013**

THE TOWNSHIP AS A WHOLE (Continued)

Expense Overview

Total expenses decreased 5% in 2013, in which overall expenses were down \$526,233. Most of this decrease can be attributed to a cut in highway maintenance costs as no major projects were budgeted in 2013.

Figure 3



HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2013

ITEMS OF GENERAL INTEREST

Water

Residents and businesses of the Township are served by North Penn Water Authority and on-lot water systems. The Township has no financial or management control of the water company.

Waste Water

Residents and businesses of the Township are served by the Hatfield Township Municipal Authority and on-lot sewage disposal systems. Based on the fact that the Township is responsible for appointing the Authority's board members and that the Authority serves only Township residents, the Authority is considered a component unit of Hatfield Township. The Authority's audited statements can be obtained by contacting Authority management.

Fire and Ambulance

Residents and businesses of the Township are served by the Hatfield Fire Company, the Colmar Fire Company, and the Hilltown Fire Company in designated districts. There are mutual aid agreements and central dispatching throughout the area. Ambulance service is provided by the Volunteer Medical Service Corps of Lansdale. The Township collects and distributes a .62 mill fire tax, and aside from providing worker's compensation insurance for both the fire companies and the ambulance service, it has no other financial or management control of the fire companies or ambulance services.

Public Facilities

The Township owns and operates a number of parks and scattered open space parcels. Chief among the parks are Hatfield Community Park, School Road Park, Clemens Park, and Schweiker Park, along with an Arboretum and a Nature Area. In 2003 the Board of Commissioners determined that the forty-year-old administration building and public works facilities needed to be replaced because they had outgrown their usefulness. In April 2004 the Township purchased a new facility for Public Works that is capable of meeting its needs well into the future. With the help of a state grant, it also constructed a large salt storage facility to ensure adequate supplies of salt during the winter months. In June 2004 it started construction for a new Township administration building that was occupied in March 2005. Finally, the Police Department building, which was erected in 1979, is in the final process of renovation. Much needed new office space within the building was opened up when the Hatfield Township Industrial Development Authority agree to pay for a new storage building at the back of the parking lot.

ANALYSIS OF INDIVIDUAL FUNDS

General Fund

The General Fund had a great year as it increased its fund balance from approximately \$744,000 at the end of 2012 to approximately \$1.5 million at the end of 2013. The increase was due to a 19% increase of Earned Income Taxes collected and \$155,000 of liens collected by the County. The Township's total expenses were approximately \$67,000 below what was budgeted in 2013. Most of these cost savings can be attributed to personnel changes during the calendar year.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2013

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Other Funds

Significant other funds include: Capital Reserve Fund, the Parks and Recreation Fund, the State Highway Aid Fund, the Debt Service Fund, the Pool Fund, and the Fire Fund.

Capital Reserve Fund

One Police vehicle was purchased in 2013, and a \$7,000 refurbishment was made to the Township administration building to make better use of its space.

Parks and Recreation Fund

This fund receives revenue from a .22 mill real estate tax. In 2013, construction of a bathroom in School Road Park was completed and dedicated.

State Aid Fund

The Township paved Industry Road and Fairgrounds Road in 2013.

Fire Fund

The Fire Fund relies on a .62 mill real estate tax to fund its contributions to the Hatfield Volunteer Fire Department and the Colmar Volunteer Fire Department.

Pool Fund

The Aquatic Center had unseasonably cold weather at the beginning of the season which led to a decrease of overall membership due to lack of early sign ups.

Pension Plans

All full-time police officers and full-time non-uniformed employees hired before January 1, 2013, are members of the Police and Non-Uniformed Defined Benefit Pension Plans. The Township is eligible for Act 205 assistance in the form of state aid. The plans are administered by the Univest Bank and Trust Co. Trust Department. Non-uniformed full-time employees hired after December 31, 2012, are members of a new Defined Contribution Pension Plan.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Planning

Due to its low fund balances at the beginning of the year, the Township elected not to undertake any major capital projects during 2013.

Debt

The Township's general long-term debt decreased from \$6,296,000 to \$5,863,917 in 2013. According to DCED debt standards, the Township has borrowed 19% of its maximum borrowing capacity. The debt service consumes 9% of the total taxes that were collected by the Township in 2013.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2013

ECONOMIC FORECAST

In 2013, the Township had one of its best years since the recession started in 2008; however the Township will need to solve the problem of skyrocketing liabilities in the future that are a result of underfunded pensions and demographic changes that could erode its tax base.

Non-Uniform Pension

In 2013, the Township's Board of Commissioners passed a resolution to establish a new Defined Contribution Pension Plan for all new hires. This resolution closes the Township Defined Benefit Pension to all employees hired after December 31, 2012. As of December 31, 2013, the Defined Benefit Pension Plan is 90% funded with an unfunded liability of \$255,237. The liability from the Defined Benefit Pension Plan could continue to grow because a majority of the Township's non-uniform employees are in this plan and are still accumulating benefits. However, as more non-uniformed employees enroll in the Defined Contribution Pension Plan versus the employees in the Define Benefit Pension Plan, the Township will begin to see overall savings from this resolution in the future.

Uniform Defined Benefit Pension

As of the January 1, 2013, actuarial valuation, the unfunded liability of the Uniform Defined Benefit Pension increased almost \$600,000 to \$4,076,343, with a funding ratio of 73%. As of the January 1, 2011 valuation, the unfunded liability was \$3.4 million with a funded ratio of 74%. The pension liability increased in 2013, even though the uniform pension fund had 17.19% return on assets and the markets are at an all-time high. In 2007, before the recession when market were at an all-time high, the plan was only 88% funded with a liability of \$1.8 million. Overall, the liability has increased 126% since 2007 and does not show any signs that it will decrease. The Township's ability to manage this increase is very limited because all pensions related to uniform police are covered under Act 600, which was voted upon by the Commonwealth of Pennsylvania Legislature. Sadly, a number of proposals have been offered by the Pennsylvania Legislature to modify Act 600, but there is an absence of political will to change Act 600.

If the Township would consider issuing a \$4 million bond (to be repaid over 20 years) to cover this unfunded liability, it would increase the millage rate on debt service by 50% and increase the overall millage rate by 7%. However, there is still no method of containing the future liability, so the plan could easily be unfunded in a few years since the Township by law under Act 600 assumes all market risk. Unfortunately, the future liability cost of this uniform pension will be transferred to future generations of taxpayers.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2013**

ECONOMIC FORECAST (Continued)

The Aging of Hatfield Township's Residents

The 2010 census showed that in Hatfield Township, the largest gains by an age group were the 55-64 age group which increased 49.8%, followed by the 67-74 age group which increased 35%, and the 75+ age group increase of 24.2%. These increases will mean there will be a higher demand for municipal services while the earned income taxes will decrease as baby boomers leave the workforce. The decrease in earned income taxes will affect the Township's ability to keep pace with normal expenses, which typically increase 3% a year, and which could lead to higher property taxes. The 25-54 age group, for which we depend on to work and generate earned income taxes, decreased 6% in 2010. With the absence of political will by the Pennsylvania Legislature to adjust Act 600, the increase in pension obligations will most likely increase property taxes in the future while squeezing the seniors who are on a fixed budget trying to make ends meet. The Township overall infrastructure is aging, which is going to cause a strain on the Township budget as capital projects are needed to maintain community standard of living.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT TEAM

This Management Discussion and Analysis is intended to provide our citizens, taxpayers, customers, investors, and creditors with a general, plain English overview of important financial matters. The Township's financial team is Finance Director, David Bernhauser, and Township Manager, Aaron Bibro. They can be reached at 215-855-0900 (phone), 215-855-0243 (fax), or www.hatfieldtownship.org (internet).

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Net Position
December 31, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets			
Cash and Cash Equivalents	\$ 2,126,368	\$ 14,469	\$ 2,140,837
Taxes and Other Receivables	1,756,900	0	1,756,900
Total Current Assets	<u>3,883,268</u>	<u>14,469</u>	<u>3,897,737</u>
Noncurrent Assets			
Net Capital Assets	<u>27,696,828</u>	<u>5,721,801</u>	<u>33,418,629</u>
Total Assets	<u>31,580,096</u>	<u>5,736,270</u>	<u>37,316,366</u>
Deferred Outflows of Resources			
Deferred Accumulated Decrease in Fair Value of Derivative Instrument	<u>118,995</u>	<u>106,687</u>	<u>225,682</u>
Liabilities			
Current Liabilities			
Current Portion of General Obligation Notes	321,220	121,000	442,220
Current Portion of Capital Lease Payable	30,427	0	30,427
Accounts Payable and Accrued Expenses	139,220	6,348	145,568
Accrued Wages and Payroll Taxes	211,310	3,468	214,778
Total Current Liabilities	<u>702,177</u>	<u>130,816</u>	<u>832,993</u>
Noncurrent Liabilities			
General Obligation Note Payable	2,861,697	2,560,000	5,421,697
Compensated Absences	110,030	0	110,030
Fair Value of Derivative Instrument	118,995	106,687	225,682
Total Noncurrent Liabilities	<u>3,090,722</u>	<u>2,666,687</u>	<u>5,757,409</u>
Total Liabilities	<u>3,792,899</u>	<u>2,797,503</u>	<u>6,590,402</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	24,483,484	3,040,801	27,524,285
Restricted for			
Capital Projects	1,007,711	0	1,007,711
Other	435,437	0	435,437
Unrestricted	<u>1,979,560</u>	<u>4,653</u>	<u>1,984,213</u>
Total Net Position	<u>\$ 27,906,192</u>	<u>\$ 3,045,454</u>	<u>\$ 30,951,646</u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Activities
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government				
Finance and Tax Collection	\$ 78,506	\$ 0	\$ 0	\$ 0
Professional Fees	226,487	0	0	0
General Government	1,211,762	349,544	46,566	0
Public Safety				
Police	4,951,282	833,832	206,579	0
Fire	783,393	70,162	160,354	0
Code Enforcement and Zoning	284,739	415,771	8,690	0
Highways				
Highway Maintenance	1,934,908	0	387,852	807,601
Snow and Ice Removal	41,067	1,701	0	0
Street Lighting	67,512	0	0	0
Parks and Recreation	440,790	73,994	123,197	12,422
Total Governmental Activities	<u>10,020,446</u>	<u>1,745,004</u>	<u>933,238</u>	<u>820,023</u>
Business-Type Activities				
Pool	<u>892,091</u>	<u>630,024</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 10,912,537</u>	<u>\$ 2,375,028</u>	<u>\$ 933,238</u>	<u>\$ 820,023</u>

General Revenues
Real Estate Taxes
Other Taxes
Grants and Contributions
Investment Income and Rents
Miscellaneous
Gain on Sale of Capital Assets
Transfers
Total General Revenues

Change in Net Position

Net Position
Beginning of Year
End of Year

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (78,506)	\$ 0	\$ (78,506)
(226,487)	0	(226,487)
(815,652)	0	(815,652)
(3,910,871)	0	(3,910,871)
(552,877)	0	(552,877)
139,722	0	139,722
(739,455)	0	(739,455)
(39,366)	0	(39,366)
(67,512)	0	(67,512)
(231,177)	0	(231,177)
(6,522,181)	0	(6,522,181)
0	(262,067)	(262,067)
(6,522,181)	(262,067)	(6,784,248)
3,743,579	0	3,743,579
3,876,589	0	3,876,589
30,000	0	30,000
18,336	62	18,398
104,116	0	104,116
24,156	0	24,156
(236,838)	236,838	0
7,559,938	236,900	7,796,838
1,037,757	(25,167)	1,012,590
26,868,435	3,070,621	29,939,056
\$ 27,906,192	\$ 3,045,454	\$ 30,951,646

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2013

	<u>General Fund</u>	<u>State Highway Aid Fund</u>	<u>Impact Fees Fund</u>
Assets			
Cash and Cash Equivalents	\$ 986,831	\$ 168,026	\$ 413,500
Taxes Receivable	1,372,026	0	0
Other Receivables	34,010	0	289,502
Due from (to) Other Funds	<u>(6,757)</u>	<u>0</u>	<u>0</u>
Total Assets	<u><u>\$ 2,386,110</u></u>	<u><u>\$ 168,026</u></u>	<u><u>\$ 703,002</u></u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 122,460	\$ 0	\$ 1,640
Accrued Wages and Payroll Taxes	<u>208,316</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>330,776</u>	<u>0</u>	<u>1,640</u>
 Deferred Inflows of Resources			
Deferred Tax Receipts	<u>553,216</u>	<u>0</u>	<u>0</u>
 Fund Balances			
Restricted	0	168,026	636,214
Assigned	0	0	65,148
Unassigned	<u>1,502,118</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>1,502,118</u>	<u>168,026</u>	<u>701,362</u>
 Total Liabilities and Fund Balances	<u><u>\$ 2,386,110</u></u>	<u><u>\$ 168,026</u></u>	<u><u>\$ 703,002</u></u>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 558,011	\$ 2,126,368
61,362	1,433,388
0	323,512
6,757	0
<u>\$ 626,130</u>	<u>\$ 3,883,268</u>

\$ 15,120	\$ 139,220
2,994	211,310
<u>18,114</u>	<u>350,530</u>

<u>46,729</u>	<u>599,945</u>
---------------	----------------

193,914	998,154
391,269	456,417
(23,896)	1,478,222
<u>561,287</u>	<u>2,932,793</u>
<u>\$ 626,130</u>	<u>\$ 3,883,268</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2013**

Total Governmental Fund Balances	\$ 2,932,793
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Amounts Reported for Governmental Activities in the Statement of Net Position
Are Different Because

Capital Assets Used in Governmental Activities Are Not Financial Resources and, Therefore, Not Reported in Funds, Net of Accumulated Depreciation of \$15,371,705.	27,696,828
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Other Long-Term Assets Are Not Available to Pay Current Period
Expenditures, and Therefore Are Deferred in the Funds.

Taxes Receivable	599,945
Deferred Accumulated Decrease in Fair Value of Derivative Instrument	118,995

Long-Term Liabilities Are Not Due and Payable in the Current Period, and,
Therefore, Are Not Reported in the Funds.

General Obligation Note Payable	(3,182,917)
Capital Lease Payable	(30,427)
Compensated Absences	(110,030)
Fair Value of Derivative Instruments	<u>(118,995)</u>

Net Position of Governmental Activities	<u><u>\$ 27,906,192</u></u>
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See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2013

	<u>General Fund</u>	<u>State Highway Aid Fund</u>	<u>Impact Fees Fund</u>
Revenues			
Taxes	\$ 6,526,556	\$ 0	\$ 0
Intergovernmental	469,313	349,183	782,500
Charges for Services	1,182,427	0	0
Fines, Licenses and Permits	445,605	0	0
Interest Income and Rents	16,602	397	298
Miscellaneous Revenues	124,288	0	25,101
Total Revenues	<u>8,764,791</u>	<u>349,580</u>	<u>807,899</u>
Expenditures			
General Government	967,447	0	28,121
Public Safety	3,870,986	0	0
Public Works	831,019	249,859	891
Parks and Recreation	61,702	0	0
Debt Service - Principal	0	208,849	0
Debt Service - Interest	0	16,883	0
Capital Expenditures	14,510	83,420	783,249
Insurance and Employee Benefits	2,159,057	0	0
Miscellaneous Governmental	16,776	0	0
Total Expenditures	<u>7,921,497</u>	<u>559,011</u>	<u>812,261</u>
Excess (Deficiency) of Revenues Over Expenditures	843,294	(209,431)	(4,362)
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(85,065)</u>	<u>50,000</u>	<u>0</u>
Net Change in Fund Balances	758,229	(159,431)	(4,362)
Fund Balances			
Beginning of Year	<u>743,889</u>	<u>327,457</u>	<u>705,724</u>
End of Year	<u><u>\$ 1,502,118</u></u>	<u><u>\$ 168,026</u></u>	<u><u>\$ 701,362</u></u>

See Notes to Financial Statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,213,894	\$ 7,740,450
12,822	1,613,818
56,218	1,238,645
0	445,605
18,813	36,110
177,505	326,894
<u>1,479,252</u>	<u>11,401,522</u>
7,949	1,003,517
495,510	4,366,496
34,929	1,116,698
270,399	332,101
150,000	358,849
86,945	103,828
305,112	1,186,291
0	2,159,057
0	16,776
<u>1,350,844</u>	<u>10,643,613</u>
128,408	757,909
<u>(201,773)</u>	<u>(236,838)</u>
(73,365)	521,071
<u>634,652</u>	<u>2,411,722</u>
<u>\$ 561,287</u>	<u>\$ 2,932,793</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Reconciliation of the Net Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2013**

Net Change in Fund Balances - Total Governmental Funds	\$ 521,071
Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because	
Governmental Funds Report Capital Outlays As Expenditures. However, in the Statement of Activities, the Cost of Those Assets is Allocated Over Their Estimated Useful Lives as Depreciation Expense. This is the Amount By Which Capital Outlays of \$1,186,291 Exceeded Depreciation Expense of \$975,802 and the Net Book Value of Assets Disposed of \$10,100 in the Current Year.	200,389
Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues in the Funds.	(77,305)
Repayment of Notes Payable and Capital Lease Principal Is An Expenditure in the Governmental Funds, but the Repayment Reduces Liabilities in the Statement of Net Position.	358,849
Some Expenses Reported in the Statement of Activities Do Not Require the Use of Current Financial Resources and, Therefore, Are Not Reported As Expenditures in Governmental Funds:	
Compensated Absences	<u>34,753</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,037,757</u></u>

See Notes to Financial Statements.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Net Position
Proprietary Funds - Pool Fund
December 31, 2013**

Assets

Current Assets

Cash	\$ 14,469
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Noncurrent Assets

Capital Assets	5,721,801
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Total Assets	<u>5,736,270</u>
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Deferred Outflows of Resources

Accumulated Decrease in Fair Value of Derivative Instrument	<u>106,687</u>
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Liabilities

Current Liabilities

Current Portion of General Obligation Note	121,000
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Accounts Payable and Accrued Expenses	6,348
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Accrued Wages and Payroll Taxes	3,468
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Total Current Liabilities	<u>130,816</u>
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Noncurrent Liabilities

General Obligation Note Payable	2,560,000
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Fair Value of Derivative Instrument	106,687
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Total Noncurrent Liabilities	<u>2,666,687</u>
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Total Liabilities	<u>2,797,503</u>
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Net Position

Invested in Capital Assets, Net of Related Debt	3,040,801
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Unrestricted	4,653
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Total Net Position	<u><u>\$ 3,045,454</u></u>
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See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds - Pool Fund
Year Ended December 31, 2013

Operating Revenues	
Charges and Fees	\$ 628,487
Miscellaneous	1,537
Total Operating Revenues	<u>630,024</u>
Operating Expenses	
Salaries and Benefits	415,596
Depreciation	179,098
Utilities	63,609
Snack Bar	57,034
Repairs and Maintenance	31,367
Pool Supplies	28,548
Other Expenses	13,727
Office Supplies and Expenses	10,755
Uniforms	5,183
Total Operating Expenses	<u>804,917</u>
Operating Loss Before Nonoperating Revenues	<u>(174,893)</u>
Nonoperating Revenues (Expenses)	
Interest Income	62
Interest Expense	(87,174)
Transfers from Other Funds	236,838
Total Nonoperating Revenue (Expenses)	<u>149,726</u>
Change in Net Position	(25,167)
Net Position	
Beginning of Year	<u>3,070,621</u>
End of Year	<u><u>\$ 3,045,454</u></u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2013

Cash Flows from Operating Activities	
Receipts from Customers	\$ 630,024
Payments to Suppliers	(205,351)
Payments to Employees	(434,392)
Net Cash Used in Operating Activities	<u>(9,719)</u>
Cash Flows from Noncapital Financing Activities	
Transfers from Other Funds	<u>236,838</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	(10,533)
Principal Paid on Capital Debt	(118,000)
Interest Paid on Capital Debt	(87,174)
Net Cash Used in Capital and Related Financing Activities	<u>(215,707)</u>
Cash Flows from Investing Activities	
Interest Income	<u>62</u>
Net Increase in Cash	11,474
Cash	
Beginning of Year	<u>2,995</u>
End of Year	<u><u>\$ 14,469</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	\$ (174,893)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation Expense	179,098
Change in Net Assets and Liabilities	
Accounts Payable and Accrued Expenses	4,872
Accrued Wages and Payroll Taxes	(731)
Due to Other Funds	(18,065)
Net Cash Used in Operating Activities	<u><u>\$ (9,719)</u></u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Fiduciary Net Position
December 31, 2013

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and Cash Equivalents	\$ 423,229	\$ 1,143,201
Investments	15,030,428	0
Accrued Interest Receivable	<u>38,955</u>	<u>0</u>
Total Assets	<u>15,492,612</u>	<u>1,143,201</u>
Liabilities		
Accounts Payable	0	24,510
Escrow Deposits	<u>0</u>	<u>1,118,691</u>
Total Liabilities	<u>0</u>	<u>\$ 1,143,201</u>
Net Position		
Held in Trust for Pension Benefits	<u><u>\$ 15,492,612</u></u>	

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Statement of Changes in Fiduciary Net Position
Pension Trust Funds
Year Ended December 31, 2013

Additions	
Contributions	
Plan Members	\$ 117,848
State	302,980
Employer	640,099
Total Contributions	<u>1,060,927</u>
Investment Earnings	
Net Increase in Fair Value of Investments	1,827,989
Dividends	368,685
	<u>2,196,674</u>
Less Investment Expense	(55,880)
Total Net Investment Earnings	<u>2,140,794</u>
Total Additions	<u>3,201,721</u>
Deductions	
Benefits	608,890
Administrative Expense	23,386
Total Deductions	<u>632,276</u>
Change in Net Position	2,569,445
Net Position, Held in Trust	
Beginning of Year	<u>12,923,167</u>
End of Year	<u><u>\$ 15,492,612</u></u>

See Notes to Financial Statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies

Hatfield Township was incorporated March 9, 1730, in Montgomery County, Pennsylvania. The Township is classified as a "Township of the First Class" under the laws of the Commonwealth of Pennsylvania and provides the following services as authorized by its charter: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, and general and administrative services. For financial reporting purposes, in accordance with Government Accounting Standards Board (GASB) Statement 14, the Township includes all funds that are part of the primary financial reporting entity.

The Township's statements are prepared in compliance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Significant aspects of the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and changes in financial position.
- Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (roads, bridges, etc.).
- A focus on major funds in the fund financial statements.

A. Reporting Entity

The Township's financial reporting entity comprises the following:

Primary Government:	Hatfield Township
Blended Component Unit:	Hatfield Township Municipal Authority
Discretely Presented Component Units:	Hatfield Industrial Development Authority Health, Hospital, Education Authority

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013**

1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Government Accounting Standards Board (GASB) Statement No. 14, as amended by GASB 61, requires Hatfield Township to include all component units in its annual financial statements. A component unit is defined as any legally separate entity which is controlled by and is financially accountable to the Township.

Management has elected to not include the financial activities of the entities described below in the Township's financial statements. Therefore, these financial statements should be read in conjunction with the financial statements of each entity. A copy of each entity's financial statements can be obtained by contacting them or by contacting the Township.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Township Board of Commissioners, or the component unit provides services entirely to the Township. This type of component unit's funds is blended into those of the Township's by appropriate activity type to compose the primary government presentation.

The Hatfield Township Municipal Authority was created in 1985, to provide water and sewer services to portions of Hatfield Township. Based upon the fact that the Township is responsible for appointing the Hatfield Township Municipal Authority board members, and that the Authority serves only Township residents, the Authority should be a blended component unit of Hatfield Township.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending.

The Hatfield Industrial Development Authority was created to provide tax-free financing for commercial and industrial projects. The Health, Hospital, Education Authority was created to provide funding to not-for-profit organizations that have health or education-related missions.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the reporting government as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary funds are also excluded from the government-wide financial statements.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net position use.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

FUND FINANCIAL STATEMENTS

The accounts of the Township are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are organized into three major categories: governmental, proprietary and fiduciary.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the Township or if it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The funds of the financial reporting entity are described below.

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds:

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

Special Revenue Funds (Continued)

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
State Highway Aid Fund	Accounts for revenues and expenditures of state liquid fuels grant funds	Yes
Park and Recreation Fund	Accounts for revenues and expenditures of park and recreation funds	No
Fire Fund	Accounts for revenues and expenditures of fire protection tax funds	No

Capital Projects Fund - Capital projects funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The reporting entity includes the following capital projects funds:

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
Capital Reserve Fund	Accounts for revenues assigned for capital acquisition/improvements	No
Contribution Fund	Accounts for recycling grant funds and related expenditures	No
Impact Fees Fund	Accounts for impact fees collected and related expenditures	Yes
Pool and Open Space Fund	Accounts for contributions collected for capital purchase and construction	No
Park and Recreation Reserve Fund	Accounts for contributions collected for capital purchase and construction	No
Equipment Reserve Fund	Accounts for contributions for the purchase of equipment	No

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013**

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

FUND FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued)

Debt Service Fund - This fund is used to account for financial resources that are restricted, committed or assigned to expenditure for principal and interest. This fund is not a major fund.

Proprietary Funds

Enterprise Fund – Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Pool Fund.

Fiduciary Funds

Pension Trust and Agency Funds – Pension Trust Funds (which include the Police and Non-Uniform Pension Plans) and Agency Funds (which include the Developers Escrow Funds and other agency funds) are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Fiduciary funds are custodial in nature and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined on the following page.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Measurement Focus (Continued)

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net position.
3. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary and fiduciary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013**

1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Data

The following procedures are used by the Township in establishing budgetary data which is reflected in the financial statements.

1. The Township prepares and advertises a proposed budget at least 20 days before the budget is adopted.
2. Public hearings are conducted to obtain comments from taxpayers regarding the proposed budget.
3. The budget is formally adopted by the Board members prior to December 31.
4. The budget is prepared and adopted using the modified accrual basis of accounting, which is consistent with the basis used by the Township for financial reporting.
5. Amendments may be approved by the Board during the year.

E. Cash Equivalents

For reporting purposes, the Township defines cash and cash equivalents as cash and investments that have a maturity value of less than three months.

F. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds". Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 10 for details of interfund transactions, including receivables and payables at year end.

G. Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Township is permitted to lien the resident's property if the resident does not remit payment. Major receivable balances for the governmental activities include real estate taxes, earned income taxes, grants, and police fines.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies (Continued)

G. Receivables (Continued)

In the fund financial statements, material receivables in governmental funds include revenue accruals such as real estate tax, earned income tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund receivables consist of all revenues earned at year end and not yet received.

H. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, except for infrastructure acquired before January 1, 2004, which is valued at estimated historical cost less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is shown below.

<u>Classifications</u>	<u>Years</u>
Land Improvements	10-40
Buildings and Improvements	10-50
Park Equipment and Improvements	10-25
Equipment	3-10
Vehicles	5-10
Furniture and Fixtures	10
Infrastructure	20-75
Pool	10-40

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013**

1. Summary of Significant Accounting Policies (Continued)

H. Capital Assets (Continued)

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

J. Compensated Absences

Uniformed Township employees are entitled to unlimited sick leave. Additionally, uniformed employees are entitled to compensatory time off, which accrues at a rate of 1½ hours for each hour of overtime worked. Upon retirement or termination, vested compensatory time is paid at 100% of the respective employee's pay rate.

The Township is liable to employees in the amount of \$110,030 for vested compensatory time at December 31, 2013.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013**

1. Summary of Significant Accounting Policies (Continued)

K. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

1. **Invested in capital assets, net of related debt** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted net position** - Consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or b) law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

Nonspendable – includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be kept intact. The Township did not have any nonspendable fund balances at December 31, 2013.

Restricted – includes amounts that are restricted for specific purposes by constitutional provisions, enabling legislation, or externally imposed constraints.

Committed – includes amounts that can only be used for specific purposes with constraints that are established by a formal action of the Board of Commissioners. The constraint can only be changed or removed by another formal action of the Board. The Township's fund balance policy requires passage of a Resolution or an Ordinance by the Board in order to set aside funds as Committed. The Township did not have any committed fund balances at December 31, 2013.

Assigned – includes amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Assigned balances include all remaining government fund amounts, other than the General Fund, that are not classified as nonspendable, restricted or committed, and are intended for a specific purpose. The intent is expressed by the Board, or an individual to whom the Board has designated authority. The Township's fund balance policy grants this authority to the Finance Director, as well as the Board of Commissioners.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies (Continued)

K. Equity Classifications (Continued)

Fund Statements (Continued)

Unassigned – this amount is the residual classification for the General Fund, and any negative fund balances in other governmental funds. Other governmental funds cannot report any positive unassigned amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts, then unassigned amounts.

The Township has a minimum fund balance policy that requires the unassigned fund balance at the end of the year to be a minimum of 5% of the budgeted expenditures for the year.

Proprietary fund equity is classified the same as in the government-wide statements.

L. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund - By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

1. Summary of Significant Accounting Policies (Continued)

M. Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

N. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Investments

Cash and investments as of December 31, 2013, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash	\$ 2,140,837
Statement of Fiduciary Net Position:	
Cash	1,566,430
Investments	<u>15,030,428</u>
Total Cash and Investments	<u>\$ 18,737,695</u>

Cash and investments as of December 31, 2013, consist of the following:

Deposits with Financial Institutions	\$ 3,284,038
Money Market Funds	423,229
Investments	<u>15,030,428</u>
Total Cash and Investments	<u>\$ 18,737,695</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

2. Cash and Investments (Continued)

A. Cash Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township deposits are entirely insured or collateralized under a pooled asset program to secure public deposits, as required by Act 72 of the Commonwealth of Pennsylvania. As of December 31, 2013, \$3,075,550 of the Township's bank balance of \$3,325,550 was uninsured but collateralized by securities held by the bank or by its trust department or agent, but not in the Township's name.

B. Investments

At December 31, 2013, the Township's investments consisted of the following:

Fiduciary Funds:	
Certificates of Deposit	\$ 980,000
Common Stocks	7,954,825
Mortgage and Asset-Backed Securities	1,705,217
Corporate Bonds	1,757,728
Mutual Funds	<u>2,632,658</u>
Total Investments	<u>\$ 15,030,428</u>

Investments Authorized by Township Code

The Township's Code authorizes the Township to invest in obligations of the U.S. Treasury, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the United States or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, and shares of the Pennsylvania Local Government Investment Trust (PLGIT) which are composed solely of the obligations noted above.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices and state statutes.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

2. Cash and Investments (Continued)

B. Investments (Continued)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. With the exception of money market funds and certificates of deposit held in the fiduciary funds, all of the Township's investments are either invested in securities which are not subject to custodial credit risk because they do not involve a transferable financial instrument or are backed by the full faith and credit of the U.S. Government. The money market funds of \$423,229 are covered by Securities Investor Protection Corporation up to \$250,000. The certificates of deposit of \$980,000 are fully covered by the Federal Deposit Insurance Corporation in various banking institutions.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating organizations such as Moody's Investor Services (Moody's) and Standard & Poor's (S&P). The Township does not currently have a policy with regard to credit risk. As of December 31, 2013, the Township's investments were rated by Moody's as follows:

	<u>Fair Value</u>	<u>Rating</u>
Investments		
Federal Home Loan Bank	\$ 444,750	Aaa
Federal Farm Credit Bank	223,424	Aaa
Federal Home Loan Mortgage Association	195,547	Aaa
Federal National Mortgage Association	792,833	Aaa
Corporate Bonds	<u>1,757,728</u>	Aa2 – Baa2
Total Exposed to Credit Risk	3,414,282	
Not Rated**	<u>11,616,146</u>	
Total Investments	<u>\$ 15,030,428</u>	

** Not rated securities consist of fiduciary fund investments in mutual funds, common stock, and certificates of deposit.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013**

2. Cash and Investments (Continued)

B. Investments (Continued)

Concentration of Credit Risk

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer. The following represent more than 5% of total entity investment:

Vanguard Total International Stock ETF	\$904,026
American Funds EuroPacific Growth	\$951,004

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Township does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The Township's investments at December 31, 2013, including the following:

<u>Remaining Maturities</u>	<u>Mortgage and Asset-Backed Securities</u>	<u>Corporate Bonds</u>
1 Year or Less	\$ 0	\$ 100,796
2 - 5 Years	440,809	793,600
6 - 10 Years	1,264,408	798,798
11 - 15 Years	0	64,534
	<u> </u>	<u> </u>
Total	<u>\$ 1,705,217</u>	<u>\$ 1,757,728</u>

The Township's investments shown above have remaining maturity dates that range from the years 2014 to 2024. The securities with longer maturity dates are highly sensitive to interest rate risk.

3. Fiduciary Funds – Escrow Fund

The Escrow Fund is an Agency Fund in that the Township has custodial capacity of funds deposited with it on behalf of developers, other applicants and other municipalities. Escrow deposits of \$1,118,691 represent the net developer and other balances held at December 31, 2013.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

4. Property Taxes

Taxes are levied on December 31, based on the assessed value established by the Montgomery County Board of Assessments. Bills are sent out on February 1 by the Township's tax collector. Real property in the Township was originally assessed at \$1,131,432,280 for 2013. Property taxes attach as an enforceable lien on property as of December 31. The Township receives all tax collections through its tax collector. The Township is legally permitted to levy up to 14 mills of assessed property valuation for general purposes (19 mills with court approval), and 3 mills for fire tax purposes. The Township had the following millage rates for the year ended December 31, 2013: general purposes, 2.95 mills; fire tax purposes, .620 mills; park and recreation, .220 mills; debt service, .555 mills.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

5. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 1/1/13	Additions	Disposals	Balance 12/31/13
Governmental Activities				
Assets Not Being Depreciated				
Land	\$ 8,683,406	\$ 70,394	\$ 0	\$ 8,753,800
Depreciable Assets				
Land Improvements	747,588	0	0	747,588
Buildings and Improvements	7,553,020	12,520	0	7,565,540
Park Equipment and Improvements	642,798	203,559	0	846,357
Equipment	366,511	19,716	0	386,227
Vehicles	1,842,464	29,140	152,082	1,719,522
Furniture and Fixtures	55,187	0	0	55,187
Infrastructure	22,143,350	850,962	0	22,994,312
Total at Historical Cost	42,034,324	1,186,291	152,082	43,068,533
Less Accumulated Depreciation				
Land Improvements	297,322	25,789	0	323,111
Buildings and Improvements	1,984,936	202,475	0	2,187,411
Park Equipment and Improvements	384,639	30,864	0	415,503
Equipment	214,473	29,858	0	244,331
Vehicles	1,188,479	154,010	141,982	1,200,507
Furniture and Fixtures	37,393	4,676	0	42,069
Infrastructure	10,430,643	528,130	0	10,958,773
Total Accumulated Depreciation	14,537,885	975,802	141,982	15,371,705
Total Governmental Activities Net Capital Assets	<u>\$ 27,496,439</u>	<u>\$ 210,489</u>	<u>\$ 10,100</u>	<u>\$ 27,696,828</u>
Business-Type Activities				
Pool	\$ 6,846,164	\$ 10,533	\$ 0	\$ 6,856,697
Less Accumulated Depreciation	955,798	179,098	0	1,134,896
Total Business-Type Net Capital Assets	<u>\$ 5,890,366</u>	<u>\$ (168,565)</u>	<u>\$ 0</u>	<u>\$ 5,721,801</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

5. Capital Assets (Continued)

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 145,145
Police	90,520
Highway Maintenance	657,792
Parks	71,667
Code Enforcement	10,678
	<u>975,802</u>
Business-Type Activities	
Pool	<u>179,098</u>
 Total Depreciation Expense	 <u><u>\$ 1,154,900</u></u>

6. Short -Term Debt

	Balance 1/1/13	Loan Proceeds	Principal Payments	Balance 12/31/13
Tax Anticipation Note 2013	<u>\$0</u>	<u>\$750,000</u>	<u>\$750,000</u>	<u>\$0</u>

Tax Anticipation Note 2013

In January 2013, the Township issued a \$750,000 tax anticipation note in advance of property tax collections and other government revenues, depositing the proceeds in its General Fund. This note was paid off during 2013. Interest expense for the year totaled \$2,981.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

7. Long-Term Debt

The Township's General Long-Term Debt changed as follows during the year:

	Balance 1/1/13	Proceeds	Principal Payments	Balance 12/31/13
Governmental Activities				
2003 General Obligation Note - Series A	\$ 794,000	\$ 0	\$ 150,000	\$ 644,000
2003 General Obligation Note - Series B	1,108,000	0	0	1,108,000
2011 General Obligation Note - Series B	745,000	0	0	745,000
Pennsylvania Infrastructure Loan	850,000	0	164,083	685,917
Business-Type Activities				
2006 General Obligation Note	2,055,000	0	117,000	1,938,000
2011 General Obligation Note - Series A	744,000	0	1,000	743,000
	<u>\$ 6,296,000</u>	<u>\$ 0</u>	<u>\$ 432,083</u>	<u>\$ 5,863,917</u>

A. 2003 General Obligation Note - Series A and B

On July 25, 2003, the Township issued General Obligation Notes in the amount of \$2,500,000 (Series A) and \$1,500,000 (Series B) through the Delaware Valley Regional Finance Authority. The interest rate on these notes was both fixed and variable. On January 25, 2011, the Township issued the 2011 General Obligation Note, Series A and B for the purpose of refunding the variable portion of this note (see Item C) and entering into a fixed rate swap (see Note 15).

Additionally, the Township executed a fixed rate swap agreement, which fixed its interest rate for 75% of the original note proceeds (see Note 15). For the Series A portion, principal payments are due on June 25 of each year as shown below. For the Series B portion, principal payments are due on June 25 of each year, beginning in the year 2018, as shown below. These notes were issued for the purpose of constructing a new Township administration building and renovating other Township properties. These notes were issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

In 2012, the Township entered into a fixed rate conversion for a portion of the 2003 Notes, Series A and B. The purpose of the conversion is to provide more level annual debt service payments. The new fixed rate for the portions of the notes that were converted is 1.60% per annum.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

7. Long-Term Debt (Continued)

A. 2003 General Obligation Note - Series A and B (Continued)

The revised debt service requirements for the 2003 General Obligation Note, Series A and B, are shown below.

<u>Year</u>	<u>Principal</u>	<u>12/31/13 Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
Series A				
2014	\$ 154,000	1.60 – 4.499%	\$ 18,221	\$ 172,221
2015	159,000	1.60 – 4.499%	13,209	172,209
2016	164,000	1.60 – 4.499%	8,017	172,017
2017	167,000	1.60 – 4.499%	2,689	169,689
	<u>\$ 644,000</u>		<u>\$ 42,136</u>	<u>\$ 686,136</u>
Series B				
2014	\$ 0	1.60 – 4.575%	\$ 37,884	\$ 37,884
2015	0	1.60 – 4.575%	37,884	37,884
2016	0	1.60 – 4.575%	37,884	37,884
2017	0	1.60 – 4.575%	37,884	37,884
2018	172,000	1.60 – 4.575%	34,976	206,976
2019-2023	936,000	1.60 – 4.575%	82,305	1,018,305
	<u>\$ 1,108,000</u>		<u>\$ 268,817</u>	<u>\$ 1,376,817</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

7. Long-Term Debt (Continued)

B. 2006 General Obligation Note

On August 25, 2006, the Township issued a General Obligation Note in the amount of \$3,500,000 through the Delaware Valley Regional Finance Authority. The interest rate on this note was both fixed and variable. On January 25, 2011, the Township issued the 2011 General Obligation Note, Series A and B for the purpose of refunding the variable portion of this note (see Item C) and entering into a fixed rate swap (see Note 15). The variable rate was based on the weekly high-grade market index comprised of seven-day, tax-exempt, variable rate demand notes, published weekly and reset each Thursday by the Bond Market Association. The maximum rate was 15% per annum.

Additionally, the Township executed a fixed rate swap agreement, which fixed its interest rate for 75% of the original note proceeds (see Note 15). Principal payments are due on August 25 of each year as shown below. These notes were issued for the purpose of constructing a new municipal pool complex. These notes were issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

In 2012, the Township entered into a fixed rate conversion for a portion of the 2006 Notes. The purpose of the conversion is to provide more level annual debt service payments. The new fixed rate for the portion of the note that was converted is 1.875% per annum.

The revised debt service requirements for the 2006 General Obligation Note are shown below.

<u>Year</u>	<u>Principal</u>	<u>12/31/13 Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 120,000	1.875 – 4.475%	\$ 65,289	\$ 185,289
2015	125,000	1.875 – 4.475%	61,200	186,200
2016	130,000	1.875 – 4.475%	56,924	186,924
2017	135,000	1.875 – 4.475%	52,461	187,461
2018	138,000	1.875 – 4.475%	47,838	185,838
2019-2023	764,000	1.875 – 4.475%	164,220	928,220
2024-2026	526,000	1.875 – 4.475%	31,078	557,078
	<u>\$ 1,938,000</u>		<u>\$ 479,010</u>	<u>\$ 2,417,010</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

7. Long-Term Debt (Continued)

C. 2011 General Obligation Note - Series A and B

On January 25, 2011, the Township issued General Obligation Notes in the amount of \$745,000 (Series A) and \$745,000 (Series B) through the Delaware Valley Regional Finance Authority. The Township executed a fixed rate swap agreement (see Note 15), which fixed its interest rate for the note proceeds at 2.42% (Series A) and 3.10% (Series B). Principal payments are due on January 25 of each year as shown below. These notes were issued for the purpose of refunding the variable portions of the 2003 (Series A and B) and 2006 General Obligation Bonds. These notes were issued as non-electoral debt. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

The debt service requirements for the 2011 General Obligation Note, Series A and B, are shown below.

<u>Year</u>	<u>Principal</u>	<u>12/31/13 Interest Rate</u>	<u>Interest</u>	<u>Total Debt Service</u>
Series A				
2014	\$ 1,000	2.42%	\$ 17,969	\$ 18,969
2015	1,000	2.42%	17,944	18,944
2016	1,000	2.42%	17,920	18,920
2017	1,000	2.42%	17,896	18,896
2018	1,000	2.42%	17,872	18,872
2019-2023	5,000	2.42%	88,995	93,995
2024-2028	503,000	2.42%	59,496	562,496
2029-2030	230,000	2.42%	5,614	235,614
	<u>\$ 743,000</u>		<u>\$ 243,706</u>	<u>\$ 986,706</u>
Series B				
2014	\$ 0	3.10%	\$ 23,095	\$ 23,095
2015	0	3.10%	23,095	23,095
2016	0	3.10%	23,095	23,095
2017	0	3.10%	23,095	23,095
2018	0	3.10%	23,095	23,095
2019-2023	0	3.10%	115,475	115,475
2024-2028	517,000	3.10%	75,997	592,997
2029-2030	228,000	3.10%	7,130	235,130
	<u>\$ 745,000</u>		<u>\$ 314,077</u>	<u>\$ 1,059,077</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

7. Long-Term Debt (Continued)

D. Pennsylvania Infrastructure Note

On November 20, 2012, the Township issued a General Obligation Note in the amount of \$850,000 with the Commonwealth of Pennsylvania Department of Transportation. The interest rate on this note is 1.625% per annum. Principal and interest payments are due semi-annually through December 2017, as shown below. These notes were issued for the purpose of repairing a structurally deficient bridge and repairing roads in the Township. These notes are secured through Liquid Fuels funding and any future grants from the Commonwealth. The Township has pledged its full faith and taxing power, and is required to include in its budget for each year the amount of debt service on the notes, which will be payable in such fiscal year.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 167,220	\$ 10,469	\$ 177,689
2015	169,948	7,741	177,689
2016	172,721	4,968	177,689
2017	<u>176,028</u>	<u>2,151</u>	<u>178,179</u>
Total	<u>\$ 685,917</u>	<u>\$ 25,329</u>	<u>\$ 711,246</u>

E. Interest Expense

Interest expense during the year on all the above-noted long-term debt totaled \$184,250.

8. Capital Lease Payable

The Township entered into a lease agreement for the acquisition of a street sweeper. An annual lease payment of \$31,777 is due through the year 2014. The capitalized cost of the leased equipment is \$144,690 and accumulated depreciation is \$55,465 at December 31, 2013. At December 31, 2013, future lease payments are due as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 31,742
Less Interest Portion	<u>(1,315)</u>
	<u>\$ 30,427</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

9. Fund Balance Classifications

	General Fund	State Highway Aid Fund	Impact Fees Fund	Nonmajor Governmental Funds	Total
Restricted for:					
Capital Acquisition or Construction	\$ 0	\$ 0	\$ 636,214	\$ 0	\$ 636,214
Highway Improvements	0	168,026	0	0	168,026
Fire Protection	0	0	0	52,514	52,514
Debt Service	0	0	0	141,400	141,400
	<u>0</u>	<u>168,026</u>	<u>636,214</u>	<u>193,914</u>	<u>998,154</u>
Assigned for:					
Capital Acquisition or Construction	0	0	65,148	240,794	305,942
Fire Protection	0	0	0	11,115	11,115
Parks and Recreation	0	0	0	14,649	14,649
Community Pool Improvements	0	0	0	12,008	12,008
Community Recycling	0	0	0	111,699	111,699
Debt Service	0	0	0	1,004	1,004
	<u>0</u>	<u>0</u>	<u>65,148</u>	<u>391,269</u>	<u>456,417</u>
Unassigned	<u>1,502,118</u>	<u>0</u>	<u>0</u>	<u>(23,896)</u>	<u>1,478,222</u>
Total Fund Balances	<u>\$1,502,118</u>	<u>\$ 168,026</u>	<u>\$ 701,362</u>	<u>\$ 561,287</u>	<u>\$ 2,932,783</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

10. Interfund Transactions

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Due To/From			
Tax Revenues to be Distributed	Debt Service	General	\$6,757
Advanced for Capital Purchases	Contribution	Park & Recreation Reserve	\$25,000
Transfers			
Operating Expenses	Pool	General	\$18,065
Operating Expenses	Pool	Pool & Open Space Reserve	\$3,000
Capital Purchases	Capital Reserve	General	\$17,000
Capital Purchases	Equipment Reserve	Fire	\$182,000
Capital Purchases	Pool	Pool & Open Space Reserve	\$10,533
Capital Purchases	Park & Recreation Reserve	Park & Recreation	\$54,000
Capital Construction	State Highway Aid	General	\$50,000
Debt Service	Pool	Debt Service	\$205,240

11. Deferred Compensation Plans

The Township offers substantially all its employees two deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans permit participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Prior to 1997 all amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the Township (without being restricted to the provisions of benefits under the plan), subject to the claims of the Township's general creditors. Participants' rights under the plan were equal to those of general creditors of the Township in an amount equal to the fair market value of the deferred account for each participant.

During 1997 the Township amended the plan in accordance with recent IRS amendments of IRC Section 457(g). As a result of the amendment, assets of the plan are now placed in trust for the exclusive benefit of participants and their beneficiaries. IRC Section 457(g) states that the Township no longer owns the amounts deferred by employees, including the related earnings thereon. Accordingly, the assets and the corresponding liability for the compensation deferred by plan participants, including earnings, are no longer reported in the financial statements of the Township.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

12. Defined Benefit Pension Plans

A. Description of Plans

The Township contributes to two single-employer defined benefit pension plans, Hatfield Township Police Pension Plan and Hatfield Township Non-Uniform Employees' Pension Plan established by Resolutions 92-03 and 74-16, respectively. Assets are held separately and may only be used for the payment of benefits to members of the Plan. The plans are governed by Hatfield Township Board of Commissioners who are responsible for the management of the assets of the plans. The Township has delegated the authority to manage certain plan assets to Univest Bank and Trust Co.

Additional disclosures required by GASB Statement No. 25 are contained in separate financial reports of the plans prepared by the plans' actuary. A copy of the plans' financial statements can be obtained at the Township Municipal Office.

Membership of each plan consisted of the following at January 1, 2013, the date of the latest actuarial valuation:

	<u>Police</u>	<u>Non-Uniform</u>
Active Employees	26	25
Retirees and Beneficiaries Currently Receiving Benefits	13	7
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	<u>3</u>	<u>6</u>
Total	<u>42</u>	<u>38</u>

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013**

12. Defined Benefit Pension Plans (Continued)

A. Description of Plans (Continued)

The following table provides information concerning the **Township's Police Pension Plan**:

Covered Employees:	All full-time uniformed employees.
Current Annual Covered Payroll (2013):	\$2,812,005
Normal Retirement:	Age 50 and the completion of 25 years of service.
Early Retirement:	After 20 years of service.
Vesting:	None for the first 12 years of service; thereafter, 100%.
Retirement Benefit:	The monthly pension shall be 50% of the average compensation of the participant's last 36 months of employment, plus a service increment of \$100 per month, if officer completes 26 years or more of benefit service.
Death Benefit:	A pension shall be provided to a retired officer's spouse or to the spouse of an officer eligible to retire, equal to 50% of the eligible pension. If no spouse, then payable to children under the age of 18.
Disability Benefit Service Related:	A disability pension shall be provided to an officer with a total and permanent service related disability equal to 50% of the officer's monthly salary at the time of disability.
Non-Service Related:	None.
Other Benefits	
Pre-Retirement Death Benefit:	If any participant dies in service, then participant's surviving spouse shall be entitled to 100% of the participant's monthly compensation at the date of participant's death for life or until remarried. If no spouse, then payable to children under the age of 18.
Member Contributions Rate:	5% of compensation.
Interest Rate Credited to Member Contributions:	3.5% per annum.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

12. Defined Benefit Pension Plans (Continued)

A. Description of Plans (Continued)

The following table provides information concerning the **Township's Non-Uniform Employees' Pension Plan**:

Covered Employees:	All full-time non-uniformed employees employed by the Township prior to January 1, 2013.
Current Annual Covered Payroll (2013):	\$1,648,608
Normal Retirement:	Age 65 and the completion of 10 years of credited service.
Early Retirement:	Age 55 with 25 years of service, or age 62 with 10 years of service, if earlier.
Vesting:	None for the first five years of service; thereafter 100%.
Retirement Benefit:	The monthly pension shall be 30% of average compensation, based on three highest consecutive years, plus 30% of average compensation in excess of \$2,083. Total benefit is reduced 1/25 th for each year of service less than 25 by retirement.
Death Benefit	
Before Retirement:	Beneficiary receives the present value of the accrued pension benefit at the date of death.
After Retirement:	The form of benefit payment in force for such participant at the time death occurs.
Disability Benefit:	After 6 months of disability, the actuarial equivalent of accrued benefits is payable to those participants who become totally and permanently disabled.
Other Benefits	
Late Retirement:	Normal Retirement Benefit based on the Final Monthly Average Compensation and years of credited service as calculated at actual retirement.
Vesting Benefit:	Accrued Benefit at date of termination multiplied by the vested percentage; payable at Normal Retirement.
Member Contributions Rate:	N/A

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

12. Defined Benefit Pension Plans (Continued)

A. Description of Plans (Continued)

The Commonwealth of Pennsylvania provides funds (foreign casualty insurance premium taxes) to the Township, which are used in making contributions to the plans. The Township is required to contribute any remaining amounts necessary to fund the plans, using the actuarial basis specified by the state statute.

B. Funding Policy

The Township's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The employer's contribution rate for normal cost is determined using the Entry Age Normal Actuarial Funding Method. The current rate is 15.0% of annual covered payroll for police and 11.8% for non-uniformed employees.

C. Annual Pension Cost and Net Pension Obligation

During 1998, the Township adopted GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. This statement sets forth provisions for recognizing annual pension cost and a net pension obligation or asset. In adopting this statement, the net pension asset was calculated in accordance with GASB 27. No asset or liability was reflected prior to implementation of GASB 27.

The Township's annual pension cost for the police and non-uniform plans was \$750,479 and \$192,600 for the year, respectively.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013**

12. Defined Benefit Pension Plans (Continued)

C. Annual Pension Cost and Net Pension Obligation (Continued)

The annual required contribution for the current year was determined as part of the January 1, 2011, biannual actuarial valuation using the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5% per annum. The unfunded actuarial accrued liability is being amortized using the level dollar method.

Three-Year Trend Information

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
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Police Pension Plan

12/31/11	\$466,638	100%	\$0
12/31/12	\$447,277	100%	\$0
12/31/13	\$750,479	100%	\$0

Non-Uniform Pension Plan

12/31/11	\$155,870	100%	\$0
12/31/12	\$166,737	100%	\$0
12/31/13	\$192,600	100%	\$0

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

12. Defined Benefit Pension Plans (Continued)

D. Funding Status and Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
				Unfunded (assets in excess of)		Unfunded (assets in excess of)
Valuation January 1st	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Actuarial Accrued Liability	Projected Annual Covered Payroll	Actuarial Accrued Liability as % of Payroll
			(1)/(2)	(2)-(1)		(4)/(5)

Police Pension Plan

2013	\$11,009,453	\$15,085,796	73.0%	\$4,076,343	\$2,536,673	160.7%
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Non-Uniform Pension Plan

2013	\$2,288,720	\$2,543,957	90.0%	\$255,237	\$1,438,689	17.7%
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The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. Additional information as of the latest actuarial valuation follows.

	<u>Police</u>	<u>Non-Uniform</u>
Valuation Date	1/1/13	1/1/13
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Amortization Method	Level Dollar Closed	Level Dollar Closed
Amortization Period	11 Years	17 Years
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions		
Investment Rate of Return	8%	8%
Projected Salary Increases	5%	5%
Cost of Living Adjustments	4%	N/A

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013**

12. Defined Benefit Pension Plans (Continued)

E. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information may be found beginning on page 69.

13. Money Purchase Pension Plan

The Township offers a pension plan to its full time, non-uniformed employees hired after December 31, 2012. Under this plan, participants are required to contribute 1.5% of their compensation each year. The Township is required to contribute from 3% to 8% of the participant's compensation, depending on their years of service. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The amount contributed by the Township for the year ended December 31, 2013 was \$8,168.

The assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. The Township is not the owner of the amounts deferred by employees, including the related income on those amounts. Accordingly, no financial activity for this plan is included in the Township's financial statements.

14. Post-Employment Benefits

A. Police

Voluntary Employees Beneficiary Association (VEBA)

In addition to the pension benefits described in Note 12, the Township provides post-employment health care benefits through a defined contribution plan, in accordance with the retiree medical plan, to all uniformed employees who retire from the Township in accordance to the criteria listed in Note 12.

The Township makes yearly contributions to a medical reimbursement account established on behalf of each eligible employee, based on years of service as of the effective date of the plan. As required by the union contract, the contribution for the year ended December 31, 2013, was \$75,000. Employees are not required to contribute to the plan.

Under the terms of the plan, eligible retirees shall be entitled to receive reimbursement for eligible medical expenses up to the amount maintained in their medical reimbursement account maintained for the respective retiree. Eligible medical expenses are any medical expenses that would be eligible for deduction on a federal individual income tax return, without regard to any limitations imposed based on the adjusted gross income of an eligible retiree.

The plan became effective January 1, 2004. Currently, there are no retirees receiving benefits and 26 uniformed employees have received contributions in their medical reimbursement account.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

14. Post-Employment Benefits (Continued)

A. Police (Continued)

Post-Retirement Health Benefits

The Township provides post-retirement health benefits for Police Officers. The plan is a single-employer defined benefit plan. Separate financial statements are not issued for the plan.

For police officers who voluntarily separate their employment with the Township after reaching their superannuation retirement date, the Township will fully pay fifty percent (50%) of the premium coverage of the Officer and qualified spouse, in the health insurance plan then being offered to active full-time police officers until such time that he/she reaches Medicare eligibility or the occurrence of some other disqualifying event, as outlined in the police contract. The remaining 50% of the premium obligation attributable to continued participation shall be the sole responsibility of the Officer. The Township will pay the continued coverage and bill the retiree for 50% of the cost. Only officers who have retired after January 1, 2009, after completing 25 years of continuous service, and who have reached 50 years of age are eligible.

The Township has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs. As of December 31, 2013, there were 2 retired participants, neither of which is eligible to participate in the plan. The Township's pay-as-you-go cost for 2013 was \$0. The Township is currently working on obtaining an actuarial valuation of the plan; however, it was not complete as of the date of this report.

B. Non-Uniform

Effective January 1, 2007, the Township adopted a retirement health savings plan for non-uniformed employees. In 2013, the Township contributed 1.5% of the salary of full-time, non-uniformed employees, or \$21,256. Employees are not required to contribute to the plan.

Under the terms of the plan, eligible retirees shall be entitled to receive reimbursement for eligible medical expenses up to the amount maintained in their medical reimbursement account maintained for the respective retiree. Eligible medical expenses are any medical expenses that would be eligible for deduction on an individual income tax return, without regard to any limitations imposed based on the adjusted gross income of an eligible retiree.

Currently, there are five retirees receiving benefits and 25 non-uniformed employees are receiving contributions.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

15. Derivative Instruments and Hedging Activities

A. 2003 General Obligation Note, Series A and B

As described in Note 7, Item A, the Township entered into a fixed rate swap agreement. The agreement applies to the total amount of the notes outstanding. The purpose of this agreement is to hedge the risk of change in the interest rates and to assist the Township in stabilizing the cash flow requirements needed to service the outstanding amounts (also defined as the "notional amount"). The interest rate swap agreement began in 2009 and ends on the date concurrent with the final payment of the loan.

Under the interest rate swap agreement, the Township is required to make monthly interest payments at the following fixed interest rates over the remaining term of the loan.

<u>Note</u>	<u>Principal</u>	<u>Interest Rate</u>
Series A		
2003, Note a	\$ 211,000	3.620%
2003, Note b	222,000	1.600%
2003, Note c	<u>211,000</u>	4.499%
Total	<u>\$ 644,000</u>	
Series B		
2003, Note a	\$ 375,000	4.000%
2003, Note b	358,000	1.600%
2003, Note c	<u>375,000</u>	4.575%
Total	<u>\$ 1,108,000</u>	

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred outflow of resources in the Statement of Net Position. The market value of the interest rate swap in favor of the Delaware Valley Regional Finance Authority as of December 31, 2013, was \$70,492 and is recorded in the governmental funds in the statement of net position.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

15. Derivative Instruments and Hedging Activities (Continued)

B. 2006 General Obligation Note

As described in Note 7, Item B, the Township entered into a fixed rate swap agreement. The agreement applies to the total amount of the notes outstanding. The purpose of this agreement is to hedge the risk of change in the interest rates and to assist the Township in stabilizing the cash flow requirements needed to service the outstanding amounts (also defined as the "notional amount"). The interest rate swap agreement began in 2009 and ends on the date concurrent with the final payment of the loan.

Under the interest rate swap agreement, the Township is required to make monthly interest payments at the following fixed interest rates over the remaining term of the loan.

<u>Note</u>	<u>Principal</u>	<u>Interest Rate</u>
2006, Note a	\$ 648,000	3.950%
2006, Note b	642,000	1.875%
2006, Note c	<u>648,000</u>	4.475%
Total	<u>\$ 1,938,000</u>	

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred outflow of resources in the Statement of Net Position. The market value of the interest rate swap in favor of the Delaware Valley Regional Finance Authority as of December 31, 2013, was \$76,905 and is recorded as a business-type activity in the statement of net position.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

15. Derivative Instruments and Hedging Activities (Continued)

C. 2011 General Obligation Note, Series A and B

As described in Note 7, Item C, the Township entered into another fixed rate swap agreement. The agreement applies to the total amount of the notes outstanding. The purpose of this agreement is to hedge the risk of change in the interest rates and to assist the Township in stabilizing the cash flow requirements needed. This interest rate swap agreement began in 2011 and ends on the date concurrent with the final payment of the loan.

Under the interest rate swap agreement, the Township is required to make monthly interest payments at the following fixed interest rates over the remaining term of the loan.

<u>Note</u>	<u>Principal</u>	<u>Interest Rate</u>
2011, Series A	\$ 743,000	2.42%
2011, Series B	<u>745,000</u>	3.10%
Total	<u>\$ 1,488,000</u>	

With the execution of the fixed rate swap agreement and in accordance with GASB No. 53, "Accounting and Financial Reporting for Derivative Instruments", the Township accounts for the interest rate swap as a hedging derivative. The swap agreement has been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the change in fair value of the swap agreement has been reflected as a deferred outflow of resources in the Statement of Net Position. For Series A, the market value of the interest rate swap in favor of the Delaware Valley Regional Finance Authority as of December 31, 2013, was \$29,782 and is recorded in the business-type activity in the statement of net position. For Series B, the market value of the interest rate swap in favor of the Delaware Valley Regional Finance Authority as of December 31, 2013, was \$48,503 and is recorded in the governmental funds in the statement of net position.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

15. Derivative Instruments and Hedging Activities (Continued)

D. Derivative Instrument Activity

	Governmental Funds			Business-Type Activity		
	2003 GON	2011 GON Series B	Total	2006 GON	2011 GON Series A	Total
Fair Value of Derivative Instrument on December 31, 2012	\$ (145,814)	\$ (82,894)	\$ (228,708)	\$ (170,729)	\$ (41,807)	\$ (212,536)
Change in Fair Value	<u>75,322</u>	<u>34,391</u>	<u>109,713</u>	<u>93,824</u>	<u>12,025</u>	<u>105,849</u>
Fair Value of Derivative Instrument on December 31, 2013	<u>\$ (70,492)</u>	<u>\$ (48,503)</u>	<u>\$ (118,995)</u>	<u>\$ (76,905)</u>	<u>\$ (29,782)</u>	<u>\$ (106,687)</u>

E. Risks

Credit Risk

At December 31, 2013, the Township is not exposed to credit risk on the interest rate swap because it is in a negative fair value or liability position. However, if interest rates change and the fair value become positive, the Township would have exposure to credit risk in the amount of the derivative's positive fair value.

Termination Risk

The Township or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If terminated, the variable-rate bonds' interest rate risk would no longer be effectively hedged. In addition, if at the time of termination the swap has a negative fair value (ex: in a liability position), the Township would be liable to the counterparty for a payment equal to the swap's fair value or liability amount, subject to any netting arrangements related to other derivatives.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013

16. Risk Management

The Township is exposed to various kinds of loss related to limited torts; theft of, and damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance.

a. Health Care Coverage

The Township participates in the Delaware Valley Health Insurance Trust (DVHIT). DVHIT is a regional risk sharing pool providing health insurance benefits to employees and dependents of participating municipalities.

b. Workers' Compensation Coverage

The Township participates in the Delaware Valley Workers' Compensation Trust (DVWCT). DVWCT is a regional risk sharing pool providing workers' compensation benefits to employees.

c. Insurance Coverage

The Township participates in the Delaware Valley Insurance Trust (DVIT). DVIT is a regional risk sharing pool that provides commercial, liability and bonding coverage for the Township.

Management believes the above coverages are sufficient to preclude any significant uninsured losses to the Township. There have been no significant reductions in coverage from the prior year.

17. Contingencies

The Township is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of the above-noted proceedings cannot be predicted due to the insurance coverage maintained by the Township, management feels that any settlement or judgment not covered by insurance would not materially affect the financial condition of the Township.

**HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Financial Statements
December 31, 2013**

18. Recent Accounting Pronouncements Issued, Not Yet Effective

GASB Statement No. 67, Financial Reporting for Pension Plans, will be effective for the Township for the year ending December 31, 2014. The objective of this statement is to improve financial reporting of governmental pension plans through enhanced note disclosure and required supplementary information. This statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, will be effective for the Township for the year ending December 31, 2015. The objective of this statement is to require recognition of the entire net pension liability, a more comprehensive measure of pension expense, and to further expand note disclosure and required supplementary information. This statement replaces the requirements of GASB Statement #27, Accounting for Pensions by State and Local Governmental Employers.

The Township's Board of Commissioners and management have not yet determined the effect these Statements will have on the Township's financial statements.

19. Subsequent Events

Management has evaluated subsequent events through June 27, 2014, the date which the financial statements were available to be issued.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Pension Plan Funding Progress
December 31, 2013
(Unaudited)

	(1)	(2)	(3)	(4)	(5)	(6)
				Unfunded (assets in excess of)		Unfunded (assets in excess of)
Valuation January 1st	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded	Actuarial Accrued Liability	Projected Annual Covered Payroll	Actuarial Accrued Liability as % of Payroll
			(1)/(2)	(2)-(1)		(4)/(5)

POLICE PENSION PLAN

2005	\$7,150,086	\$8,508,364	84.0%	\$1,358,278	\$1,803,538	75.3%
2007	\$8,288,815	\$9,411,074	88.1%	\$1,122,259	\$1,834,662	61.2%
2009	\$8,721,749	\$11,273,011	77.4%	\$2,551,262	\$2,287,771	111.5%
2011	\$9,790,646	\$13,226,698	74.0%	\$3,436,052	\$2,307,284	148.9%
2013	\$11,009,453	\$15,085,796	73.0%	\$4,076,343	\$2,536,673	160.7%

NON-UNIFORM PENSION PLAN

2005	\$1,034,200	\$954,766	108.3%	\$(79,434)	\$960,496	(8.3)%
2007	\$1,330,795	\$1,233,409	107.9%	\$(97,386)	\$1,013,804	(9.6)%
2009	\$1,586,213	\$1,508,727	105.1%	\$(77,486)	\$1,256,563	(6.2)%
2011	\$1,906,718	\$2,108,232	90.4%	\$201,514	\$1,455,781	13.8%
2013	\$2,288,720	\$2,543,957	90.0%	\$255,237	\$1,438,689	17.7%

Isolated analysis of the dollar amounts of net position available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability can be misleading. Expressing the net position available for benefits as a percentage of the actuarial accrued liability provides one indication of the Township's police public employee retirement systems (PERS) funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Required Supplementary Information
Schedule of Contributions from Employers and Other Contributing Entities
December 31, 2013
(Unaudited)

<u>Year</u>	<u>Annual Required Contribution (ARC)</u>	<u>Employer Contribution</u>	<u>State Aid</u>	<u>Contributions as a % of ARC</u>
POLICE PENSION PLAN				
2004	\$96,715	\$0	\$117,061	100.0%
2005	\$274,706	\$142,146	\$132,560	100.0%
2006	\$289,943	\$135,517	\$154,426	100.0%
2007	\$313,459	\$146,461	\$166,998	100.0%
2008	\$322,840	\$156,108	\$166,732	100.0%
2009	\$334,873	\$173,862	\$161,011	100.0%
2010	\$351,857	\$190,115	\$161,742	100.0%
2011	\$466,638	\$30,116	\$436,522	100.0%
2012	\$447,277	\$268,472	\$178,805	100.0%
2013	\$750,479	\$548,492	\$201,987	100.0%
NON-UNIFORM PENSION PLAN				
2004	\$66,868	\$0	\$80,911	100.0%
2005	\$90,274	\$26,740	\$63,534	100.0%
2006	\$95,431	\$27,484	\$67,947	100.0%
2007	\$106,600	\$33,119	\$73,481	100.0%
2008	\$116,668	\$44,425	\$72,243	100.0%
2009	\$105,082	\$37,748	\$67,334	100.0%
2010	\$136,245	\$55,374	\$80,871	100.0%
2011	\$155,870	\$155,870	\$0	100.0%
2012	\$166,737	\$70,182	\$96,555	100.0%
2013	\$192,600	\$91,607	\$100,993	100.0%

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
General Fund and State Highway Aid Fund
Year Ended December 31, 2013

	General Fund		
	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 5,505,630	\$ 6,526,556	\$ 1,020,926
Intergovernmental	437,660	469,313	31,653
Charges for Services	1,168,335	1,182,427	14,092
Fines, Licenses and Permits	416,220	445,605	29,385
Interest Income and Rents	20,400	16,602	(3,798)
Miscellaneous Revenues	404,600	124,288	(280,312)
Total Revenues	<u>7,952,845</u>	<u>8,764,791</u>	<u>811,946</u>
Expenditures			
General Government	921,912	967,447	(45,535)
Public Safety	3,976,540	3,870,986	105,554
Public Works	921,574	831,019	90,555
Parks and Recreation	0	61,702	(61,702)
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Capital Expenditures	0	14,510	(14,510)
Insurance and Employee Benefits	2,132,297	2,159,057	(26,760)
Miscellaneous Governmental	36,080	16,776	19,304
Total Expenditures	<u>7,988,403</u>	<u>7,921,497</u>	<u>66,906</u>
Excess (Deficiency) of Revenues Over Over Expenditures	(35,558)	843,294	878,852
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>3,000</u>	<u>(85,065)</u>	<u>(88,065)</u>
Net Change in Fund Balances	(32,558)	758,229	790,787
Fund Balances			
Beginning of Year	<u>283,737</u>	<u>743,889</u>	<u>460,152</u>
End of Year	<u>\$ 251,179</u>	<u>\$ 1,502,118</u>	<u>\$ 1,250,939</u>

See Notes to Schedules of Budget to Actual Comparisons.

State Highway Aid Fund

Original Budget	Actual	Variance Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0
337,360	349,183	11,823
0	0	0
0	0	0
1,000	397	(603)
0	0	0
<u>338,360</u>	<u>349,580</u>	<u>11,220</u>
0	0	0
0	0	0
357,500	249,859	107,641
0	0	0
177,689	208,849	(31,160)
0	16,883	(16,883)
50,000	83,420	(33,420)
0	0	0
0	0	0
<u>585,189</u>	<u>559,011</u>	<u>26,178</u>
(246,829)	(209,431)	37,398
0	50,000	50,000
(246,829)	(159,431)	87,398
<u>439,771</u>	<u>327,457</u>	<u>(112,314)</u>
<u>\$ 192,942</u>	<u>\$ 168,026</u>	<u>\$ (24,916)</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Notes to Schedules of Budget to Actual Comparisons
December 31, 2013

1. Basis of Presentation

The Township has prepared the Schedule of Budget to Actual Comparisons using the same format as the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The Township did not amend its 2013 budget as originally adopted and, therefore, is presenting its original and final budget in one column for each fund presented.

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Pool Fund
Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenues			
Charges for Services	\$ 804,500	\$ 628,487	\$ (176,013)
Miscellaneous	4,500	1,537	(2,963)
Total Operating Revenues	<u>809,000</u>	<u>630,024</u>	<u>(178,976)</u>
Operating Expenses			
Salaries and Benefits	424,403	415,596	8,807
Depreciation	0	179,098	(179,098)
Utilities	44,500	63,609	(19,109)
Snack Bar	74,000	57,034	16,966
Repairs and Maintenance	41,400	31,367	10,033
Pool Supplies	47,200	28,548	18,652
Other Expenses	25,500	13,727	11,773
Office Supplies and Expenses	12,970	10,755	2,215
Uniforms	6,000	5,183	817
Total Operating Expenses	<u>675,973</u>	<u>804,917</u>	<u>(128,944)</u>
Operating Income (Loss) Before Nonoperating Revenues	<u>133,027</u>	<u>(174,893)</u>	<u>(307,920)</u>
Nonoperating Revenues (Expenses)			
Interest Income	0	62	62
Interest Expense	0	(87,174)	(87,174)
Transfers (to) from Other Funds	(90,000)	236,838	326,838
Total Nonoperating Revenue (Expenses)	<u>(90,000)</u>	<u>149,726</u>	<u>239,726</u>
Change in Net Assets	43,027	(25,167)	(68,194)
Fund Balances			
Beginning of Year	<u>564</u>	<u>3,070,621</u>	<u>3,070,057</u>
End of Year	<u>\$ 43,591</u>	<u>\$ 3,045,454</u>	<u>\$ 3,001,863</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2013

	<u>Fire Fund</u>	<u>Park and Recreation Fund</u>	<u>Capital Reserve Fund</u>
Assets			
Cash and Cash Equivalents	\$ 58,050	\$ 16,761	\$ 43,736
Taxes Receivable	26,310	9,408	0
Due from (to) Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u><u>\$ 84,360</u></u>	<u><u>\$ 26,169</u></u>	<u><u>\$ 43,736</u></u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 0	\$ 1,132	\$ 0
Accrued Wages and Payroll Taxes	<u>0</u>	<u>2,994</u>	<u>0</u>
Total Liabilities	<u>0</u>	<u>4,126</u>	<u>0</u>
Deferred Inflows of Resources			
Deferred Tax Receipts	<u>20,731</u>	<u>7,394</u>	<u>0</u>
Fund Balances			
Restricted	52,514	0	0
Assigned	11,115	14,649	43,736
Unassigned	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>63,629</u>	<u>14,649</u>	<u>43,736</u>
Total Liabilities and Fund Balances	<u><u>\$ 84,360</u></u>	<u><u>\$ 26,169</u></u>	<u><u>\$ 43,736</u></u>

<u>Contribution Fund</u>	<u>Pool and Open Space Fund</u>	<u>Park and Recreation Reserve Fund</u>	<u>Equipment Reserve Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 99,323	\$ 12,008	\$ 1,104	\$ 197,058	\$ 129,971	\$ 558,011
0	0	0	0	25,644	61,362
25,000	0	(25,000)	0	6,757	6,757
<u>\$ 124,323</u>	<u>\$ 12,008</u>	<u>\$ (23,896)</u>	<u>\$ 197,058</u>	<u>\$ 162,372</u>	<u>\$ 626,130</u>
\$ 12,624	\$ 0	\$ 0	\$ 0	\$ 1,364	\$ 15,120
0	0	0	0	0	2,994
12,624	0	0	0	1,364	18,114
0	0	0	0	18,604	46,729
0	0	0	0	141,400	193,914
111,699	12,008	0	197,058	1,004	391,269
0	0	(23,896)	0	0	(23,896)
111,699	12,008	(23,896)	197,058	142,404	561,287
<u>\$ 124,323</u>	<u>\$ 12,008</u>	<u>\$ (23,896)</u>	<u>\$ 197,058</u>	<u>\$ 162,372</u>	<u>\$ 626,130</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2013

	Fire Fund	Park and Recreation Fund	Capital Reserve Fund
Revenues			
Taxes	\$ 538,169	\$ 191,821	\$ 0
Intergovernmental	0	400	0
Charges for Services	0	56,218	0
Interest Income and Rents	183	17,869	38
Miscellaneous Revenues	0	36,751	34,755
Total Revenues	<u>538,352</u>	<u>303,059</u>	<u>34,793</u>
Expenditures			
General Government	0	0	7,949
Public Safety	315,000	0	510
Public Works	0	0	0
Parks and Recreation	0	246,158	0
Debt Service - Principal	0	0	0
Debt Service - Interest	0	0	0
Capital Expenditures	0	0	33,149
Total Expenditures	<u>315,000</u>	<u>246,158</u>	<u>41,608</u>
Excess (Deficiency) of Revenues Over Expenditures	223,352	56,901	(6,815)
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(182,000)</u>	<u>(54,000)</u>	<u>17,000</u>
Net Change in Fund Balances	41,352	2,901	10,185
Fund Balances			
Beginning of Year	<u>22,277</u>	<u>11,748</u>	<u>33,551</u>
End of Year	<u>\$ 63,629</u>	<u>\$ 14,649</u>	<u>\$ 43,736</u>

Contribution Fund	Pool and Open Space Fund	Park and Recreation Reserve Fund	Equipment Reserve Fund	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 483,904	\$ 1,213,894
0	0	12,422	0	0	12,822
0	0	0	0	0	56,218
115	25	25	155	403	18,813
65,969	3,000	7,030	0	30,000	177,505
<u>66,084</u>	<u>3,025</u>	<u>19,477</u>	<u>155</u>	<u>514,307</u>	<u>1,479,252</u>
0	0	0	0	0	7,949
0	0	0	180,000	0	495,510
34,929	0	0	0	0	34,929
1,535	22,706	0	0	0	270,399
0	0	0	0	150,000	150,000
0	0	0	0	86,945	86,945
70,394	0	201,569	0	0	305,112
<u>106,858</u>	<u>22,706</u>	<u>201,569</u>	<u>180,000</u>	<u>236,945</u>	<u>1,350,844</u>
(40,774)	(19,681)	(182,092)	(179,845)	277,362	128,408
<u>0</u>	<u>(13,533)</u>	<u>54,000</u>	<u>182,000</u>	<u>(205,240)</u>	<u>(201,773)</u>
(40,774)	(33,214)	(128,092)	2,155	72,122	(73,365)
<u>152,473</u>	<u>45,222</u>	<u>104,196</u>	<u>194,903</u>	<u>70,282</u>	<u>634,652</u>
<u>\$ 111,699</u>	<u>\$ 12,008</u>	<u>\$ (23,896)</u>	<u>\$ 197,058</u>	<u>\$ 142,404</u>	<u>\$ 561,287</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue and Nonmajor Capital Project Funds
Year Ended December 31, 2013

	Special Revenue		
	Fire Fund		
	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Taxes	\$ 508,464	\$ 538,169	\$ 29,705
Intergovernmental	0	0	0
Charges for Services	0	0	0
Interest Income and Rents	500	183	(317)
Miscellaneous Revenues	0	0	0
Total Revenues	<u>508,964</u>	<u>538,352</u>	<u>29,388</u>
Expenditures			
General Government	0	0	0
Public Safety	315,000	315,000	0
Public Works	0	0	0
Parks and Recreation	0	0	0
Capital Expenditures	0	0	0
Total Expenditures	<u>315,000</u>	<u>315,000</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	193,964	223,352	29,388
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(182,000)</u>	<u>(182,000)</u>	<u>0</u>
Net Change in Fund Balances	11,964	41,352	29,388
Fund Balances			
Beginning of Year	<u>3,532</u>	<u>22,277</u>	<u>18,745</u>
End of Year	<u>\$ 15,496</u>	<u>\$ 63,629</u>	<u>\$ 48,133</u>

Funds			Capital Project Fund		
Park and Recreation Fund			Capital Reserve Fund		
Original Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Actual	Variance Favorable (Unfavorable)
\$ 199,555	\$ 191,821	\$ (7,734)	\$ 0	\$ 0	\$ 0
600	400	(200)	0	0	0
71,140	56,218	(14,922)	0	0	0
20,040	17,869	(2,171)	500	38	(462)
27,990	36,751	8,761	0	34,755	34,755
<u>319,325</u>	<u>303,059</u>	<u>(16,266)</u>	<u>500</u>	<u>34,793</u>	<u>34,293</u>
0	0	0	2,000	7,949	(5,949)
0	0	0	0	510	(510)
0	0	0	0	0	0
287,255	246,158	41,097	0	0	0
0	0	0	33,500	33,149	351
<u>287,255</u>	<u>246,158</u>	<u>41,097</u>	<u>35,500</u>	<u>41,608</u>	<u>(6,108)</u>
32,070	56,901	24,831	(35,000)	(6,815)	28,185
<u>(30,000)</u>	<u>(54,000)</u>	<u>(24,000)</u>	<u>17,000</u>	<u>17,000</u>	<u>0</u>
2,070	2,901	831	(18,000)	10,185	28,185
24,931	11,748	(13,183)	57,345	33,551	(23,794)
<u>\$ 27,001</u>	<u>\$ 14,649</u>	<u>\$ (12,352)</u>	<u>\$ 39,345</u>	<u>\$ 43,736</u>	<u>\$ 4,391</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Contribution Fund
Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Intergovernmental	\$ 75,000	\$ 0	\$ (75,000)
Interest Income and Rents	500	115	(385)
Miscellaneous Revenues	50,100	65,969	15,869
Total Revenues	<u>125,600</u>	<u>66,084</u>	<u>(59,516)</u>
Expenditures			
Public Works	16,000	34,929	(18,929)
Parks and Recreation	114,079	1,535	112,544
Capital Expenditures	50,000	70,394	(20,394)
Total Expenditures	<u>180,079</u>	<u>106,858</u>	<u>73,221</u>
Excess (Deficiency) of Revenues Over Expenditures	(54,479)	(40,774)	13,705
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(60,000)</u>	<u>0</u>	<u>60,000</u>
Net Change in Fund Balances	(114,479)	(40,774)	73,705
Fund Balances			
Beginning of Year	<u>152,473</u>	<u>152,473</u>	<u>0</u>
End of Year	<u><u>\$ 37,994</u></u>	<u><u>\$ 111,699</u></u>	<u><u>\$ 73,705</u></u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Nonmajor Capital Project Funds
Year Ended December 31, 2013

	Pool and Open Space Fund		
	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Intergovernmental	\$ 0	\$ 0	\$ 0
Interest Income and Rents	200	25	(175)
Miscellaneous Revenues	0	3,000	3,000
Total Revenues	200	3,025	2,825
Expenditures			
Public Safety	0	0	0
Parks and Recreation	32,000	22,706	9,294
Capital Expenditures	0	0	0
Total Expenditures	32,000	22,706	9,294
Excess (Deficiency) of Revenues Over Expenditures	(31,800)	(19,681)	12,119
Other Financing Sources (Uses)			
Operating Transfers In (Out)	35,000	(13,533)	(48,533)
Net Change in Fund Balances	3,200	(33,214)	(36,414)
Fund Balances			
Beginning of Year	15,000	45,222	30,222
End of Year	\$ 18,200	\$ 12,008	\$ (6,192)

Park and Recreation Reserve Fund			Equipment Reserve Fund		
Original Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Actual	Variance Favorable (Unfavorable)
\$ 69,600	\$ 12,422	\$ (57,178)	\$ 0	\$ 0	\$ 0
100	25	(75)	350	155	(195)
15,100	7,030	(8,070)	0	0	0
84,800	19,477	(65,323)	350	155	(195)
0	0	0	197,500	180,000	17,500
197,500	0	197,500	0	0	0
0	201,569	(201,569)	0	0	0
197,500	201,569	(4,069)	197,500	180,000	17,500
(112,700)	(182,092)	(69,392)	(197,150)	(179,845)	17,305
11,322	54,000	42,678	182,000	182,000	0
(101,378)	(128,092)	(26,714)	(15,150)	2,155	17,305
135,245	104,196	(31,049)	189,850	194,903	5,053
<u>\$ 33,867</u>	<u>\$ (23,896)</u>	<u>\$ (57,763)</u>	<u>\$ 174,700</u>	<u>\$ 197,058</u>	<u>\$ 22,358</u>

HATFIELD TOWNSHIP
MONTGOMERY COUNTY, PA
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Debt Service Fund
Year Ended December 31, 2013

	<u>Original Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenues			
Taxes	\$ 455,071	\$ 483,904	\$ 28,833
Interest Income and Rents	160	403	243
Miscellaneous Revenues	30,000	30,000	0
Total Revenues	<u>485,231</u>	<u>514,307</u>	<u>29,076</u>
Expenditures			
Debt Service - Principal	289,000	150,000	139,000
Debt Service - Interest	199,115	86,945	112,170
Total Expenditures	<u>488,115</u>	<u>236,945</u>	<u>251,170</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,884)	277,362	280,246
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>0</u>	<u>(205,240)</u>	<u>(205,240)</u>
Net Change in Fund Balances	(2,884)	72,122	75,006
Fund Balances			
Beginning of Year	<u>53,385</u>	<u>70,282</u>	<u>16,897</u>
End of Year	<u>\$ 50,501</u>	<u>\$ 142,404</u>	<u>\$ 91,903</u>