

BOROUGH OF HATFIELD
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2019

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INTRODUCTORY SECTION

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FINANCIAL SECTION

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Independent Auditors' Report

To the Borough Council
Borough of Hatfield
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 the Borough of Hatfield as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough of Hatfield's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Borough of Hatfield'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.

Auditors' 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 auditors' 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 audit opinions.

To the Borough Council
Borough of Hatfield
Hatfield, Pennsylvania

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Hatfield as of December 31, 2019 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.

Emphasis of Matter

For the year ended December 31, 2019, the Borough of Hatfield adopted new accounting guidance, implementing Government Accounting Standards Board Statement (GASB) No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note P to the financial statements, subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has resulted in economic uncertainties which have the potential to have a significant impact on all Borough operations. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9, budgetary comparison information on page 47 and pension plan information on pages 48 through 51 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 sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Hatfield's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Limerick, Pennsylvania

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BOROUGH OF HATFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

This section of the Borough of Hatfield's (the Borough) annual financial report presents our discussion and analysis of the Borough's financial performance during the fiscal year that ended on December 31, 2019.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 include the following:

- The assets of the Borough of Hatfield exceeded its liabilities at December 31, 2019, by \$11,960,338 (net position). Of this amount, \$4,383,150 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the government's total net position decreased by \$96,693.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Borough's annual financial report consists of several sections. Taken together, they provide a comprehensive financial look at the Borough. The components of the report include the independent auditors' report, management's discussion and analysis, government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains other required and not required supplementary information in addition to the basic financial statements.

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Borough's financial position.

Management's discussion and analysis (MD&A), prepared by the Borough's management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have significant effect on financial position or results of operations.

The basic financial statements include the statement of net position, statement of activities, fund financial statements and the notes to the basic financial statements. Statement of net position and activities focus on entity-wide presentation using the accrual basis of accounting. They are designed to be more corporate-like in that all activities are consolidated into a total for the Borough.

- The statement of net position focuses on resources available for future operations. This statement presents a snapshot view of the assets the Borough owns, the liabilities it owes and the net difference.
- The statement of activities focuses on gross and net costs of the Borough programs and the extent to which such programs rely upon taxes and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by other sources.

BOROUGH OF HATFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

Fund financial statements focus separately on major Governmental Funds, Proprietary Funds and Fiduciary Funds. Governmental Funds statements follow the more traditional presentation of financial statements. The Borough's major Governmental Funds (General Fund, Capital Projects Fund and Building Fund) are presented in separate columns, and the remaining funds are combined into a column titled "Other Governmental Funds." Statements for the Borough's Proprietary and Fiduciary Funds follow the Governmental Funds and include net position, revenues, expenses and changes in net position and cash flows. The Proprietary Funds represent the Borough's Sewer and Electric Funds and can be found in more detail beginning with the statement of net position, Proprietary Fund. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The Borough's Fiduciary Funds consist of the Pension Funds. Fiduciary Funds are not reflected in the governmental-wide statements because the Borough cannot use these assets to finance its operations.

- The notes to the basic financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Borough's financial condition.

Other required supplementary information is additional information consisting of budgetary comparisons for the General Fund and pension plan funding progress.

Other supplementary information consists of the balance sheet and statements of revenues, expenditures and changes in fund balances for Other Non-Major Governmental Funds, as well as combining fiduciary fund statements.

FINANCIAL ANALYSIS OF THE BOROUGH AS A WHOLE

Net Position

The Borough's net position was \$11,960,338 on December 31, 2019. (See Table A-1)

Table A-1
The Borough's Net Position

	Governmental Activities	Business-Type Activities	2019 Totals	2018 Totals
ASSETS				
Current and other assets	\$ 2,088,788	\$ 3,398,797	\$ 5,487,585	\$ 6,106,355
Capital and non-current assets	8,687,993	3,492,160	12,180,153	10,918,225
TOTAL ASSETS	<u>10,776,781</u>	<u>6,890,957</u>	<u>17,667,738</u>	<u>17,024,580</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources, pension activity	3,317	3,316	6,633	193,561
LIABILITIES				
Current liabilities	405,326	648,031	1,053,357	1,522,587
Long-term liabilities	2,512,208	2,107,451	4,619,659	3,629,515
TOTAL LIABILITIES	<u>2,917,534</u>	<u>2,755,482</u>	<u>5,673,016</u>	<u>5,152,102</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources, pension activity	20,509	20,508	41,017	9,008
NET POSITION				
Net investment in capital assets	6,013,723	1,363,700	7,377,423	7,370,077
Restricted	199,765	-	199,765	133,853
Unrestricted	1,628,567	2,754,583	4,383,150	4,553,101
TOTAL NET POSITION	<u>\$ 7,842,055</u>	<u>\$ 4,118,283</u>	<u>\$ 11,960,338</u>	<u>\$ 12,057,031</u>

BOROUGH OF HATFIELD
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

Changes in Net Position

The entity-wide total revenues were \$5,852,871 for the year ended December 31, 2019. Earned income taxes and property taxes accounted for 12% of total revenue for the year. (See Table A-2)

Table A-2
Change in Net Position

	Governmental Activities	Business-Type Activities	2019 Totals	2018 Totals
REVENUES				
Program revenues				
Charges for services	\$ 144,174	\$ 4,213,795	\$ 4,357,969	\$ 4,528,553
Operating grants	332,162	-	332,162	170,878
General revenues				
Property tax	265,008	-	265,008	267,919
Deed transfer tax	102,510	-	102,510	41,785
Earned income tax	463,927	-	463,927	471,308
Alcoholic beverage tax	600	-	600	600
Investment earnings	14,425	175,721	190,146	73,976
Other	140,549	-	140,549	23,166
Transfers	3,066,646	(3,066,646)	-	-
TOTAL REVENUES	<u>4,530,001</u>	<u>1,322,870</u>	<u>5,852,871</u>	<u>5,578,185</u>
EXPENSES				
General government	739,147	-	739,147	629,333
Protection to persons and public	946,526	-	946,526	864,737
Sanitation	6,511	-	6,511	8,886
Sewer and electric	-	3,400,480	3,400,480	3,322,800
Highways	280,148	-	280,148	224,635
Recreation	113,775	-	113,775	64,535
Depreciation and amortization	252,933	-	252,933	188,441
Interest	210,044	-	210,044	33,744
TOTAL EXPENSES	<u>2,549,084</u>	<u>3,400,480</u>	<u>5,949,564</u>	<u>5,337,111</u>
CHANGE IN NET POSITION	1,980,917	(2,077,610)	(96,693)	241,074
Beginning net position	<u>5,861,138</u>	<u>6,195,893</u>	<u>12,057,031</u>	<u>11,815,957</u>
Ending net position	<u>\$ 7,842,055</u>	<u>\$ 4,118,283</u>	<u>\$ 11,960,338</u>	<u>\$ 12,057,031</u>

Total expenses exceeded revenues, decreasing net position \$96,693 from last year.

FINANCIAL ANALYSIS OF THE BOROUGH AT THE FUND LEVEL

General Fund Budgetary Highlights (See Page 47 for Detailed Schedule)

Over the course of the year, the Borough did not revise the annual operating budget.

- Actual revenues were \$246,983 more than budgeted.
- The actual expenditures were \$269,892 more than budgeted.

BOROUGH OF HATFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

Construction Projects and Debt Service

HERC (Hatfield Economic Revitalization Committee) is currently administering several recommendations of the 2009 Revitalization Plan. Such recommendations include the development of community events and grant opportunities for businesses. With the onset of the COVID-19 Health Emergency many of the 2020 community events have been canceled. The committee came up with alternatives such as live streaming of the Memorial Day Parade and movies in the park with social distancing and wearing of masks while navigating around the facility. Both ideas have been successful and helped lift the spirits of the community. The group is considering live streaming of the Tree Lighting ceremony as the caroling and tree lighting ceremony have been canceled for 2020.

The Montgomery County Planning Commission adopted the MONTCO 2040: A SHARED VISION the Comprehensive Plan for Montgomery County in 2015. This plan now has \$ 1,000,000 allocated in 2016 with annual allocations over the next five years. The Borough continues to apply for grants in the program.

In 2019 the Borough awarded contracts with several contractors through the public bidding process for concrete & paving projects. All projects were completed and the maintenance reviews of the work were performed in 2020.

In efforts to reduce I & I (Inflow and Infiltration) into the Borough's sanitary sewer system in 2018 the Borough applied for and received a CDBG (Community Development & Block Grant) to replace the sanitary sewer main on Orchard Lane. The grant application was unsuccessful, but the Borough resubmitted the application for 2020 and was awarded the CDBG Grant. The project is currently being considered for construction in 2021.

In July of 2019 construction was completed the new Municipal Complex and a Ribbon Cutting Ceremony was held in September.

Factors bearing on the Borough's Future

Council approved budget for 2020 allocates \$10,425,050 in Revenues with Expenditures of \$10,294,919 in all 10 funds of the budget. The primary focus of Borough Council, Staff and Consultants in 2020 is working with State Senator Maria Collett & State Representative Steve Malagari on Grant Funding.

The electric system is a major portion of the Borough's budget and resources. There are many factors that will affect the rates paid by the Borough in any new contract including the overall availability of electrical power generation sources, transmission congestion and prices for peak power and base loads. Based on recommendations from Utility Engineers the Borough's electric consultant the Borough moved toward restructuring the current PPA (Power Purchase Agreement). The Borough is currently under contract with NextEra Energy for electric services through 2032. Hatfield Borough entered into a contract with AMP (American Municipal Power) to replace the aging electric meter reading system with a new AMI (Advanced Metering Infrastructure) system. The system will allow remote reads and disconnects of electric meters. The system will also provide a customer portal to all account holders. The customer portal will provide useful hints on saving energy as well as customer billing and usage information. Hatfield Borough has also decided to install a BTM (Behind the Meter) Generator. The American Municipal Power generator project is under design and is scheduled to be online by July 2021. The generator will be utilized for peak shaving to reduce future cost for transmission and capacity charges from PJM Interconnection for PPL Corporation.

BOROUGH OF HATFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

The Borough worked with HTMA to make repairs to the Neshaminy Interceptor sanitary sewer conveyance system from the Borough connection to the sewer plant in Hatfield Township. The project began in late 2019 and was completed in the summer of 2020.

The federal and state governments in an effort to protect and improve the water quality of local streams is also placing additional burdens on boroughs and townships. The Municipal Separate Storm Sewer (MS4) Program mandates that the Borough obtain a NPDES permit for discharges of storm water into the local watershed. Through the MS4 Program, the Borough will be required to map its storm sewer collection and conveyance system and monitor its discharges into the waterways. The Borough has taken steps to meet the public education and outreach requirements by including the pertinent information on the Borough website, HTV and newsletter. Even though the program was mandated by the federal government under the Clean Water Act, there is no financial assistance from either the state or federal government to help relieve the burden of these requirements.

BOROUGH COUNCIL ADOPTED THE 2020 BUDGET WITH NO INCREASES TO REAL ESTATE TAXES and ELECTRIC RATES or SEWER RATES

CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Borough's finances and to demonstrate the accountability for the money that the Borough receives and disburses. If you have any questions about this report or need additional information, contact Michael DeFinis, Borough Manager.

BOROUGH OF HATFIELD
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 1,357,647	\$ 891,473	\$ 2,249,120
Investments	-	2,700,942	2,700,942
Taxes receivable	104,408	-	104,408
Accounts receivable	45,140	347,364	392,504
Internal balances	540,982	(540,982)	-
Restricted assets			
Escrow deposits	40,611	-	40,611
Capital assets not being depreciated			
Land	753,711	-	753,711
Capital assets being depreciated, net			
Building and other improvements	4,468,082	90,793	4,558,875
Machinery, vehicles, furniture and equipment	269,886	175,156	445,042
Infrastructure	3,196,314	3,226,211	6,422,525
TOTAL ASSETS	10,776,781	6,890,957	17,667,738
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	3,317	3,316	6,633
LIABILITIES			
Accounts payable	31,325	315,046	346,371
Accrued expenses	68,377	33,017	101,394
Due to other government	2,500	-	2,500
Escrows payable	40,611	178,508	219,119
Long-term liabilities			
Portion due or payable within one year			
Capital lease	26,973	-	26,973
Loans payable	235,540	121,460	357,000
Portion due or payable after one year			
Capital lease	36,757	-	36,757
Net pension liability	100,451	100,451	200,902
Loans payable	2,375,000	2,007,000	4,382,000
TOTAL LIABILITIES	2,917,534	2,755,482	5,673,016
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	20,509	20,508	41,017
NET POSITION			
Net investment in capital assets	6,013,723	1,363,700	7,377,423
Restricted - highway aid	199,765	-	199,765
Unrestricted	1,628,567	2,754,583	4,383,150
TOTAL NET POSITION	\$ 7,842,055	\$ 4,118,283	\$ 11,960,338

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Fees, Charges, Fines and Other
GOVERNMENTAL ACTIVITIES		
General	\$ 739,147	\$ 120,502
Protection to persons and property	946,526	23,672
Sanitation	6,511	-
Highways	280,148	-
Recreation	113,775	-
Depreciation	252,933	-
Interest	210,044	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>2,549,084</u>	<u>144,174</u>
BUSINESS-TYPE ACTIVITIES		
Electric	2,635,325	3,573,629
Sewer	765,155	640,166
TOTAL BUSINESS-TYPE ACTIVITIES	<u>3,400,480</u>	<u>4,213,795</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 5,949,564</u>	<u>\$ 4,357,969</u>
GENERAL REVENUES		
Taxes		
Property		
Deed transfer		
Earned income		
Alcoholic beverage		
Investment income		
Miscellaneous		
TRANSFERS		
TOTAL GENERAL REVENUES AND TRANSFERS		
CHANGE IN NET POSITION		
NET POSITION AT BEGINNING OF YEAR		
NET POSITION AT END OF YEAR		

See accompanying notes to the basic financial statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
\$ 160,000	\$ -	\$ (458,645)	\$ -	\$ (458,645)
69,699	-	(853,155)	-	(853,155)
-	-	(6,511)	-	(6,511)
102,463	-	(177,685)	-	(177,685)
-	-	(113,775)	-	(113,775)
-	-	(252,933)	-	(252,933)
-	-	(210,044)	-	(210,044)
<u>332,162</u>	<u>-</u>	<u>(2,072,748)</u>	<u>-</u>	<u>(2,072,748)</u>
-	-	-	938,304	938,304
-	-	-	(124,989)	(124,989)
-	-	-	813,315	813,315
<u>\$ 332,162</u>	<u>\$ -</u>	<u>(2,072,748)</u>	<u>813,315</u>	<u>(1,259,433)</u>
		265,008	-	265,008
		102,510	-	102,510
		463,927	-	463,927
		600	-	600
		14,425	175,721	190,146
		140,549	-	140,549
		<u>3,066,646</u>	<u>(3,066,646)</u>	<u>-</u>
		<u>4,053,665</u>	<u>(2,890,925)</u>	<u>1,162,740</u>
		1,980,917	(2,077,610)	(96,693)
		<u>5,861,138</u>	<u>6,195,893</u>	<u>12,057,031</u>
		<u>\$ 7,842,055</u>	<u>\$ 4,118,283</u>	<u>\$ 11,960,338</u>
		-	-	-

BOROUGH OF HATFIELD

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2019

	General Fund	Capital Projects Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,091,437	\$ -	\$ 66,179	\$ 200,031	\$ 1,357,647
Taxes receivable	104,408	-	-	-	104,408
Accounts receivable	41,606	-	-	3,534	45,140
Due from other funds	493,932	98,824	-	-	592,756
Restricted assets					
Escrow deposits	40,611	-	-	-	40,611
TOTAL ASSETS	\$ 1,771,994	\$ 98,824	\$ 66,179	\$ 203,565	\$ 2,140,562
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 30,544	\$ -	\$ 781	\$ -	\$ 31,325
Accrued expenditures	68,377	-	-	-	68,377
Due to other government	2,500	-	-	-	2,500
Due to other funds	-	-	-	51,774	51,774
Escrow funds payable	40,611	-	-	-	40,611
TOTAL LIABILITIES	142,032	-	781	51,774	194,587
FUND BALANCES					
Restricted - highway aid	-	-	-	199,765	199,765
Unassigned	1,629,962	98,824	65,398	(47,974)	1,746,210
TOTAL FUND BALANCES	1,629,962	98,824	65,398	151,791	1,945,975
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,771,994	\$ 98,824	\$ 66,179	\$ 203,565	\$ 2,140,562

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2019

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 1,945,975
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Land and land improvements	753,711
Infrastructure	3,196,314
Building and other improvements	4,468,082
Machinery, vehicles, furniture and equipment	269,886
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.	
	(17,192)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Loans payable	(2,610,540)
Capital lease	(63,730)
Net pension liability	<u>(100,451)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>7,842,055</u></u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	General Fund	Capital Projects Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 798,153	\$ -	\$ -	\$ 51,118	\$ 849,271
Licenses and permits	83,406	-	-	-	83,406
Fines, forfeits and costs	1,912	-	-	-	1,912
Interest on investments	14,288	18	22	97	14,425
Intergovernmental revenues	219,672	-	-	88,719	308,391
Charges for services	65,401	-	-	-	65,401
Miscellaneous	140,549	-	-	-	140,549
TOTAL REVENUES	<u>1,323,381</u>	<u>18</u>	<u>22</u>	<u>139,934</u>	<u>1,463,355</u>
EXPENDITURES					
General	646,023	-	-	-	646,023
Protection to persons and property	895,688	-	-	50,838	946,526
Sanitation	6,511	-	-	-	6,511
Highways	253,134	-	-	5,904	259,038
Recreation	62,055	1,720	-	-	63,775
Debt service					
Principal	174,470	97,691	-	17,000	289,161
Interest	31,830	178,214	-	-	210,044
Capital outlays	-	456,314	1,299,449	-	1,755,763
TOTAL EXPENDITURES	<u>2,069,711</u>	<u>733,939</u>	<u>1,299,449</u>	<u>73,742</u>	<u>4,176,841</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(746,330)</u>	<u>(733,921)</u>	<u>(1,299,427)</u>	<u>66,192</u>	<u>(2,713,486)</u>
OTHER FINANCING SOURCES (USES)					
Capital lease	66,590	-	-	-	66,590
Proceeds from note payable	799,487	-	-	-	799,487
Transfers in	3,486,148	862,704	1,764,006	-	6,112,858
Transfers out	(2,924,391)	(121,821)	-	-	(3,046,212)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,427,834</u>	<u>740,883</u>	<u>1,764,006</u>	<u>-</u>	<u>3,932,723</u>
NET CHANGE IN FUND BALANCES	681,504	6,962	464,579	66,192	1,219,237
FUND BALANCES AT BEGINNING OF YEAR	<u>948,458</u>	<u>91,862</u>	<u>(399,181)</u>	<u>85,599</u>	<u>726,738</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,629,962</u>	<u>\$ 98,824</u>	<u>\$ 65,398</u>	<u>\$ 151,791</u>	<u>\$ 1,945,975</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,219,237
<p>Purchases of capital assets are considered expenditures in the Governmental Funds but are capitalized as assets in the statement of net position. Further, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$1,562,489) exceeded depreciation (\$252,933) in the current period.</p>	1,309,556
<p>The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.</p>	(576,916)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:</p>	
Pension plan expense	29,040
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,980,917

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Enterprise Funds		Total Proprietary Funds
	Electric Fund	Sewer Fund	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
CURRENT ASSETS			
Cash and cash equivalents	\$ 815,840	\$ 75,633	\$ 891,473
Investments	1,266,403	1,434,539	2,700,942
Accounts receivable	276,054	71,310	347,364
Due from other funds	-	88,558	88,558
TOTAL CURRENT ASSETS	2,358,297	1,670,040	4,028,337
NONCURRENT ASSETS			
Capital assets			
Building and other improvements	63,107	309,902	373,009
Machinery, vehicles and equipment	925,329	331,662	1,256,991
Infrastructure	2,573,933	3,394,756	5,968,689
Less accumulated depreciation	(2,542,225)	(1,564,304)	(4,106,529)
TOTAL CAPITAL ASSETS (NET OF DEPRECIATION)	1,020,144	2,472,016	3,492,160
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	2,653	663	3,316
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	3,381,094	4,142,719	7,523,813
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	179,387	135,659	315,046
Accrued expenses	26,413	6,604	33,017
Current portion of long-term debt	110,560	10,900	121,460
Refundable deposits	178,508	-	178,508
Due to other fund	629,540	-	629,540
TOTAL CURRENT LIABILITIES	1,124,408	153,163	1,277,571
LONG-TERM LIABILITIES			
Long-term debt	1,648,800	358,200	2,007,000
Net pension liability	80,361	20,090	100,451
	1,729,161	378,290	2,107,451
TOTAL LIABILITIES	2,853,569	531,453	3,385,022
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	16,407	4,101	20,508
NET POSITION			
Net investment in capital assets	(739,216)	2,102,916	1,363,700
Unrestricted	1,250,334	1,504,249	2,754,583
TOTAL NET POSITION	\$ 511,118	\$ 3,607,165	\$ 4,118,283

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds		Total Proprietary Funds
	Electric Fund	Sewer Fund	
OPERATING REVENUES			
Charges for services			
Sales of electricity	\$ 3,566,821	\$ -	\$ 3,566,821
Sewer fees	-	640,166	640,166
TOTAL OPERATING REVENUES	<u>3,566,821</u>	<u>640,166</u>	<u>4,206,987</u>
OPERATING EXPENSES			
Purchased power	1,707,368	-	1,707,368
Purchased services	78,795	532,461	611,256
Salaries and wages	180,624	58,693	239,317
General and administrative	317,650	54,505	372,155
Insurance and employee benefits	217,798	47,570	265,368
Miscellaneous	14,012	3,448	17,460
Depreciation	85,327	62,112	147,439
TOTAL OPERATING EXPENSES	<u>2,601,574</u>	<u>758,789</u>	<u>3,360,363</u>
OPERATING INCOME (LOSS)	<u>965,247</u>	<u>(118,623)</u>	<u>846,624</u>
NONOPERATING REVENUES (EXPENSES)			
Interest expense	(33,751)	(6,366)	(40,117)
Miscellaneous income	6,808	-	6,808
Unrealized gain on investments	122,407	53,314	175,721
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>95,464</u>	<u>46,948</u>	<u>142,412</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	<u>1,060,711</u>	<u>(71,675)</u>	<u>989,036</u>
INTERFUND TRANSFERS			
Transfers in	331,795	87,707	419,502
Transfers out	(3,088,840)	(397,308)	(3,486,148)
TOTAL INTERFUND TRANSFERS	<u>(2,757,045)</u>	<u>(309,601)</u>	<u>(3,066,646)</u>
CHANGE IN NET POSITION	<u>(1,696,334)</u>	<u>(381,276)</u>	<u>(2,077,610)</u>
NET POSITION AT BEGINNING OF YEAR	<u>2,207,452</u>	<u>3,988,441</u>	<u>6,195,893</u>
NET POSITION AT END OF YEAR	<u>\$ 511,118</u>	<u>\$ 3,607,165</u>	<u>\$ 4,118,283</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds		Total Proprietary Funds
	Electric Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,598,219	\$ 672,651	\$ 4,270,870
Payments to suppliers and vendors	(2,307,397)	(639,925)	(2,947,322)
Payments to employees	(173,307)	(58,454)	(231,761)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,117,515</u>	<u>(25,728)</u>	<u>1,091,787</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	331,795	87,707	419,502
Transfers to other funds	(3,088,840)	(397,308)	(3,486,148)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(2,757,045)</u>	<u>(309,601)</u>	<u>(3,066,646)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Net borrowings on long-term debt	529,227	148,439	677,666
Acquisition and construction of capital assets	(19,730)	(80,081)	(99,811)
Interest paid on capital debt	(33,751)	(6,366)	(40,117)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>475,746</u>	<u>61,992</u>	<u>537,738</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investments	1,536,714	190,463	1,727,177
Interest on investments	6,808	53,314	60,122
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,543,522</u>	<u>243,777</u>	<u>1,787,299</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	379,738	(29,560)	350,178
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>436,102</u>	<u>105,193</u>	<u>541,295</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 815,840</u>	<u>\$ 75,633</u>	<u>\$ 891,473</u>

BOROUGH OF HATFIELD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Enterprise Funds		Total Proprietary Funds
	<u>Electric Fund</u>	<u>Sewer Fund</u>	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 965,247	\$ (118,623)	\$ 846,624
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	85,327	62,112	147,439
Pension expense	18,666	(1,155)	17,511
Decrease in			
Accounts receivable	27,950	32,485	60,435
Increase (decrease) in			
Accounts payable	9,560	(786)	8,774
Accrued expenses	7,317	239	7,556
Refundable deposits	3,448	-	3,448
	<u>3,448</u>	<u>-</u>	<u>3,448</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 1,117,515</u>	 <u>\$ (25,728)</u>	 <u>\$ 1,091,787</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	<u>Pension Trust Funds</u>
ASSETS	
Cash and cash equivalents	\$ 21,941
Investments	
Mutual funds, at market	1,930,127
Municipal contribution receivable	<u>7,829</u>
 TOTAL ASSETS	 \$ <u><u>1,959,897</u></u>
 NET POSITION	
Restricted for pensions	\$ <u><u>1,959,897</u></u>

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See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2019

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Commonwealth	\$ 51,205
Employer	<u>114,794</u>
TOTAL CONTRIBUTIONS	<u>165,999</u>
Investment earnings	
Net increase in fair value of investments	260,374
Interest and dividends	<u>68,397</u>
NET INVESTMENT EARNINGS	<u>328,771</u>
DEDUCTIONS	
Benefits	<u>117,019</u>
CHANGE IN NET POSITION	377,751
NET POSITION AT BEGINNING OF YEAR	<u>1,582,146</u>
NET POSITION AT END OF YEAR	<u>\$ 1,959,897</u>

See accompanying notes to the basic financial statements.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Borough's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the Borough are discussed below.

Reporting Entity

The Borough is a municipal government existing under the laws of the Commonwealth of Pennsylvania. The Borough operates under a council-mayor form of government in accordance with the Pennsylvania Borough Code.

Fiduciary Component Unit

The Hatfield Borough Pension Plan is a single employer defined benefit pension plan that provides pensions for substantially all full-time employees. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a committee comprised of members appointed by the Board of the Borough and the Borough is responsible for funding the plan. The plan is reported as a fiduciary fund and does not issue separate financial statements.

Basic Financial Statements

Government-Wide Statements - The government-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the primary government and its component units. Based on the criteria set forth by GASB, the Borough has determined that there are no organizations or agencies which qualify as component units which should be included in these financial statements. These statements include the financial activities of the overall Borough government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full, accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Borough's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The Borough first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the Borough's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges for services paid by the recipients of goods, services, or privileges provided by a given function or activity; and

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements - The fund financial statements provide information about the Borough's funds, including its fiduciary funds. Separate statements for each fund category--governmental, proprietary and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods. The principal operating revenues of the Borough's proprietary funds are charges to customers for services. Operating expenses include the cost of providing services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Borough reports the following major governmental funds:

The **General Fund** is the general operating fund of the Borough and accounts for all revenues and expenditures of the Borough not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in this fund. General operating expenditures and capital improvement costs not paid through other funds are paid from the General Fund. The primary sources of revenues are from property taxes and earned income taxes.

The **Capital Projects Fund** is used to account for financial resources to be used for the acquisition of capital equipment and for major capital improvements by the Borough.

The **Building Fund** is a capital project fund used to account for financial resources to be used for the construction of the new Borough Administrative building.

Additionally, the Borough reports the following fund types:

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Borough's Special Revenue Funds include the State Liquid Fuels Tax (Highway Aid) Fund and the Fire Fund. These funds are nonmajor funds and are included in Other Government Funds in the Fund financial statements.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of Borough management is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and where management has decided that periodic determination of revenue earned, expenses incurred and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Borough's Enterprise Funds include the Electric Fund and the Sewer Fund. These funds are included in the Proprietary Fund financial statements.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds are used to account for assets held by the Borough in a trustee capacity. The pension trust funds account for the assets of the government's municipal (non-uniform) employees and include both a defined benefit plan and a defined contribution plan.

Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Borough considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Budgets are prepared on the same basis of accounting as the fund financial statements. Each fall, the Borough Council adopts an annual budget for the following year for the Governmental and Proprietary Funds as set forth in the Borough code. Legal budgetary control is at the fund level.

General Fund budgeted amounts are reported as originally adopted. Unexpended budget amounts lapse at the end of the year. The Council may take specific action to reserve or designate fund equity.

Assets, Liabilities and Net Position

Cash and Cash Equivalents - For the purpose of financial reporting, "cash and cash equivalents" include all demand and savings accounts and certificates of deposit with a maturity of three months or less.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Statutes authorize the Borough to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the Borough may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016.

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2019, was in excess of the minimum requirements just described.

The Borough has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 72, *Fair Value Measurement and Application*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in certificates of deposit are reported at amortized cost basis.

Receivables and Payables - During the course of operations, numerous transactions occur between funds for goods or services, which require reimbursement. Amounts unpaid at the end of the year are reflected as due to/due from other funds.

Receivables at December 31, 2019, consist of taxes and fees for electric and sewer usage. All receivables are considered collectible because of the Borough's ability to lien delinquent accounts. Therefore, no allowance for doubtful accounts has been deemed necessary at December 31, 2019.

Inventory - The Borough does not maintain accounting records relating to the minor cost of materials and supplies inventories. Inventory includes small public works materials with high turnover that have been deemed immaterial.

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the Borough did not have any capitalized interest.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and other improvements	30-50
Machinery, vehicles, furniture and equipment	5-20
Infrastructure	30

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Borough has one item which qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and the proprietary fund statement of net position and is the result of changes in plan assumptions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has one item which qualifies for reporting in this category. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and the proprietary fund statement of net position and is the result of differences between expected and actual experience and differences between projected and actual earnings on pension plan investments.

Long-Term Obligation - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reporting as other financing sources while discounts on debt issuances are reported as other financing uses. Except for refunding's paid from proceeds, which are reported as other financing uses, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position amounts are considered unrestricted. Restricted resources are used first to fund appropriations. The Borough applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance - The Borough follows GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*. This statement provides defined fund balance categories to make the nature and extent of the constraints placed upon a government's fund balance more transparent. Fund balances of the government funds are classified as follows:

Non-Spendable - Amounts that cannot be spent because of their form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Borough Council. The Council is the highest decision-making authority of the Borough. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the Borough Council.

Assigned - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned - Residual net resources.

The Borough does not have any non-spendable, committed or assigned resources as of December 31, 2019.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenues, Expenditures and Expenses - Tax revenues - General Fund property taxes and earned income taxes collected within 60 days subsequent to December 31 are recognized as revenue, if material and they apply to the prior year.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE B - REPORTING ENTITY

In accordance with GASB standards, the Borough has evaluated all related entities (authorities, commissions and affiliates) for possible inclusion in the financial reporting entity. The Borough does not have any related entities that would require inclusion in the financial report.

The Hatfield Volunteer Fire Company is not considered a component unit of the Borough's reporting entity because the Borough does not have sufficient oversight responsibilities of the Fire Company.

NOTE C - DEPOSITS AND INVESTMENTS

Pennsylvania statutes provide for investment of municipal funds into certain authorized investment types including U.S. Treasury bills, other short-term U.S. and Pennsylvania government obligations and insured or collateralized time deposits and certificates of deposit. 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 practice. The Borough may also place deposits that are insured by the Federal Deposit Insurance Corporation ("FDIC") and deposits that are collateralized on an individual or pooled basis in accordance with Act No. 72 of the Commonwealth of Pennsylvania.

The deposit and investment policy of the Borough adheres to Pennsylvania statutes and prudent business practice. Deposits of the Borough are maintained in demand and savings accounts and are pooled for investment purposes in accounts at local financial institutions. These bank deposits are captioned as "cash and cash equivalents" in the combined balance sheet. The deposits and investments of the fiduciary funds are administered by trustees and are held separately from those of other municipal funds. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Borough.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a deposit policy for custodial credit risk. As of December 31, 2019, the Borough's deposits with banks was \$2,504,366. Of the bank balances, 100% was covered by federal depository related insurance or collateralized in accordance with the Commonwealth of Pennsylvania Act 72. Under Act 72, a depository holding public funds in excess of the amounts insured by the FDIC must pledge assets to secure 120% of the Borough's deposits. The pledged assets must be at least equal to the total amounts of such assets required to secure all of the public deposits at the depository and may be on a pooled basis. All such pledged assets are held by the pledging financial institution's trust department or agent and not in the Borough's name. The Borough is responsible for monitoring compliance with the collateralization and reporting requirements of Act 72.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

The Borough's cash balance includes \$40,611 of restricted escrow deposits. These monies are held by the Borough in a custodial capacity for developers.

Investments

As of December 31, 2019, the Borough had the following investments (excluding pension investments - see Note J):

	Fair Market Value
Money market funds	\$ 735,147
Municipal bonds	311,164
Fixed income mutual funds - Vanguard GNMA Fund	1,654,631
	<u>\$ 2,700,942</u>

Fair Value Measurement

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. All of the Borough's investments were valued at fair market value using Level 1 inputs.

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Borough may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Borough has purchased from brokers negotiable certificates of deposit, in which the Borough receives pass-through depository insurance up to \$250,000 at each financial institution.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk - Investments

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Borough limits its interest rate risk by maintaining certain balances in liquid investments, which include money market mutual funds. The average maturities of the Borough's municipal bonds are as follows:

	<u>1-5</u>	<u>6-10</u>	<u>Total</u>
Municipal bonds	\$ <u>300,784</u>	\$ <u>10,380</u>	\$ <u>311,164</u>

Credit Risk - Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Borough does not have a formal investment policy for credit risk. The Borough's investments were given the following credit ratings:

As of December 31, 2019, the Borough's investment in Montgomery County municipal bonds of \$10,380 were rated Aaa by Moody's. Investment in Penn Township municipal bonds of \$300,784 were not rated. The Borough's investments in GNMA mutual funds and money market mutual funds were not rated.

Concentration of Credit Risk

The Borough does not have a formal investment policy for concentration of credit risk. At December 31, 2019, the Borough had the following investments (excluding Fiduciary Funds) which exceeded 5% of the Borough's total investments:

<u>Issuer</u>	<u>Type of Investment</u>	<u>Amount</u>	<u>Percentage of Investments (Excluding Fiduciary Funds)</u>
Federated Gov Obl Fd Premier Shares Penns Twp Pennsylvania York County Gen Ob 2/1/2021	Money Market Funds	\$ 735,147	27%
Vanguard GNMA Fund	Municipal Bond Mutual Fund	300,784 1,654,631	11% 61%

NOTE D - ESCROW DEPOSITS

The Borough acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Borough and used to pay legal, engineering and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project. None of the monies received from or expended on behalf of the developers is recorded in the revenues or expenditures of the entities. At December 31, 2019, \$40,611 is held in escrow.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The following is a schedule of interfund receivable and payable balances as included in the fund financial statements of the Borough and a schedule of interfund balances that are due to certain disbursements that have been made in the pooled cash account:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 604,122
Capital Projects	General Fund	110,190
Capital Projects	Sewer Fund	19,442
Electric Fund	Capital Projects	30,808
Sewer Fund	Electric Fund	108,000
Electric Fund	Fire Fund	<u>51,774</u>
		<u>\$ 924,336</u>

When one fund has overdrawn its share of the pooled cash account, the Borough reflects an interfund liability in that fund payable to the fund that management deems to have lent the amount to the overdrawn fund. The fund deemed to have lent the amount reports an interfund receivable from the borrowing fund.

Interfund balances are expected to be repaid within a reasonable time period.

Funds are transferred from one fund to support expenditures of other funds in accordance with authority establishment for the individual fund. Fund financial statement transfers between funds during the year ended December 31, 2019, were as follows:

<u>Transfers Out</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Building Fund</u>	<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
General Fund	\$ -	\$ 862,704	\$ 1,764,006	\$ 221,432	\$ 76,249	\$ 2,924,391
Capital Projects Fund	-	-	-	110,363	11,458	121,821
Electric Fund	3,088,840	-	-	-	-	3,088,840
Sewer Fund	<u>397,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>397,308</u>
	<u>\$ 3,486,148</u>	<u>\$ 862,704</u>	<u>\$ 1,764,006</u>	<u>\$ 331,795</u>	<u>\$ 87,707</u>	<u>\$ 6,532,360</u>

NOTE F - REAL ESTATE PROPERTY TAX

Real estate taxes are recorded as revenue when available and measurable, that is, when the taxes are levied. They are levied March 1 and are due June 30 of each year. A two percent discount is allowed for taxes paid prior to May 1. A ten percent penalty is applied to taxes paid after June 30. Unpaid taxes are liened with Montgomery County by January 15 of the subsequent year.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE G - PROPERTY AND EQUIPMENT

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 753,711	\$ -	\$ -	\$ 753,711
Construction in progress	2,890,130	-	(2,890,130)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	3,643,841	-	(2,890,130)	753,711
Capital assets being depreciated				
Buildings and other improvements	736,979	4,189,579	-	4,926,558
Machinery, furniture, vehicles and equipment	1,171,905	66,590	-	1,238,495
Infrastructure	5,046,459	196,450	-	5,242,909
TOTAL CAPITAL ASSETS BEING DEPRECIATED	6,955,343	4,452,619	-	11,407,962
Accumulated depreciation				
Buildings and other improvements	(391,387)	(67,089)	-	(458,476)
Machinery, furniture, vehicles and equipment	(933,189)	(35,420)	-	(968,609)
Infrastructure	(1,896,171)	(150,424)	-	(2,046,595)
TOTAL ACCUMULATED DEPRECIATION	(3,220,747)	(252,933)	-	(3,473,680)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	3,734,596	4,199,686	-	7,934,282
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 7,378,437	\$ 4,199,686	\$ (2,890,130)	\$ 8,687,993
	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ 14,061	\$ -	\$ (14,061)	\$ -
Capital assets being depreciated				
Buildings and other improvements	358,948	14,061	-	373,009
Machinery, vehicles and equipment	1,237,261	19,730	-	1,256,991
Electric collection system	1,410,739	-	-	1,410,739
Sewage collection system	2,540,911	-	-	2,540,911
Infrastructure	1,936,958	80,081	-	2,017,039
TOTAL CAPITAL ASSETS BEING DEPRECIATED	7,484,817	113,872	-	7,598,689
Accumulated depreciation				
Buildings and other improvements	(273,980)	(8,236)	-	(282,216)
Machinery, vehicles and equipment	(1,051,720)	(30,115)	-	(1,081,835)
Electric collection system	(1,170,416)	(19,655)	-	(1,190,071)
Sewage collection system	(942,580)	(31,761)	-	(974,341)
Infrastructure	(520,394)	(57,672)	-	(578,066)
TOTAL ACCUMULATED DEPRECIATION	(3,959,090)	(147,439)	-	(4,106,529)
BUSINESS-TYPE CAPITAL ASSETS, net	\$ 3,539,788	\$ (33,567)	\$ (14,061)	\$ 3,492,160

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE G - PROPERTY AND EQUIPMENT (Continued)

Depreciation expense charged to governmental functions (primarily for highways - infrastructure and equipment) and business-type functions amounted to \$252,933 and \$147,439, respectively, for the year ended December 31, 2019.

NOTE H - CAPITAL LEASE OBLIGATIONS

In 2015, the Borough acquired a vehicle under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the truck have been capitalized. The lease expired in 2019.

In 2017, the Borough acquired a vehicle under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the truck have been capitalized. The lease expires in 2020.

In 2019, The Borough acquired a vehicle under the provisions of a long-term lease. For financial reporting purposes, minimum lease payments relating to the truck have been capitalized. The lease expires in 2023.

Assets acquired under capital leases included in machinery, furniture and equipment are as follows:

Cost	\$ 260,057
Less accumulated depreciation	<u>(104,733)</u>
	<u>\$ 155,324</u>

The future minimum lease payments under the capital leases and the net present value of future minimum capital lease payments at December 31, 2019, are as follows:

Year Ending December 31,	Amount
2020	\$ 26,973
2021	14,527
2022	14,527
2023	14,527
	<u>70,554</u>
Less amount representing interest	<u>(6,824)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$ <u>63,730</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE I - LONG-TERM DEBT

Summary of Activity

On September 8, 2003, the Borough entered into a loan agreement with the Delaware Valley Regional Finance Authority. The general obligation note, Series B of 2003, has a term of 20 years and a variable interest rate not to exceed 15%. The rate is calculated weekly by the Program Administrator at a rate sufficient to pay the payments due to the bondholders and monthly finance charges. The interest rate at December 31, 2019, was 1.425%. Interest is payable monthly. Principal is paid annually commencing on June 25, 2018, with a final installment due June 25, 2023. As of December 31, 2019, the amount outstanding was \$1,048,000. The Borough has pledged its general taxing power for the payment of the loan.

On May 25, 2016, the Borough entered into a loan agreement with the ESSA Bank & Trust. The general obligation note, Series of 2016, has a term of 15 years and a variable interest rate not to exceed 2.95%. The rate shall be fixed at a rate of 2.01% until June 1, 2026. From June 2, 2026 until maturity the rate will be 60% of the rate ESSA Bank & Trust quotes its prime rate for preferred commercial customers, as calculated on June 2, 2026. The maximum loan amount is \$4,000,000. As of December 31, 2019, the amount outstanding was \$3,691,000. The Borough has pledged its general taxing power for the payment of the loan.

Interest Rate Management Plan

The Series 2003B Note was issued by the Delaware Valley Regional Finance Authority (the "DVRFA"). In order to provide funds for loans (the "Loan Program"), the DVRFA has issued Local Government Revenue Bonds (the "DVRFA Bonds"). The DVRFA has entered into an interest rate swap agreement (the "DVRFA Swap Agreement") with Merrill Lynch Capital Services, Inc. ("MLCS"), secured by a guaranty of Merrill Lynch & Co. ("Merrill Lynch"), in order to reduce the costs of participants in the Loan Program and to enhance the ability of participants to manage their interest rate risks. The DVRFA Swap Agreement is a "Qualified Interest Rate Management Agreement" as such term is defined in the Pennsylvania *Local Government Unit Debt Act*. All of the transactions under the MLCS Swap Agreement were novated during 2009 to Bank of America, N.A. ("BANA"), which acquired Merrill Lynch. The payment of debt service of the DVRFA Bonds is secured by municipal bond insurance policies issued by Ambac Assurance Corporation ("Ambac").

Under the terms of the loan agreements, the interest payments due from the Borough are calculated to fund:

1. The debt service payments on the DVRFA Bonds,
2. The net payments due under the DVRFA Swap Agreement, and
3. All other costs and expenses necessary for the operation of the Loan Program, amounts required to maintain the liquidity of the Loan Program and any termination payment (the "Termination Payment") due under the DVRFA Swap Agreement.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE I - LONG-TERM DEBT (Continued)

Interest Rate Risk: The Borough has the option under the loan agreements to pay a variable rate of interest or a fixed rate. If the Borough elects the variable rate, the interest rate, based upon the Securities Industry and Financial Markets Association index (the "SIFMA Index"), adjusts weekly with a maximum interest rate to the Borough of 15%. If the Borough elects a fixed rate, the rate, with terms and conditions selected by the Borough, would be set based upon the fixed rate swap market at that time with a new confirm executed by DVRFA with BANA under the DVRFA Swap Agreement. The Borough has the option to convert all or a portion of the variable interest notes to a fixed rate at any time to mitigate the exposure to rising short-term interest rates.

Since the Borough is not considered to be a signatory on the current interest rate swap agreements between DVRFA and Bank of America, management has concluded that the Borough would not be required to report the transaction in accordance with Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Therefore, the fair value of the interest rate swap agreements is not recorded on the statement of net position. In addition, no evaluation has been made to whether the interest rate swaps are effective cash flow hedges.

Basic Risk: The Series 2003B Note does not entail a basic risk.

Credit Risk: Rating downgrades by Moody's and Standard & Poor's ("S&P") can precipitate collateralization requirements under the DVRFA Swap Agreement. The failure to post collateral when it is required constitutes an event of default under the DVRFA Swap Agreement and may result in termination.

- If the long-term, unsecured, senior debt ratings of BANA are reduced below "A2" by Moody's or "A" by S&P and if DVRFA would receive a payment from BANA upon termination, BANA is required to post collateral equal to market value of each of the swap agreements executed with DVRFA. BANA's current ratings are "Aa3/A+," with stable outlooks by Moody's and S&P, respectively.

Ratings downgrades below investment grade may result in termination. If the long-term, unsecured, senior debt ratings of BANA are downgraded below "Baa3" by Moody's and "BBB-" by S&P, DVRFA may terminate the swap agreements executed by BANA. If (i) the claims paying ability ratings of Ambac are reduced below "Baa3" by Moody's or "BBB-" by S&P and (ii) DVRFA has defaulted or DVRFA does not have published ratings of at least "Baa3" by Moody's and "BBB-" by S&P, BANA may terminate the DVRFA Swap Agreements.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE I - LONG-TERM DEBT (Continued)

Termination Risk: The Borough is obligated to pay a Termination Payment associated with the portion of the DVRFA Swap Agreement allocable to the applicable note. A Termination Payment may be incurred due to the termination of all or a portion of the DVRFA Swap Agreement with the mutual consent of DVRFA, BANA, Ambac and the Borough. The termination payments could be triggered in the event of (i) a payment default by the Borough under the Loan Agreement, (ii) a payment default by DVRFA, BANA, or Ambac under the DVRFA Swap Agreement, (iii) the occurrence of events that may precipitate a payment default by DVRFA, BANA, or Ambac, or (iv) the downgrading of the claims paying ability of Ambac or long-term, unsecured, senior debt rating of DVRFA or BANA. In all instances of termination except a payment default on the note converted to a fixed rate, DVRFA would seek to replace the DVRFA Swap Agreement with a new interest rate swap agreement with similar terms and conditions.

The amount of the Termination Payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the Termination Payment. DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market.

The estimated Termination Payment (i.e. the market value) for the DVRFA Swap Agreement allocable to the Borough's 2003B Note as of December 31, 2019, is shown in the table below. In the event of a Termination Payment, DVRFA would assess the net loss, if any, to the Borough. Any net gain on the Termination Payment allocable to variable rate Notes would be retained by DVRFA.

<u>Description</u>	<u>Date of Issuance</u>	<u>Maturity Date</u>	<u>Principal Outstanding Notional Amount</u>	<u>Type of Note</u>	<u>Gain (Loss) (1)</u>
2003B Note	September 8, 2003	June 25, 2023	\$ <u>1,048,000</u>	Variable	\$ <u>152,509</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE I - LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term debt for the year ended December 31, 2019.

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Amount Due Within One Year
GOVERNMENTAL ACTIVITIES					
Loans payable					
G.O. Loan Series B of 2003	\$ 939,510	\$ -	\$ (174,470)	\$ 765,040	\$ 181,040
G.O. Loan Series B of 2016	1,103,303	799,487	(57,290)	1,845,500	54,500
Capital leases	54,541	66,590	(57,401)	63,730	26,973
Net pension liability	241,602	-	(141,151)	100,451	-
	<u>2,338,956</u>	<u>866,077</u>	<u>(430,312)</u>	<u>2,774,721</u>	<u>262,513</u>
Governmental Activity Long-Term Liabilities	<u>\$ 2,338,956</u>	<u>\$ 866,077</u>	<u>\$ (430,312)</u>	<u>\$ 2,774,721</u>	<u>\$ 262,513</u>
BUSINESS-TYPE ACTIVITIES					
Loans payable					
G.O. Loan Series B of 2003	\$ 347,490	\$ -	\$ (64,530)	\$ 282,960	\$ 66,960
G.O. Loan Series B of 2016	1,103,304	799,487	(57,291)	1,845,500	54,500
Net pension liability	189,766	-	(89,315)	100,451	-
	<u>1,640,560</u>	<u>799,487</u>	<u>(211,136)</u>	<u>2,228,911</u>	<u>121,460</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 1,640,560</u>	<u>\$ 799,487</u>	<u>\$ (211,136)</u>	<u>\$ 2,228,911</u>	<u>\$ 121,460</u>

The annual debt service requirements as of December 31, 2019, to retire the general obligation note, Series B of 2003, is as follows:

Year Ending December 31,	Principal	Interest at 1.03%	Maximum Interest at 15%
2020	\$ 248,000	\$ 10,794	\$ 157,500
2021	258,000	8,240	120,300
2022	267,000	5,583	81,600
2023	275,000	2,833	41,550
	<u>\$ 1,048,000</u>	<u>\$ 27,450</u>	<u>\$ 400,950</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE I - LONG-TERM DEBT (Continued)

The annual debt service requirements as of December 31, 2019, to retire the 2016 general obligation note, is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest at 2.01%</u>	<u>Maximum Interest at 2.95%</u>
2020	\$ 109,000	\$ 73,094	\$ 107,277
2021	96,000	71,033	104,253
2022	99,000	69,074	101,377
2023	102,000	67,054	98,412
2024	389,000	62,119	91,170
2025 to 2029	2,017,000	190,799	280,029
2030 to 2031	<u>879,000</u>	<u>17,798</u>	<u>26,123</u>
	<u>\$ 3,691,000</u>	<u>\$ 550,971</u>	<u>\$ 808,641</u>

NOTE J - DEFINED BENEFIT PENSION PLAN

Plan Administration

The Borough of Hatfield Non-Uniformed Pension Plan is a single employer defined benefit pension plan covering the full-time employees. The Plan was established effective January 1, 1970 and was restated by Ordinance No. 425 on November 21, 2001. The Plan is governed by Borough Council. Borough Council has delegated the authority to manage Plan assets to Univest Trust Company.

Plan Membership - Membership of the plans consisted of the following at December 31, 2019:

	<u>Non-Uniform Pension</u>
Inactive plan members currently receiving benefits	8
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>7</u>
	<u>15</u>

Benefit Provisions - The plans provide retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living allowances are provided at the discretion of the plan. The authority to establish and amend benefit provisions rests with the Borough Council.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Summary of Significant Accounting Policies

Basis of Accounting - The Plan's financial statements are prepared using the accrual basis of accounting. Employer contributions to the Plan are recognized when due, in accordance with Act 205, as amended by Act 189. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Use of 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 amounts of revenue and expenses during the reporting period. Actual results could differ from other estimates.

Method Used to Value Investments - The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Borough had the following Level 1 inputs as of December 31, 2019:

Investments in domestic equity mutual funds of \$1,212,771, fixed income mutual funds of \$192,033, international equity mutual funds of \$194,422 and real estate mutual funds of \$33,940.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. For the purposes of measuring the net pension liability, deferred outflows of resources related to pensions, pension expense and information about the fiduciary net position have been determined in the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Administrative Expenses - Investment expenses consist of investment management, custodial fees and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal and accounting services, along with any other significant Plan related costs. The above expenses are allowable pension plan expenditures in accordance with Act 205 and may be funded with Plan assets.

Risks and Uncertainties - The Plan provides for investment in a variety of investment funds. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net position.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy and Contributions

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the Minimum Municipal Obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions. Funding policy of participation, full-time employees are not required to contribute to the Plan.

The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. The State contributed \$51,205 to the defined benefit pension plan for the year ended December 31, 2019. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205. Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the Plan and funded through investment earnings.

The Borough's contributions for the Plan for the years ended December 31, 2019, 2018 and 2017, totaled \$90,727, \$94,044 and \$71,154, respectively.

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of bank failure, the Borough's deposits may not be returned to it. The Borough does not have a deposit policy for custodial credit risk. The law provides that the Borough's Pension Trust funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the Borough to be prudent. As of December 31, 2019, the Borough's pension cash and cash equivalents were not exposed to custodial credit risk since the balance is covered by FDIC insurance.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in the Net Pension Liability

	Governmental Activities		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a)-(b)
BALANCE AT DECEMBER 31, 2018	\$ 1,059,798	\$ 800,976	\$ 258,822
Changes for the year			
Service cost	5,536	-	5,536
Interest	8,867	-	8,867
Differences between expected and actual experience	(46,500)	-	(46,500)
Contributions			
Employer	-	5,315	(5,315)
State aid	-	5,578	(5,578)
Net investment income	-	115,381	(115,381)
Benefit payments	(102,668)	(102,668)	-
NET CHANGES	<u>(134,765)</u>	<u>23,606</u>	<u>(158,371)</u>
BALANCE AT DECEMBER 31, 2019	<u>\$ 925,033</u>	<u>\$ 824,582</u>	<u>\$ 100,451</u>
		Business-Type Activities	
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a)-(b)
BALANCE AT DECEMBER 31, 2018	\$ 706,532	\$ 533,986	\$ 172,546
Changes for the year			
Service cost	58,526	-	58,526
Interest	132,509	-	132,509
Differences between expected and actual experience	41,817	-	41,817
Contributions			
Employer	-	85,412	(85,412)
State aid	-	45,627	(45,627)
Net investment income	-	173,908	(173,908)
Benefit payments	(14,351)	(14,351)	-
NET CHANGES	<u>218,501</u>	<u>290,596</u>	<u>(72,095)</u>
BALANCE AT DECEMBER 31, 2019	<u>\$ 925,033</u>	<u>\$ 824,582</u>	<u>\$ 100,451</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Investment Concentration

Concentration of credit risk is the risk of loss attributable to the magnitude of a Plan's investment in a single issuer. Investments issued or explicitly guaranteed by U.S. government and investments in mutual funds external investment pools and other pooled investments are excluded from this requirement. The Plan does not have a formal investment policy that addresses concentration of credit risk. Total Plan net position as of December 31, 2019, amounted to \$1,649,164. Five percent of total Plan net position amounted to \$82,458.

No investment was greater than 5% of total plan net position at December 31, 2019.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.25%
Salary increases	5.00%
Investment rate of return	8.00%

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2019, the Borough recognized pension expense of \$130,402. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Government Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 5,164
Changes in assumptions	3,317	-
Net difference between projected and actual earnings on pension plan investments	-	15,345
	<u>\$ 3,317</u>	<u>\$ 20,509</u>
	Business-Type Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 5,164
Changes in assumptions	3,316	-
Net difference between projected and actual earnings on pension plan investments	-	15,344
	<u>\$ 3,316</u>	<u>\$ 20,508</u>

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,		Governmental Activities	Business-Type Activities
2020	\$	1,441	\$ 1,441
2021		(3,853)	(3,853)
2022		3,653	3,653
2023		(18,433)	(18,433)

Investment Policy

The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by Borough Council. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The Plan's formal Investment Policy Statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2019 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expenses and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimate or arithmetic real rates of return for each major asset class are included in the Plan's target asset allocation as of December 31, 2019, listed in the table below.

Asset Class	Target
Domestic equity	59.0%
International equity	12.0%
Fixed income	22.0%
Real estate	4.0%
Cash and cash equivalents	3.0%
Total net blended return excluding 2.5% for inflation	4.8%
Long term expected rate of return including inflation	7.3%

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability

The net pension liability of the plan for measurement date December 31, 2019, was as follows:

		Defined Benefit Pension Plan
Total pension liability		\$ 1,850,066
Plan fiduciary net position		1,649,164
NET PENSION LIABILITY		\$ 200,902
Plan fiduciary net position as a percentage of the total pension liability		89.14%

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed the contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 8.0%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.0%) or one percentage point higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability	\$ 358,816	\$ 200,902	\$ 62,806

Rate of Return on Investments

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 21.67%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE K - DEFINED CONTRIBUTION PLAN

The Hatfield Borough non-uniform contribution pension plan is a single employer defined contribution plan covering the Borough's full-time non-uniformed employees. The Plan is controlled by the provisions of Ordinance No. 426. Plan provisions are established or amended by Borough Council resolution. The Borough is required to contribute into the Plan for each eligible participant an amount equal to 3.0% of their total compensation (6% for the Borough Manager). For the year ended December 31, 2019, actual contributions by the Borough was \$24,067. There was no state aid for the Plan in 2019. Participants vest at participation and are entitled to 100% of vested contributions.

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Borough's investments in mutual funds of \$296,961 as of December 31, 2019 are valued using Level 1 inputs.

NOTE L - CONTINGENT LIABILITIES

The Borough may participate in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs.

Management believes that any liability that may result from the resolution of these matters will not have a material adverse effect on the accompanying financial statements and, accordingly, no provision has been recorded.

NOTE M - SIGNIFICANT GROUP CONCENTRATIONS OF CREDIT RISK

The Borough's operations are located in Hatfield, Pennsylvania. Its service area is located within the geographic bounds of the Borough. The Borough assesses taxpayers, within its service area, based upon taxing powers at its disposal. The ability of each of the Borough's residents to honor their obligations to the Borough is dependent upon economic and other factors affecting the residents.

The Enterprise Funds are located and services customers in the Borough of Hatfield, Pennsylvania. These funds grant credit to its customers in the normal course of business. The ability of each of the customers to honor their obligation is dependent upon economic and other factors unique to this geographic region.

BOROUGH OF HATFIELD
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE N - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balance

At December 31, 2019, the Fire Fund had a deficit fund balance of \$47,974. The Fire Fund deficit is expected to be eliminated through future real estate taxes earned.

NOTE O - COMMITMENTS

In July 2007, the Borough entered into a contract for the purchase of electric service over an 18-year period. The contract is for the period beginning September 2007 through August 2025. The amounts are based on the power and energy usage by the Borough.

In January 2013, the Borough entered into a contract for the purchase of power services over a five-year period. The contract is for the period beginning February 2013 through January 2018. In May 2015, the original contract was amended, and the contract period was extended through December 2032. The amounts are based on the power and energy usage by the Borough.

NOTE P – SUBSEQUENT EVENTS

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic led to widespread voluntary and government-mandated closings of local stores and businesses, which resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of the Borough's operations including tax collections and the collection of water and sewer charges. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, state tax revenues could be significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. While many local stores and businesses have resumed operations and the initial economic recession brought on by the pandemic has subsided, the extent to which COVID-19 will impact our financial condition or results of operations remains uncertain and cannot be reasonably estimated at this time.

In September 2020, the Borough issued General Obligation Notes, Series of 2020 in the amount of \$3,640,000, to refund General Obligation Loan, Series B of 2016.

In September 2020, the Borough restructured General Obligation Loan, Series B of 2003, to a fixed rate loan, maturing in June 2023 with interest at 0.632%.

REQUIRED SUPPLEMENTARY INFORMATION

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BOROUGH OF HATFIELD
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts (GAAP)		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Taxes	\$ 760,531	\$ 760,531	\$ 798,153	\$ 37,622
Licenses and permits	117,143	117,143	83,406	(33,737)
Fines, forfeits and costs	1,802	1,802	1,912	110
Interest on investments	-	-	14,288	14,288
Intergovernmental revenues	72,336	72,336	219,672	147,336
Charges for services	98,386	98,386	65,401	(32,985)
Miscellaneous	26,200	26,200	140,549	114,349
TOTAL REVENUES	<u>1,076,398</u>	<u>1,076,398</u>	<u>1,323,381</u>	<u>246,983</u>
EXPENDITURES				
General	573,466	573,466	646,023	72,557
Protection to persons and property	907,350	907,350	895,688	(11,662)
Sanitation	7,789	7,789	6,511	(1,278)
Highways	244,904	244,904	253,134	8,230
Recreation	66,310	66,310	62,055	(4,255)
Debt service	-	-	206,300	206,300
TOTAL EXPENDITURES	<u>1,799,819</u>	<u>1,799,819</u>	<u>2,069,711</u>	<u>269,892</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(723,421)</u>	<u>(723,421)</u>	<u>(746,330)</u>	<u>(22,909)</u>
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	66,590	66,590
Proceeds from note payable	-	-	799,487	799,487
Transfers in	820,000	820,000	3,486,148	2,666,148
Transfers out	(112,000)	(112,000)	(2,924,391)	(2,812,391)
TOTAL OTHER FINANCING SOURCES (USES)	<u>708,000</u>	<u>708,000</u>	<u>1,427,834</u>	<u>719,834</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ (15,421)</u>	<u>\$ (15,421)</u>	<u>\$ 681,504</u>	<u>\$ 696,925</u>

BOROUGH OF HATFIELD

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

DECEMBER 31, 2019

NOTE A - EXCESS OF EXPENDITURES OVER APPROPRIATION

For the year ended December 31, 2019, expenditures exceeded appropriations in the following General Fund object levels (the legal level of budgetary control):

General	\$	72,557
Debt service		206,300
Highways		8,230

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BOROUGH OF HATFIELD
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS

	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ 64,062	\$ 63,935	\$ 60,890	\$ 61,470	\$ 58,543	\$ 52,569
Interest	141,376	135,173	129,093	125,067	119,897	111,404
Differences between expected and actual experience	(4,683)	-	(23,840)	-	16,149	-
Changes of assumptions	-	-	5,224	-	36,253	-
Benefit payments	(117,019)	(117,019)	(117,019)	(117,019)	(116,459)	(115,900)
NET CHANGE IN TOTAL PENSION LIABILITY	83,736	82,089	54,348	69,518	114,383	48,073
Total pension liability, beginning	1,766,330	1,684,241	1,629,893	1,560,375	1,445,992	1,397,919
TOTAL PENSION LIABILITY, ENDING (a)	\$ 1,850,066	\$ 1,766,330	\$ 1,684,241	\$ 1,629,893	\$ 1,560,375	\$ 1,445,992
PLAN FIDUCIARY NET POSITION						
Contributions						
Employer	\$ 90,727	\$ 94,044	\$ 71,154	\$ 72,992	\$ 71,640	\$ 73,626
State aid	51,205	46,844	41,294	39,372	31,367	34,854
Net investment income	289,289	(113,975)	158,043	70,955	(26,314)	68,086
Benefit payments, including refunds of member contributions	(117,019)	(117,019)	(117,019)	(117,019)	(116,459)	(115,900)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	314,202	(90,106)	153,472	66,300	(39,766)	60,666
Plan fiduciary net position, beginning	1,334,962	1,425,068	1,271,596	1,205,296	1,245,062	1,184,396
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 1,649,164	\$ 1,334,962	\$ 1,425,068	\$ 1,271,596	\$ 1,205,296	\$ 1,245,062
NET PENSION LIABILITY, ENDING (a)-(b)	\$ 200,902	\$ 431,368	\$ 259,173	\$ 358,297	\$ 355,079	\$ 200,930
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	89.1%	75.6%	84.6%	78.0%	77.2%	86.1%
COVERED PAYROLL	\$ 447,174	\$ 440,066	\$ 430,152	\$ 429,572	\$ 398,802	\$ 444,756
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	44.9%	98.0%	60.3%	83.4%	89.0%	45.2%

NOTES TO SCHEDULE

Assumption Changes - In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 to the RP-2000 Table projected to 2017 using Scale AA.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF HATFIELD
SCHEDULE OF PENSION CONTRIBUTIONS
LAST SIX FISCAL YEARS

	2019	2018	2017	2016	2015	2014
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 141,932	\$ 140,888	\$ 112,448	\$ 112,364	\$ 103,007	\$ 108,480
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	141,932	140,888	112,448	112,364	103,007	108,480
CONTRIBUTION (EXCESS) DEFICIENCY	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COVERED PAYROLL	\$ 447,174	\$ 440,066	\$ 430,152	\$ 429,572	\$ 398,802	\$ 444,756
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	31.74%	32.02%	26.14%	26.16%	25.83%	24.39%

NOTES TO SCHEDULE

Valuation date: January 1, 2019 January 1, 2017 January 1, 2015

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level dollar	Level dollar	Level dollar
Remaining amortization period	8 years	7 years	7 years
Asset valuation method	Market value	Market value	Market value
Inflation	2.25%	2.25%	2.25%
Salary increases	5.00%	5.00%	5.00%
Investment rate of return	8.00%	8.00%	8.00%
Retirement age	62	62	62
Mortality	RP-2000 Table projected to 2017	RP-2000 Table projected to 2017	RP-2000 Table projected to 2015

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF HATFIELD
SCHEDULE OF PENSION INVESTMENT RETURNS
LAST SIX FISCAL YEARS

	2019	2018	2017	2016	2015	2014
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	21.67%	-8.00%	12.43%	5.89%	-2.18%	6.04%
NOTE TO SCHEDULE						
This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.						

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SUPPLEMENTARY INFORMATION SECTION

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BOROUGH OF HATFIELD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	Nonmajor Special Revenue Funds		
	Fire Fund	Highway Aid Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 266	\$ 199,765	\$ 200,031
Accounts receivable	3,534	-	3,534
TOTAL ASSETS	\$ 3,800	\$ 199,765	\$ 203,565
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 51,774	\$ -	\$ 51,774
FUND BALANCES			
Restricted	-	199,765	199,765
Unassigned	(47,974)	-	(47,974)
TOTAL FUND BALANCES	(47,974)	199,765	151,791
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,800	\$ 199,765	\$ 203,565

BOROUGH OF HATFIELD**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Nonmajor Special Revenue Funds		
	Fire Fund	Highway Aid Fund	Totals
REVENUES			
Taxes	\$ 51,118	\$ -	\$ 51,118
State motor vehicle fuel tax	-	88,719	88,719
Interest on investments	-	97	97
TOTAL REVENUES	<u>51,118</u>	<u>88,816</u>	<u>139,934</u>
EXPENDITURES			
Fire	50,838	-	50,838
Highway	-	5,904	5,904
Debt service, principal	-	17,000	17,000
TOTAL EXPENDITURES	<u>50,838</u>	<u>22,904</u>	<u>73,742</u>
EXCESS OF REVENUES OVER EXPENDITURES	280	65,912	66,192
FUND BALANCES AT BEGINNING OF YEAR	<u>(48,254)</u>	<u>133,853</u>	<u>85,599</u>
FUND BALANCES AT END OF YEAR	\$ <u><u>(47,974)</u></u>	\$ <u><u>199,765</u></u>	\$ <u><u>151,791</u></u>

BOROUGH OF HATFIELD

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2019

	Pension Trust Funds		
	<u>Defined Benefit</u>	<u>Defined Contribution</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 15,998	\$ 5,943	\$ 21,941
Investments			
Mutual funds, at fair value	1,633,166	296,961	1,930,127
Municipal contribution receivable	<u>-</u>	<u>7,829</u>	<u>7,829</u>
TOTAL ASSETS	<u>\$ 1,649,164</u>	<u>\$ 310,733</u>	<u>\$ 1,959,897</u>
NET POSITION			
Restricted for pensions	<u>\$ 1,649,164</u>	<u>\$ 310,733</u>	<u>\$ 1,959,897</u>

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BOROUGH OF HATFIELD**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****YEAR ENDED DECEMBER 31, 2019**

	Pension Trust Funds		
	<u>Defined Benefit</u>	<u>Defined Contribution</u>	<u>Totals</u>
ADDITIONS			
Contributions			
Commonwealth	\$ 51,205	\$ -	\$ 51,205
Employer	90,727	24,067	114,794
TOTAL CONTRIBUTIONS	<u>141,932</u>	<u>24,067</u>	<u>165,999</u>
Investment earnings			
Net increase in fair value of investments	227,787	32,587	260,374
Interest and dividends	61,502	6,895	68,397
NET INVESTMENT EARNINGS	<u>289,289</u>	<u>39,482</u>	<u>328,771</u>
DEDUCTIONS			
Benefits	<u>117,019</u>	<u>-</u>	<u>117,019</u>
CHANGE IN NET POSITION	314,202	63,549	377,751
NET POSITION AT BEGINNING OF YEAR	<u>1,334,962</u>	<u>247,184</u>	<u>1,582,146</u>
NET POSITION AT END OF YEAR	<u>\$ 1,649,164</u>	<u>\$ 310,733</u>	<u>\$ 1,959,897</u>