

TOWNSHIP OF NEWTOWN

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2021

INTRODUCTORY SECTION

TOWNSHIP OF NEWTOWN
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	20
Statement of Activities	21
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	22
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
Notes to the Basic Financial Statements	28

TOWNSHIP OF NEWTOWN
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021

	Page
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	59
<i>Police Pension Plan</i>	
Schedule of Changes in the Net Police Pension Plan Liability and Related Ratios	60
Schedule of Police Pension Plan Contributions	61
Schedule of Police Pension Plan Investment Returns	62
<i>Non-Uniform Pension Plan</i>	
Schedule of Changes in the Net Non-Uniform Pension Plan Liability and Related Ratios	63
Schedule of Non-Uniform Pension Plan Contributions	64
Schedule of Non-Uniform Pension Plan Investment Returns	65
<i>Other Postemployment Benefit Plan</i>	
Schedule of Changes in the Total Other Postemployment Benefit Plan Liability and Related Ratios	66

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Supervisors
Township of Newtown
Newtown Square, Pennsylvania

Opinion

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Newtown as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Newtown as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Township of Newtown and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Township of Newtown's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Newtown's ability to continue as a going concern for one year after the financial statement date.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Supervisors
Township of Newtown
Newtown Square, Pennsylvania

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Township of Newtown's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Newtown's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 19, budgetary comparison information on page 59, the pension schedules on pages 60 through 65, and the other postemployment benefit schedule on page 66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.



Limerick, Pennsylvania
June 27, 2022

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Our discussion and analysis of the Township of Newtown, Pennsylvania provides an overview of the Township's financial performance for the calendar year ended December 31, 2021. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A). Please consider the information presented here in conjunction with the Township's financial statements, which begin on page 20.

FINANCIAL HIGHLIGHTS

Highlights for Government-Wide Financial Statements (Full Accrual Basis):

The government-wide financial statements report information about the Township as a whole using the economic resources measurement focus and accrual basis of accounting.

- At the close of fiscal year 2021, the assets of Newtown Township exceeded its liabilities by \$27,600,529 (representing its net position for governmental activities). Of this amount, \$12,322,181 (45%) is unrestricted and is available to meet the government's ongoing obligations to citizens and creditors.
- Total revenues of the Township's 2021 governmental activities were \$12,176,468, and expenditures totaled \$8,785,438. This compares to 2020 activity of \$13,054,139 in revenue, and \$9,617,010 in expenditures.
- Total assets increased by \$3,522,189 since 2020, as current assets increased by \$1,508,066, capital assets increased by \$613,554 and deferred outflow of resources increased by \$1,400,569. More detail can be found on page 20, Statement of Net Position.
- Overall liabilities increased by \$131,159 since 2020, as current liabilities increased by \$1,894,336, long-term liabilities decreased by \$3,560,437 and deferred inflow of resources increased by \$1,797,260. More detail can be found on page 20, Statement of Net Position.

Highlights for Fund Financial Statements (Modified Accrual):

The fund financial statements provide more detailed information about the Township's most significant funds using the current financial resources measurement focus and modified accrual basis of accounting:

- The Township's governmental funds reported a consolidated fund balance of \$15,499,531 as of December 31, 2021. As of December 31, 2020, governmental funds reported a fund balance of \$15,848,857.
- At December 31, 2021, the General Fund reported a fund balance of \$5,331,134 compared to a December 31, 2020 balance of \$5,815,005.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (pages 20 and 21) present information about the activities of the Township as a whole and present a longer-term view of Newtown Township's finances. Fund financial statements begin on page 22. For governmental activities, these statements explain how services were financed in the short term as well as what remains for future spending. The governmental proprietary fund financial statements also report the Township's operations in more detail than the entity-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

The accompanying financial statements have been prepared in accordance with GASB Statement 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

Government-Wide Financial Statements

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Township's overall financial status.

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net position and how they have changed. Net position, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health. Over time, increases or decreases in the Township's net position are an indication of whether its financial health is improving or deteriorating, respectively.

In the Statement of Net Position and Statement of Activities, we divide the Township into three kinds of categories:

- **Governmental Activities** - Most of the Township's basic services are reported here, including the police, code enforcement, engineering, fire, ambulance, general administration, public works, and parks and recreation. Also included is the Capital Projects Fund. The Township's street resurfacing project represents the major activities within this fund.
- **Business-Type Activities** - Effective January 1, 2016, the Township transferred the operations of its business-type activities to the Municipal Authority, which is one of the Township's component units. The Township sewer activities were previously reported in the proprietary funds.
- **Component Unit** - Although legally separate, the Library and Municipal Authority (Component Units) are important because the Township is financially accountable for them.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Fund Level Financial Statements

Our analysis of the Township's major funds provides detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Supervisors establishes other funds to help control and manage money for particular purposes (Special Revenue Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants and other money (Capital Projects Fund). The Township's three kinds of funds, governmental, proprietary and fiduciary and use different accounting approaches.

- ***Governmental Funds*** - Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- ***Proprietary Funds*** - Effective January 1, 2016, the Township transferred the operations of its proprietary funds to the Municipal Authority. Previously, when the Township charged homeowners and businesses for the services it provided, these charges were reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.
- ***Fiduciary Funds*** - The Township is the trustee, or fiduciary, responsible for other assets and because of a trust arrangement these funds can only be used for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Infrastructure Assets

The Township implemented the all model portions of GASB Statement No. 34, including the reporting of infrastructure. Historically, a government's largest group of assets (infrastructure - roads, bridges, storm sewers, etc.) have not been reported nor depreciated in governmental financial statements. This statement requires that these assets be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must either (1) depreciate these assets over their estimated useful lives, or (2) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government develops the asset management system, (the modified approach) which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The Township has elected to depreciate all assets over their useful lives.

FINANCIAL ANALYSIS OF THE TOWNSHIP - GOVERNMENT-WIDE STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Newtown Township, assets exceeded liabilities by \$27,600,529 in fiscal year 2021. The following table presents condensed comparative financial information for the net position of the Township for calendar years 2021 and 2020.

Township of Newtown Schedule of Net Position			2021	2020
ASSETS				
Current and other assets	\$	22,765,795	\$	21,257,729
Capital assets, net of depreciation		27,713,702		27,100,148
Deferred outflows of resources		1,709,257		308,688
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			\$ 52,188,754	\$ 48,666,565
LIABILITIES				
Current liabilities	\$	4,623,794	\$	2,729,458
Long-term liabilities		16,108,444		19,668,881
Deferred inflows of resources		3,855,987		2,058,727
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			24,588,225	24,457,066
NET POSITION				
Net investment in capital assets		14,782,912		13,214,814
Restricted		495,436		421,965
Unrestricted		12,322,181		10,572,720
TOTAL NET POSITION			27,600,529	24,209,499
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			\$ 52,188,754	\$ 48,666,565

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

For more detailed information about this table, refer to the Statement of Net Position (page 20).

The unrestricted net position of \$12,322,181 may be used to meet the Township's ongoing obligations to citizens and creditors. The Township has also reported a net position of \$14,782,912, which reflects the investment in capital assets (land, buildings, vehicles, machinery and equipment, and infrastructure) less any related debt used to acquire those assets is still outstanding.

The 2021 Statement of Net Position shows an increase in total net position for governmental activities of \$3,391,030, as opposed to that of 2020 which showed an increase of \$3,437,129.

The following comparison illustrates revenues and expenses of governmental activities and business-type activities for fiscal years 2021 and 2020 in a detailed format:

Township of Newtown			
Changes in Net Position			
		<u>2021</u>	<u>2020</u>
REVENUES			
Program revenues			
Charges for services	\$	2,046,360	\$ 2,303,169
Operating grants and contributions		1,007,825	2,528,959
General revenues			
Property taxes		5,963,687	5,829,523
Public utility and realty transfer taxes		1,899,198	1,036,414
Business privilege and mercantile taxes		642,997	657,552
Franchise fee - cable TV		358,326	358,224
Other revenues		258,075	340,298
TOTAL REVENUES		<u>12,176,468</u>	<u>13,054,139</u>
EXPENSES			
General government		1,124,054	1,072,210
Public safety		4,887,299	4,806,254
Public works		1,512,200	1,320,775
Library		231,075	244,453
Culture and recreation		261,857	227,650
Insurance		114,130	110,057
Interest on long-term debt		256,619	330,955
Pension, OPEB and insurance		(1,071,540)	130,401
Unallocated depreciation expense		1,469,744	1,374,255
TOTAL EXPENSES		<u>8,785,438</u>	<u>9,617,010</u>
CHANGE IN NET POSITION	\$	<u>3,391,030</u>	\$ <u>3,437,129</u>

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

There are eight basic impacts that can affect revenues and expenses on an annual basis. They are as follows:

Revenues

1. ***Economic Condition*** - This can reflect a declining, stable, or growing economic environment and has a substantial impact on property, business, mercantile, or other tax revenue, as well as public spending habits for building permits and elective user fees.
2. ***Changes in Township Approved Rates*** - While certain tax rates are set by statute, the Township's Board of Supervisors has significant authority to impose and periodically increase or decrease rates (real estate tax millage, building fees, user fees, etc.).
3. ***Changing Patterns in Intergovernmental and Grant Revenue (Recurring and Non-recurring)*** - Certain recurring revenues (state-shared revenues, block grant, etc.) may experience significant changes periodically, while non-recurring (or one time) grants are less predictable and often distorting in their impact on year -to-year comparisons.
4. ***Market Impacts on Investment Income*** - The Township's investment portfolio is managed using a longer average maturity on capital funds. Market conditions cause investment income to fluctuate with the economic environment.

Expenses

1. ***Introduction of New Programs*** - Within the functional expense categories (public safety, public works, recycling, etc.), individual programs may be added or deleted to meet changing community needs and requirements.
2. ***Increase in Authorized Personnel*** - Changes in service demand may cause the Township's Board of Supervisors to increase or decrease authorized staffing. Personnel costs (salary and related benefits) represent approximately 50% of the Township's primary program expenses.
3. ***Salary Increases (Annual Adjustments and Merit)*** - The ability to attract and retain human resources requires Newtown Township to strive to approach a competitive salary and range position in the marketplace.
4. ***Inflation*** - While overall inflation appears to be reasonably modest, the Township is a major consumer of certain commodities such as supplies, fuels, and parts. Some functions experience unusual commodity-specific increases.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Governmental Activities - Changes in Net Position

Revenue from Newtown Township's governmental activities in 2021 totaled \$12,176,468, which was \$877,671 less than in 2020. Sources of revenue were primarily from property taxes, realty transfer taxes, public safety related charges, operating grants, and contributions. Overall, revenues in 2021 decreased by 7% from 2020. Taxes comprised the largest source of Township revenues (70%), amounting to \$8,505,882 in 2021. Property taxes represent that largest revenue source reporting \$5,963,687 or 49% of revenue. The significant decrease in operating grants and contributions can be attributed to a non-reoccurring contribution to capital improvements that took place in 2020 from the Municipal Authority for work associated with road restoration. Additionally, the decrease in charges for service is related to the overall decrease in permit revenue in 2021 in comparison to 2020.

Expenses of all governmental activities in 2021 amounted to \$8,785,438, which was \$831,572 less than in 2020. As the statement of activities indicates, public safety is the largest program with expenses of \$4,887,299 (56%) of governmental expenses. Public works expenses totaled \$1,512,200 (17%) of expenses. Public works saw a significant increase of \$191,425 due to a decrease in capital expenditures in 2020 in comparison to 2021. General government came in as the third biggest expense, accounting for \$1,124,054 (13%). General government also saw an increase due to the lack of capital purchases in 2020 compared to 2021. Pension, OPEB, and insurance saw a significant decrease due to the fact the OPEB plan had a change in benefit terms that resulted in a \$1,032,531 reduction to the OPEB liability. Additional information can be found on page 66.

Cost of Services - Expenses Analysis

The schedule below highlights the cost of services for Governmental Activities. The total cost of services column includes all costs related to the programs. The net cost column shows how much of the total amount was not covered by program revenues. In other words, net costs are costs that must be covered by local taxes, other general revenue, and/or transfers.

Net cost of Governmental Activities is 65% of total cost of services in 2021. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

	2021		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Governmental Activities				
General government	\$ 1,124,054	\$ 1,001,994	\$ 1,072,210	\$ 978,907
Public safety	4,887,299	2,769,436	4,806,254	2,413,983
Public works	1,512,200	1,067,144	1,320,775	(738,813)
Library	231,075	231,075	244,453	244,453
Culture and recreation	261,857	166,096	227,650	206,571
Insurance	114,130	114,130	110,057	110,057
Interest on long-term debt	256,619	256,619	330,955	330,955
Pension and OPEB, unallocated	(1,071,540)	(1,344,985)	130,401	(135,486)
Unallocated depreciation	1,469,744	1,469,744	1,374,255	1,374,255
	<u>\$ 8,785,438</u>	<u>\$ 5,731,253</u>	<u>\$ 9,617,010</u>	<u>\$ 4,784,882</u>

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The Township uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such data is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 22) reported a combined fund balance of \$15,499,531. The General Fund's unassigned fund balance was \$2,656,716 as of December 31, 2021, equating to 22% of 2021's total revenues and 21% of total expenditures, excluding other financing sources.

Maintaining a reasonable fund balance provides a "safety net" in the event of emergencies, economic downturns, or other unforeseen circumstances. Without an adequate level of fund balance, these unforeseen amounts could create the need for a significant tax increase in a future period or create the need for borrowing. Bond rating services and the Governmental Finance Officers Association (GFOA) recommend, at a minimum, an unreserved fund balance of 5% to 15% of regular general fund operating revenues. Newtown Township chose to maintain a fund balance of 25% or 3 months of budgeted operating expenses.

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Revenue			
Real estate and transfer taxes	\$ 7,867,313	\$ 6,850,177	\$ 1,017,136
Local service taxes	642,997	657,552	(14,555)
Licenses, permits and fines	1,859,121	2,227,281	(368,160)
Intergovernmental	762,217	630,119	132,098
Charges for services	42,859	50,567	(7,708)
Franchise fee - cable TV	358,326	358,224	102
Act 205 Pension	273,445	265,887	7,558
Other revenues	<u>374,668</u>	<u>2,016,527</u>	<u>(1,641,859)</u>
TOTAL REVENUES	<u>12,180,946</u>	<u>13,056,334</u>	<u>(875,388)</u>
Other financing sources			
Proceeds from refunding note or loans issued	8,751,000	3,607,000	5,144,000
Operating transfers in	<u>2,132,614</u>	<u>2,125,062</u>	<u>7,552</u>
TOTAL OTHER FINANCING SOURCES	<u>10,883,614</u>	<u>5,732,062</u>	<u>5,151,552</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 23,064,560</u>	<u>\$ 18,788,396</u>	<u>\$ 4,276,164</u>

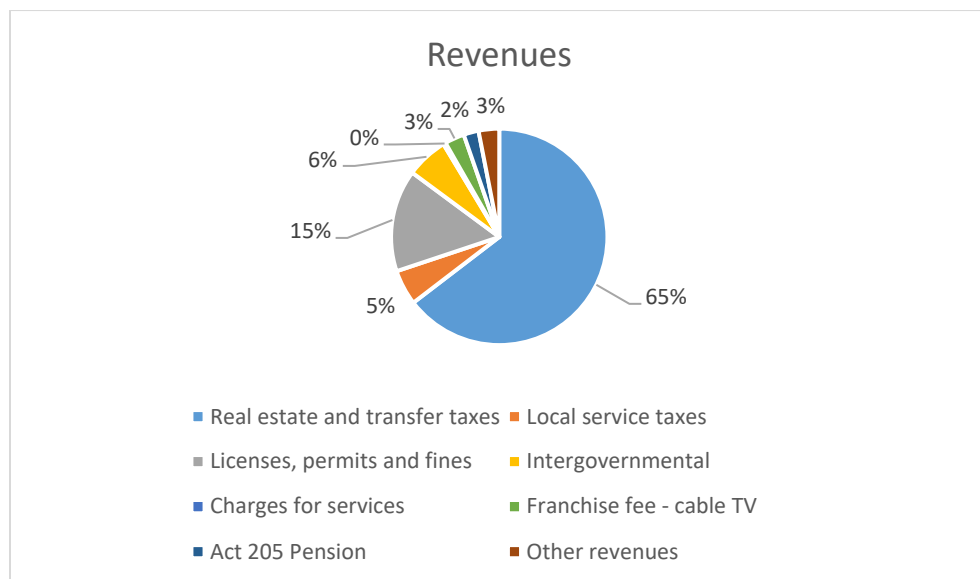
TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Revenues and other financing sources for 2021 totaled \$23,064,560. This increased by \$4,276,164 (23%) of revenues from 2020. The major factors contributing to this increase were as follows:

- Real estate taxes saw an increase of \$154,352 in comparison to 2020. Real estate transfer tax saw an increase of \$862,784 due to the transfer of two large properties. In addition, the volume of transfer and transfer prices both increased during the 2021 fiscal year.
- Local Service Tax experienced a decrease of \$14,555. This decrease is presumed to be associated with the COVID-19 work from home orders.
- Intergovernmental services came in \$132,098 ahead of 2020 due to a larger reimbursement from Marple Newtown School district associated with the amount of hours the School Resource Officer worked in 2021.
- Other revenue sources reported a significant reduction of \$1,641,859. This large reduction in revenue is associated with a one-time contribution to capital projects received from the Municipal Authority in 2021 for road restoration work. This contribution to capital is considered a one-time revenue source.
- Proceeds from refunding notes or loans experienced a \$5,144,000 increase in 2021 due to the refinancing of the 2016 General Obligation Bond.



TOWNSHIP OF NEWTOWN

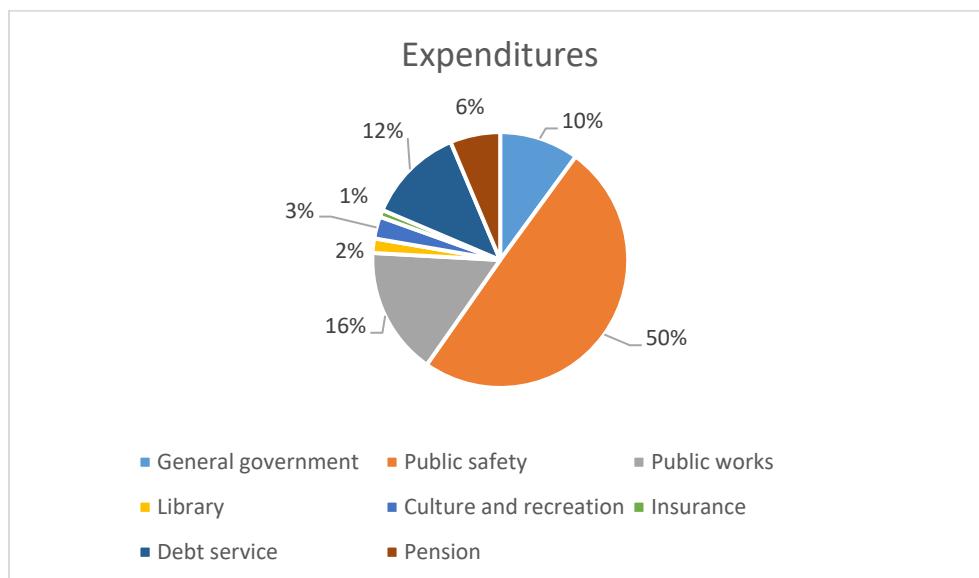
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

	2021	2020	Increase (Decrease)
Expenditures			
General government	\$ 1,261,555	\$ 1,116,437	\$ 145,118
Public safety	6,251,902	4,976,720	1,275,182
Public works	2,028,631	5,936,396	(3,907,765)
Library	231,075	244,453	(13,378)
Culture and recreation	349,427	402,650	(53,223)
Insurance	114,130	110,057	4,073
Debt service	1,541,942	1,009,394	532,548
Pension	797,610	748,656	48,954
TOTAL EXPENDITURES	12,576,272	14,544,763	(1,968,491)
Other financing sources			
Payment to refunded bond escrow agent	8,705,000	-	8,705,000
Operating transfers out	2,132,614	2,125,062	7,552
TOTAL OTHER FINANCING SOURCES	10,837,614	2,125,062	8,712,552
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	\$ 23,413,886	\$ 16,669,825	\$ 6,744,061

Total expenditures and other financing uses were \$23,413,886 in 2021. This represents an increase of \$6,744,061 (40%) from 2020. Key drivers contributing to these changes were:

- The refunding of 2016 General Obligation Bond (Payment to refund bond escrow agent)
- Purchase of Fire Truck (Public Safety)
- Completion of 2020 Road Program (Public Works)
- Additional Debt Service Payments for 2020 Road Program (Public Works)



TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues

The statement comparing the Township's budget to actual results can be found on page 59. Total actual revenues of 2021 ended over budget by 15% or \$1,496,100. The key contributing factors were:

- Real Estate Tax revenues finished \$105,901 over budget. A 97.5% collection rate was budgeted in 2021 but 98.3% of all taxes were collected, which is equivalent to \$54,500. In addition, less property owners paid their real estate taxes in the discount period and more in the penalty period than budgeted adding an additional \$16,500 in revenue. Interim taxes also came in above budget by \$10,200. Lastly, the County had an above average year in delinquent collections contributing \$19,275 in revenues above the 2021 budget.
- Transfer Taxes came in \$999,198 over budget due to two large property transfers. The transfer of Main Line Health and the Ave Apartments makes up the majority of the overage. Furthermore, more homes were sold at an increased price in 2021 than anticipated.
- Local Service Tax experienced a deficit of \$91,503. This decrease is presumed to be associated with the COVID-19 work from home orders that are still in effect.
- New construction, coupled with the increased collection of contractor registrations and zoning fees, led to an increase of \$398,740 over budget for the licenses and permits category. The permit revenue associated with the continued build-out of the Ellis Preserve was the biggest contributing factor.
- Fines and Forfeits revenue ended the year \$16,556 short of what was budgeted. The key sources of the shortfall were a decrease in District Court and alarm fine related revenues. Due to the pandemic, District Court heard less cases in 2021 than usual. In turn, the Township saw a decrease in revenues from District Court decisions. Likewise, more residents are now working from home resulting in less false alarm fine revenue. These two-line items account for 90% of the shortfall.
- Investment earnings fell short of the budgeted amount by \$21,835 due to the decrease in interest rates related to the COVID-19 pandemic.
- Intergovernmental revenues were over budget by \$36,521. The primary reason for the increase was the usage of the School Resource Officer. The School Resource Officer was utilized more than anticipated in 2021 leading to a larger reimbursement from Marple Newtown School District than budgeted.
- Act 205 Pension revenues came in \$21,445 ahead of budget. This increase was a result of a larger Pension State Aid payment than projected for 2021.
- Miscellaneous revenues saw a surplus of \$56,522. Insurance related refunds related to insurance claims filed in 2021 were the key source. The Township does not budget for insurance related refunds.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Expenditures

Actual Expenditures at the end of 2021 equated to \$317,143 below budget (3%) of expenditures. Contributing to this favorable position were several factors:

- **General Government** - Overall, general government services equated to \$47,689 under budget. The majority of the savings seen in the General Government Category can be attributed to the Township not moving forward with the hiring of a full-time Communications Coordinator. Included in the 2021 budget was the hire of a full-time employee to handle the Townships increasing communication and marketing needs. Throughout the year, the Township investigated some additional options instead of hiring a full-time employee. This resulted in the use of a third-party communications individual which resulted in significant savings in the General Government category for 2021.
- **Public Safety** - Public safety saw savings of \$75,769. Of these savings, salaries and personnel expenses contributed the largest portion with approximately \$41,750 (56%) of total savings. A large portion of these savings are assumed to be COVID-19 related. Line items, such as extra duty, court, training, reimbursable overtime, along with conferences and meetings were under budget due to less events happening in 2021 than budgeted. The second biggest category in savings was seen in the State's Foreign Fire Relief contribution with savings of \$18,126. Although Foreign Fire Relief shows an expense that is under budget, this results in a revenue under budget by \$18,126 considering the Foreign Fire Relief is a pass-through expense from the State. Lastly, planning expenses came in \$15,053 under budget due to the decreased use of the planning consultant.
- **Highway and Streets** - Overall, highways and streets were \$220,218 under budget for the year, in which the salary and benefit related expenses saw the biggest savings of \$85,253. In addition to operating short handed for a portion the year, the Public Works Department was budgeted to hire a full time grounds keeper which did not occur in 2021. Furthermore, unlike previous years, 2021 had a relatively mild winter resulting in savings of \$52,280 in salt, temporary winter help, snow related overtime, snow equipment maintenance, diesel fuel, etc. Overall recycling related costs contributed an additional \$26,837 in savings. The majority of the savings from recycling can be attributed to a decrease in leaf disposal costs. Traffic Signal repairs came in \$24,265 under budget from a lack of traffic signal repairs needed in 2021. Building related costs also experienced a savings of \$15,242 related to budgeted maintenance on the Municipal Building that did not take place in 2021. The remaining savings was spread throughout the highways and streets category in savings such as gasoline, equipment rentals, materials, and small tools.
- **Culture and Recreation** - In 2021, culture and recreation was \$31,009 under budget. Of this, \$16,470 of the savings was operating expense saving associated with park maintenance. Additionally, in 2021 the Township budgeted for community events such as electronic recycling and paper shredding events. Due to COVID-19, these events did not take place in 2021, contributing an additional \$6,500 in savings. The remaining saving was an accumulation of smaller items such as the Papermill House, Environmental Advisory Council, and American in Bloom savings.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

- **Pension** - Pension related expenditures were \$21,444 over budget. Due to a larger pension contribution from the State, the Board of Supervisors decided to add the additional dollars into the Non-Uniform pension plan.
- **Debt Service** - Debt service payments came in \$53,717 above what was budgeted in 2021. The primary factor contributing to the overage was the refinance costs associated with the refinancing of the 2016 General Obligation Bonds. These refinance costs contributed \$52,697, or 99% of the overage in 2021.

CAPITAL ASSETS AND LONG-TERM DEBT ADMINISTRATION

Capital Assets - Governmental Activities

The Township's investment in capital assets for its governmental activities for calendar year ended December 31, 2021 is \$27,713,702 net of accumulated depreciation. Major capital assets acquired, and improvements made during the year out of the operating budget were:

- \$1,151,667 - 2021 Pierce 105' Aerial Fire Truck and Equipment
- \$298,819 - Police and Public Works Vehicles
- \$249,390 – Building Improvements
- \$113,025 – 2020 Road Program Additions
- \$86,757 – Culvert Additions/Repairs

Schedule of Capital Assets For the Year Ended December 31, 2021

	Beginning Balance	Increase/ (Decrease)	Ending Balance
GOVERNMENTAL ACTIVITIES			
CAPITAL ASSETS			
Land	\$ 5,920,225	\$ -	\$ 5,920,225
Land improvements	688,140	-	688,140
Buildings	13,823,924	95,761	13,919,685
Infrastructure	14,257,190	212,792	14,469,982
Furniture and equipment	7,481,321	1,774,745	9,256,066
TOTAL CAPITAL ASSETS	42,170,800	2,083,298	44,254,098
ACCUMULATED DEPRECIATION			
Land improvements	(570,902)	(14,499)	(585,401)
Buildings	(3,467,550)	(425,232)	(3,892,782)
Infrastructure	(5,231,477)	(694,044)	(5,925,521)
Furniture and equipment	(5,800,723)	(335,969)	(6,136,692)
TOTAL ACCUMULATED DEPRECIATION	(15,070,652)	(1,469,744)	(16,540,396)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 27,100,148	\$ 613,554	\$ 27,713,702

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Long-Term Debt

As of December 31, 2021, Newtown Township's outstanding debt portfolio consisted of \$13,080,000 in notes. The Township took one additional borrowing in 2021: General Obligation Note 2021 totaling \$8,751,000, which refunded General Obligation Bonds, Series of 2016. During 2021, the Township made principal payments of \$1,251,285 on the Series of 2016 General Obligation Bonds, Series A&B of 2016 General Obligation Notes, Series of 2020, and 2020A General obligation Notes.

State statutes limit the amount of general obligation debt a governmental entity may issue to 250% of its average borrowing base (average revenues over the past three years). The Township's current allowable debt borrowing base is approximately \$23,000,000. As of December 31, 2021, the Township's borrowing level is at 57% capacity.

Additional information about the Township's long-term debt can be found in Note I on pages 43 to 45 of this report.

Debt Service Schedule For the Year Ended December 31, 2021

	Principal Outstanding January 1, 2021	Maturities	Additions (Refinancing)	Principal Outstanding December 31, 2021
General Obligation Bonds Series of 2016	\$ 8,885,000	\$ (180,000)	\$ (8,705,000)	\$ -
General Obligation Notes Series A&B of 2016	1,735,000	(520,000)	-	1,215,000
Series of 2020 and 2020A	3,607,000	(493,000)	-	3,114,000
Series of 2021	-	-	8,751,000	8,751,000
Less deferred amounts Issuance premium	58,285	(58,285)	-	-
	<u>\$ 14,285,285</u>	<u>\$ (1,251,285)</u>	<u>\$ 46,000</u>	<u>\$ 13,080,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Newtown Township continues to maintain a diversified revenue base should there be any short-term fluctuations in any one revenue source.
- Newtown Township changed its general millage rate from 1.7089 mills to 1.7314 mills in 2022. In addition, the hydrant millage changed from 0.0215 mills in 2021 to 0.0325 in 2022 and the street light millage changed from 0.045 mills to 0.034. Overall Newtown Township's assessment went from \$3,428,177,594 in 2021 to \$3,607,439,413 to 2022.
- The Township expects to see an increase in real estate tax assessment that will in turn increase the amount of real estate taxes collected. Large projects such as new residential and commercial building located in the Ellis Preserve, Stoney Knoll development, and the remainder of the Leister neighborhood are all contributing factors.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

- All these factors were considered in preparing the Townships budget for the 2022 fiscal year.

REQUESTS FOR INFORMATION

These financial statements and discussions are designed to provide our citizens, taxpayers, investors, and creditors with a complete disclosure of the Township's finances and to demonstrate a high degree of accountability for the public dollars entrusted to us.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Director of Finance, Township of Newtown, 209 Bishop Hollow Road, Newtown Square, Pennsylvania 19073. Separately issued financial statements are available for the Township's component units, the Newtown Public Library, and the Newtown Township Municipal Authority.

General information relating to Newtown Township can be found on its website at www.newtowntownship.org.

To be successful in today's world of municipal government, it takes hard work and unwavering dedication by all of us; the five-member Board of Supervisors, management staff, our solid and committed workforce, our many volunteers, and other giving citizens. Thank you to all.

TOWNSHIP OF NEWTOWN
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Primary Government Governmental Activities	Component Units	
		Newtown Library	Municipal Authority
ASSETS			
Cash and cash equivalents	\$ 17,858,341	\$ 183,722	\$ 11,472,788
Taxes receivable	286,887	-	-
Accounts receivable	500,689	-	1,353,157
Due from component units	509,492	-	-
Prepaid items	37,179	-	31,479
Net pension asset	3,573,207	-	-
Capital assets			
Property, plant and equipment, Municipal Authority	-	-	34,167,786
Property, plant and equipment, Newtown Library	-	79,673	-
Nondepreciable capital assets	5,920,225	-	-
Depreciable capital assets	21,793,477	-	-
TOTAL ASSETS	50,479,497	263,395	47,025,210
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,693,775	-	-
Deferred outflows related to OPEB	15,482	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,709,257	-	-
LIABILITIES			
Accounts payable and accrued expenses	290,841	163	155,008
Accrued payroll	134,808	-	-
Accrued interest	-	-	482,006
Escrow deposits	1,693,549	-	694,657
Unearned revenue	1,502,596	-	-
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	1,002,000	-	767,058
Portion due or payable after one year			
Bonds and notes payable	12,078,000	-	34,016,508
Compensated absences	533,402	-	-
Total OPEB liability	3,497,042	-	-
Due to Newtown Township	-	-	509,492
TOTAL LIABILITIES	20,732,238	163	36,624,729
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	3,554,862	-	-
Deferred inflows related to OPEB	301,125	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,855,987	-	-
NET POSITION			
Net investment in capital assets	14,782,912	79,673	109,060
Restricted	495,436	28,000	-
Unrestricted	12,322,181	155,559	10,291,421
TOTAL NET POSITION	\$ 27,600,529	\$ 263,232	\$ 10,400,481

See accompanying notes to the basic financial statements.

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TOWNSHIP OF NEWTOWN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,124,054	\$ 58,515	\$ 63,545	\$ -
Public safety	4,887,299	1,987,845	130,018	-
Public works	1,512,200	-	445,056	-
Library	231,075	-	-	-
Culture and recreation	261,857	-	95,761	-
Insurance	114,130	-	-	-
Interest on long-term debt	256,619	-	-	-
Pension and OPEB, unallocated	(1,071,540)	-	273,445	-
Depreciation, unallocated	1,469,744	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 8,785,438</u>	<u>\$ 2,046,360</u>	<u>\$ 1,007,825</u>	<u>\$ -</u>
COMPONENT UNITS				
Newtown Library	\$ 431,934	\$ 2,210	\$ 429,208	\$ -
Municipal Authority	3,709,559	3,490,064	-	-
TOTAL COMPONENT UNITS	<u>\$ 4,141,493</u>	<u>\$ 3,492,274</u>	<u>\$ 429,208</u>	<u>\$ -</u>
GENERAL REVENUES				
Taxes				
Real property tax				
Real estate transfer taxes				
Local services tax				
Cable TV franchise fees				
Investment income				
Miscellaneous				
TOTAL GENERAL REVENUES				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary	Component Units	
Government		
Governmental	Newtown	Municipal
Activities	Library	Authority
\$ (1,001,994)	\$ -	\$ -
(2,769,436)	-	-
(1,067,144)	-	-
(231,075)	-	-
(166,096)	-	-
(114,130)	-	-
(256,619)	-	-
1,344,985	-	-
(1,469,744)	-	-
(5,731,253)	-	-
-	(516)	-
-	-	(219,495)
-	(516)	(219,495)
5,963,687	-	-
1,899,198	-	-
642,997	-	-
358,326	-	-
25,190	380	31,401
232,885	-	-
9,122,283	380	31,401
3,391,030	(136)	(188,094)
24,209,499	263,368	10,588,575
\$ 27,600,529	\$ 263,232	\$ 10,400,481

TOWNSHIP OF NEWTOWN**BALANCE SHEET****GOVERNMENTAL FUNDS****DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Note Proceeds Fund</u>
ASSETS			
Cash and cash equivalents	\$ 6,382,961	\$ 9,055,006	\$ 85,151
Taxes receivable	286,887	-	-
Accounts receivable	382,718	54,296	-
Due from other funds	4,824	3,200	-
Due from component units	509,492	-	-
Prepaid items	37,179	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ <u>7,604,061</u>	\$ <u>9,112,502</u>	\$ <u>85,151</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 174,994	\$ 109,798	\$ -
Accrued payroll	134,808	-	-
Escrow deposits	1,693,549	-	-
Unearned revenues	190,289	-	-
Due to other funds	8,024	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>2,201,664</u>	<u>109,798</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues, property taxes	<u>71,263</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	37,179	-	-
Restricted	-	-	85,151
Committed to	2,637,239	2,363,155	-
Assigned	-	6,639,549	-
Unassigned	2,656,716	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>5,331,134</u>	<u>9,002,704</u>	<u>85,151</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	\$ <u>7,604,061</u>	\$ <u>9,112,502</u>	\$ <u>85,151</u>

See accompanying notes to the basic financial statements.

Stormwater Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
\$ 859,200	\$ 730,146	\$ 745,877	\$ 17,858,341
-	-	-	286,887
-	-	63,675	500,689
-	-	1,206	9,230
-	-	-	509,492
-	-	-	37,179
<u>\$ 859,200</u>	<u>\$ 730,146</u>	<u>\$ 810,758</u>	<u>\$ 19,201,818</u>

\$ -	\$ -	\$ 6,049	\$ 290,841
-	-	-	134,808
-	-	-	1,693,549
579,016	729,701	3,590	1,502,596
-	-	1,206	9,230
<u>579,016</u>	<u>729,701</u>	<u>10,845</u>	<u>3,631,024</u>
-	-	-	71,263
-	-	-	37,179
-	445	559,495	645,091
-	-	-	5,000,394
280,184	-	241,624	7,161,357
-	-	(1,206)	2,655,510
<u>280,184</u>	<u>445</u>	<u>799,913</u>	<u>15,499,531</u>
<u>\$ 859,200</u>	<u>\$ 730,146</u>	<u>\$ 810,758</u>	<u>\$ 19,201,818</u>

TOWNSHIP OF NEWTOWN

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 15,499,531
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,713,702
Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Deferred inflows and outflows related to pension and OPEB activities	(2,146,730)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Bonds and notes payable	(13,080,000)
Net pension asset	3,573,207
Total OPEB liability	(3,497,042)
Compensated absences	(533,402)
Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recognized in the funds.	<u>71,263</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 27,600,529</u>

See accompanying notes to the basic financial statements.

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TOWNSHIP OF NEWTOWN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2021

	General Fund	Capital Reserve Fund	Note Proceeds Fund
REVENUES			
Real estate taxes	\$ 5,860,303	\$ -	\$ -
Transfer taxes	1,899,198	-	-
Local services tax	642,997	-	-
Licenses and permits	1,832,877	-	-
Fines and forfeits	26,244	-	-
Interest income, rents and royalties	13,165	9,428	256
Intergovernmental revenues	343,210	-	-
Act 205 Pension	273,445	-	-
Charges for services	42,859	-	-
Franchise fee - cable TV	358,326	-	-
Refunds of prior year expenditures	3,132	-	-
Contributions	-	57,433	-
Miscellaneous	229,803	-	-
TOTAL REVENUES	<u>11,525,559</u>	<u>66,861</u>	<u>256</u>
EXPENDITURES			
Current			
General government	1,092,012	4,500	-
Public safety	4,826,323	1,343,658	-
Highways and streets	1,431,267	441,462	85,993
Library	231,075	-	-
Culture and recreation	212,031	97,655	-
Insurance	114,130	-	-
Pension	797,610	-	-
Debt service (principal and interest)	1,228,291	-	-
TOTAL EXPENDITURES	<u>9,932,739</u>	<u>1,887,275</u>	<u>85,993</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,592,820</u>	<u>(1,820,414)</u>	<u>(85,737)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding note issued	8,751,000	-	-
Payment to refunded bond escrow agent	(8,705,000)	-	-
Interfund transfers in	-	2,121,030	-
Interfund transfers out	(2,122,691)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,076,691)</u>	<u>2,121,030</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(483,871)	300,616	(85,737)
FUND BALANCES AT BEGINNING OF YEAR	<u>5,815,005</u>	<u>8,702,088</u>	<u>170,888</u>
FUND BALANCES AT END OF YEAR	<u>\$ 5,331,134</u>	<u>\$ 9,002,704</u>	<u>\$ 85,151</u>

See accompanying notes to the basic financial statements.

Stormwater Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 107,812	\$ 5,968,115
-	-	-	1,899,198
-	-	-	642,997
-	-	-	1,832,877
-	-	-	26,244
1,265	445	631	25,190
-	-	419,007	762,217
-	-	-	273,445
-	-	-	42,859
-	-	-	358,326
-	-	-	3,132
-	-	59,110	116,543
-	-	-	229,803
<u>1,265</u>	<u>445</u>	<u>586,560</u>	<u>12,180,946</u>
-	-	165,043	1,261,555
-	-	81,921	6,251,902
31,044	-	38,865	2,028,631
-	-	-	231,075
-	-	39,741	349,427
-	-	-	114,130
-	-	-	797,610
-	-	313,651	1,541,942
<u>31,044</u>	<u>-</u>	<u>639,221</u>	<u>12,576,272</u>
<u>(29,779)</u>	<u>445</u>	<u>(52,661)</u>	<u>(395,326)</u>
-	-	-	8,751,000
-	-	-	(8,705,000)
-	-	11,584	2,132,614
-	-	(9,923)	(2,132,614)
<u>-</u>	<u>-</u>	<u>1,661</u>	<u>46,000</u>
(29,779)	445	(51,000)	(349,326)
<u>309,963</u>	<u>-</u>	<u>850,913</u>	<u>15,848,857</u>
<u>\$ 280,184</u>	<u>\$ 445</u>	<u>\$ 799,913</u>	<u>\$ 15,499,531</u>

TOWNSHIP OF NEWTOWN

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (349,326)

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$1,469,744) exceeds capital outlays (\$2,083,298) in the current period.

613,554

Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Total unavailable revenue from taxes decreased by the following in the current period.

(4,428)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

1,205,285

Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

34,038

The net change in the liability for compensated absences is reported in the government-wide statements but not in the Governmental Funds statements.

22,757

The net change in the asset for the net pension asset and related deferred outflows of resources and deferred inflows of resources are reported in the government-wide statements but not in the Governmental Funds statements.

1,076,838

The net change in the liability for the total OPEB liability and related deferred outflows of resources and deferred inflows of resources are reported in the government-wide statements but not in the Governmental Funds statements.

792,312

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,391,030

See accompanying notes to the basic financial statements.

TOWNSHIP OF NEWTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	Pension Trust Funds	
	Police Pension Fund	Municipal Pension Fund
ASSETS		
Cash	\$ 684,957	\$ 143,233
Investments	17,781,077	4,157,786
Prepaid pension payments	39,199	14,776
Employee contributions receivable	<u>5,242</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 18,510,475</u>	<u>\$ 4,315,795</u>
NET POSITION		
Restricted for pensions	<u>\$ 18,510,475</u>	<u>\$ 4,315,795</u>

See accompanying notes to the basic financial statements .

TOWNSHIP OF NEWTOWN
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Pension Trust Funds	
	Police Pension Fund	Municipal Pension Fund
ADDITIONS		
Contributions		
Employer	\$ 576,921	\$ 220,689
Employee	109,760	-
TOTAL CONTRIBUTIONS	<u>686,681</u>	<u>220,689</u>
Investment income		
Realized and unrealized gains on investments	1,792,141	418,695
Interest and dividends	371,868	86,646
TOTAL INVESTMENT INCOME	<u>2,164,009</u>	<u>505,341</u>
Less investment expense	<u>(85,083)</u>	<u>(19,782)</u>
NET INVESTMENT EARNINGS	<u>2,078,926</u>	<u>485,559</u>
TOTAL ADDITIONS	<u>2,765,607</u>	<u>706,248</u>
DEDUCTIONS		
Benefit payments	486,888	183,269
Administrative expenses	10,600	10,400
TOTAL DEDUCTIONS	<u>497,488</u>	<u>193,669</u>
CHANGE IN NET POSITION	2,268,119	512,579
NET POSITION - BEGINNING	<u>16,242,356</u>	<u>3,803,216</u>
NET POSITION - ENDING	<u>\$ 18,510,475</u>	<u>\$ 4,315,795</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Township and its component units. All fiduciary activities are reported only in the fund financial statements. The Township is reported separately from certain legally separate component units for which the primary government is financially accountable.

Reporting Entity

The Township of Newtown (the "Township"), founded in 1681, is located in Delaware County, Pennsylvania, approximately 12 miles west of the City of Philadelphia and is adjacent to the Main Line. The Township is a Second Class Township and follows the rules of the Commonwealth of Pennsylvania Second Class Township Code.

The Township is governed by a five member elected Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the Township.

Discretely Presented Component Units

The Newtown Township Public Library serves the residents of Newtown Township as well as the residents of Delaware County. The Library's governing board approves its own budget. However, the Library is fiscally dependent upon the Township because it receives a substantial portion of its operating funds from them and occupies space received from the Township. The Library is presented as a governmental fund type and has a December 31 year-end. Copies of the Library's audited financial statements may be obtained at the Library administrative office.

The Newtown Township, Delaware County, Sewer Authority assists Newtown Township in acquiring and facilitating the ownership of land, buildings and equipment for any use approved by the Township. The Authority also provides sewer and industrial waste disposal services. The Authority is fiscally dependent upon the Township because it receives a substantial portion of its operating funds from them.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

While separate government-wide financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the Township has two discretely presented component units. While only the Municipal Authority component unit is considered to be a major component unit, both the Municipal Authority and the Newtown Library are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major government funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

Capital Reserve Fund - The Capital Reserve Fund is used to account for the acquisition and construction of the government's major capital facilities.

Note Proceeds Fund - The Note Proceeds Fund is used to account for the acquisition and construction of the government's major capital facilities.

Stormwater Maintenance Fund - The Stormwater Maintenance Fund derives its revenue from fees charged to developers or property owners for expenses related to work performed greater than ten feet on that property.

American Rescue Plan Act Fund - The ARPA Fund is used to account for contributions and expenditures incurred with the American Rescue Plan Act Funding.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following nonmajor government funds:

Special Revenue Funds - The following governmental funds of the Township are considered non major (presented in a single column).

- The State Highway Liquid Fuels Tax Fund accounts for receipts from state motor license fund to be used for highway related expenses and improvements and the transfer of funds to the General Fund to cover other allowable highway-related expenditures.
- The Open Space Fund utilizes revenue collected from developers for future land acquisitions and recreation development.
- The Police Donation Fund is utilized to record donations from residents and businesses for equipment to be purchased solely for the police department.
- The War on Drugs Fund is utilized to record funds confiscated from drug related raids and arrests within the Township, which is used to purchase equipment to assist drug enforcement.
- The EAC (Environmental Advisory Council) Fund is utilized to record donations from residents to fund the installation and care of hanging, potted plants throughout the Township.
- The Street Light Fund is utilized to record assessments for street lights, as well as the electric and maintenance expenditures related to the street lights in the Township.
- The Hydrant Fund is utilized to record assessments and expenditures related to the hydrants throughout the Township.

Additionally, the Township reports the following fund types:

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, or other governments. Pension Trust Funds are fiduciary funds which account for the activities of the Police and Municipal Pension Plans, which accumulate resources for the pension benefit payments to qualified employees.

The Police Pension Plan is a single employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. 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 board comprised of members appointed by the Board of the Township and the Township is responsible for funding the plan. The plan is reported as a fiduciary fund and does not issue separate financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Non-Uniform Pension Plan is a single employer defined benefit pension plan that provides pensions for all full-time non-uniformed employees of the Township. 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 board comprised of members appointed by the Board of the Township and the Township is responsible for funding the plan. The plan is reported as a fiduciary fund and does not issue separate financial statements.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financials statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government- wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Township.

The fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Assets or Equity

Deposits and Investments

With the exception of the Pension Trust Funds, the Township is permitted under state law to invest funds consistent with sound business practices in the following types of investments:

Obligations of (a) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (b) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (c) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances."

There was no allowance for uncollectibles at December 31, 2021 for the Governmental Activities. For the Newtown Township Municipal Authority, the allowance for uncollectibles was \$19,291 at December 31, 2021.

Property Taxes

Property taxes attach as an enforceable lien on property as of March 1 of the following year. Taxes are levied on February 1 and payable in the following periods:

Discount Period - February 1 to March 31 - 2% of Gross Levy
Flat Period - April 1 to May 31
Penalty Period - June 1 to Collection - 10% of Gross Levy

Capital Assets

Capital assets, which include property, plant and equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. 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 assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

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

Land improvements	20 years
Buildings	20-40 years
Infrastructure	20-40 years
Furniture and equipment	5-20 years
Book collection	5 years

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net 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(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify 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 underlying factors creating this deferred outflow can be found in Note J. The deferred outflow of resources related to OPEB is reported in the government-wide statement of net position and the underlying factors creating this deferred outflow can be found in Note K.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial 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 Township has three items which qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and the underlying factors creating this deferred outflow can be found in Note J. The deferred inflow of resources related to OPEB is reported in the government-wide statement of net position and the underlying factors creating this deferred outflow can be found in Note K.

Compensated Absences

It is the Township's policy not to permit employees to accumulate earned but not used vacation beyond the current year. Township employees are credited with vacation at rates which vary with length of service or job classification. Vacation must be used in the year it was earned. If separation of service occurs in the year earned, the unused balance of the amount earned is paid at separation. The Township had no accrued vacation liability at December 31, 2021.

In accordance with the police union contract, when an officer terminates their employment (whether for normal retirement, service-connected disability or non-service connected disability), an officer shall receive severance paid in the form of compensation. An officer is eligible to receive severance pay for all accumulated sick days up to a maximum of one-hundred (100) days, up to a maximum \$10,000 compensation, after fifteen (15) years of service. All sick pay is accrued when incurred in the government-wide financial statements.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Administrative personnel who have completed at least three years of Township service receive severance pay in the form of compensation. In accordance with Township policy, when an administrative employee terminates his employment (whether for normal retirement, service-connected disability or non-service connected disability), the employee shall receive one-hundred (100) days severance pay at their then rate of pay, after three (3) years of service. All sick pay is accrued when incurred in the government- wide financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of issuance.

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

Government-Wide Net Position

Government-wide net position is divided into three components:

Invested in Capital Assets. Net of Related Debt - Consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted for: Capital Projects - Consists of the capital projects fund fund-balance that is restricted by the Township for capital outlays.

Unrestricted - Consists of all other net position reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed by grantors or creditors.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed - Amounts that can be used only for specific purposes determined by a formal action by the Board of Supervisors resolution.

Assigned - Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. There has been no such delegation for the year ended December 31, 2021.

Unassigned - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Supervisors establishes (and modifies and rescinds) fund balance commitments by passage of a resolution. The Township's policy is to first apply expenditure toward restricted fund balances followed by committed fund balances and then to assigned fund balances before using unassigned fund balances.

NOTE B - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the general fund. All annual appropriations lapse at fiscal year-end. Project-length financial plans are adopted for all capital projects funds.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 31, the Board of Supervisors submits a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the general fund.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of an ordinance.
4. Legal budgetary control is maintained by the Board of Supervisors at the department level. Transfers between departments, whether between funds or within a fund or revisions that alter the total revenues and expenditures of any fund must be approved by the Board of Supervisors.
5. Budgetary data are included in the Township's management information system and are employed as a management control device during the year for the general fund.
6. Budgets for the general fund are adopted substantially on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C - DEPOSITS AND INVESTMENTS

Deposits

At year end, the total carrying amount of the Township's checking, savings and money market deposits was \$17,858,341, and the corresponding bank balance was \$18,232,910. The Township maintains a cash checking account which is available for use by all funds. By State statute, the Township may appoint one or more depositories for Township funds and approve collateral consisting of obligations of the United States of the Commonwealth of Pennsylvania, or any political subdivision thereof, deposited with the bank or trust company. Pennsylvania Act 72 of 1971, as amended, allows depositories to satisfy the collateralization requirement by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institution's trust department. The carrying amount of Pension deposits was \$828,190 and the corresponding bank balances were \$828,190.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a financial institution failure, the Township's deposits may not be returned to the Township. At December 31, 2021, the carrying amounts of the Township's bank deposits were \$17,858,341, and the corresponding bank balances were \$19,061,100, of which \$250,000 was covered by Federal Depository Insurance. Of the remaining \$18,811,100, \$18,099,258 of deposits was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name and \$711,842 was held in state investment pools that are uninsured and uncollateralized. Pension fund deposits of \$828,190 were uninsured and uncollateralized.

Investments

Statutes authorize the Township to invest in U.S. Government Agency bonds, time or share accounts or institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's Investment pools, or mutual funds.

As of December 31, 2021, the Township had the following investments:

	Fair Value Level 1	Investment Maturities Less Than One Year
PENSION ACTIVITIES		
Exchange traded funds	\$ 21,938,863	\$ 21,938,863

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Fair Value Measurement - The Township 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 market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments in exchange traded funds of \$21,938,863 are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Township's investment policy requires the mitigation of interest rate risk as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit Risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Township has no investment policy that would limit its investment choices to certain credit ratings.

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Township 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. There were no investments that exceeded 5% of the total investments reported in the Governmental or Fiduciary Funds that would be considered a concentration of credit risk.

COMPONENT UNIT - NEWTOWN PUBLIC LIBRARY

Deposits and investments consist of the following:

Cash in checking and money market accounts	\$ 184,528
BALANCE PER BANK AND FINANCIAL INSTITUTIONS	184,528
Outstanding checks and reconciling items	(806)
CARRYING AMOUNTS ON STATEMENT OF NET POSITION	\$ 183,722

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2021, none of the Library's bank balance of \$184,528 was exposed to custodial credit risk.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

COMPONENT UNIT - NEWTOWN MUNICIPAL AUTHORITY

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2021, \$250,000 of the total bank balance of \$11,515,116 was insured by the Federal Depository Insurance Corporation. The remaining bank balance of \$11,265,116 was exposed to credit risk because it was uninsured, although these funds are collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name. This includes collateralization of securities on a pooled basis in accordance with Act No. 72 of the PA General Assembly. Under such Act, financial institutions have the responsibility to maintain sufficient assets in a pooled asset account to collateralize adequately all public deposits, including any interest accrued thereon, in excess of applicable deposit insurance coverage.

NOTE D - TAXES RECEIVABLE

	<u>General Fund</u>
Real estate taxes	\$ 166,599
Transfer taxes	<u>120,288</u>
TOTAL TAXES RECEIVABLE	\$ <u>286,887</u>

At the end of the current fiscal year, the Township reported deferred inflows of resources, related to unavailable real estate tax revenue, in the amount of \$71,263 in the governmental funds.

NOTE E - DUE FROM OTHER GOVERNMENTS

	<u>General Fund</u>	<u>Municipal Authority</u>
Due from component unit	\$ 509,492	\$ -
Due to primary government	<u>-</u>	<u>509,492</u>
	\$ <u>509,492</u>	\$ <u>509,492</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - ACCOUNTS RECEIVABLE

	General Fund	Capital Reserve Fund	Other Governmental Funds	Municipal Authority
Fees	\$ -	\$ -	\$ -	\$ 1,372,448
Franchise fee - cable TV receivable	91,379	-	-	-
Grant receivable	-	-	60,805	-
2021 M/A Payment	111,077	-	-	-
Road program reimbursement	-	54,296	-	-
Miscellaneous	180,262	-	2,870	-
	<u>382,718</u>	<u>54,296</u>	<u>63,675</u>	<u>1,372,448</u>
Less allowance for uncollectibles	-	-	-	(19,291)
ACCOUNTS RECEIVABLE, net	<u>\$ 382,718</u>	<u>\$ 54,296</u>	<u>\$ 63,675</u>	<u>\$ 1,353,157</u>

NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	Interfund Receivables	Interfund Payables
General Fund	\$ 4,824	\$ 8,024
Open Space Fund	1,206	-
EAC Beautification Fund	-	1,206
Capital Reserve Fund	3,200	-
	<u>\$ 9,230</u>	<u>\$ 9,230</u>

Interfund transfers were as follows:

	Transfer to Other Funds	Transfer from Other Funds
General Fund	\$ 2,122,691	\$ -
Capital Reserve Fund	-	2,121,030
Street Light Fund	9,923	11,584
	<u>\$ 2,132,614</u>	<u>\$ 2,132,614</u>

The general fund makes interfund transfers to the capital projects fund for future capital outlay, as well as to the street light fund to transfer real estate taxes for that fund that were collected by the general fund and subsequently transferred to the street light fund.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - CAPITAL ASSETS

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 5,920,225	\$ -	\$ -	\$ 5,920,225
Capital assets being depreciated				
Land improvements	688,140	-	-	688,140
Buildings	13,823,924	95,761	-	13,919,685
Infrastructure	14,257,190	212,792	-	14,469,982
Furniture and equipment	7,481,321	1,774,745	-	9,256,066
TOTAL CAPITAL ASSETS BEING DEPRECIATED	36,250,575	2,083,298	-	38,333,873
Accumulated depreciation				
Land improvements	(570,902)	(14,499)	-	(585,401)
Buildings	(3,467,550)	(425,232)	-	(3,892,782)
Infrastructure	(5,231,477)	(694,044)	-	(5,925,521)
Furniture and equipment	(5,800,723)	(335,969)	-	(6,136,692)
TOTAL ACCUMULATED DEPRECIATION	(15,070,652)	(1,469,744)	-	(16,540,396)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	21,179,923	613,554	-	21,793,477
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 27,100,148	\$ 613,554	\$ -	\$ 27,713,702

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE H - CAPITAL ASSETS (Continued)

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
COMPONENT UNIT ACTIVITIES				
LIBRARY				
Capital assets				
Furniture and equipment	\$ 234,545	\$ -	\$ -	\$ 234,545
Book collection	329,503	32,396	(107,434)	254,465
TOTAL CAPITAL ASSETS	<u>564,048</u>	<u>32,396</u>	<u>(107,434)</u>	<u>489,010</u>
Accumulated depreciation				
Furniture and equipment	(233,678)	(248)	-	(233,926)
Book collection	(246,670)	(36,175)	107,434	(175,411)
TOTAL ACCUMULATED DEPRECIATION	<u>(480,348)</u>	<u>(36,423)</u>	<u>107,434</u>	<u>(409,337)</u>
COMPONENT UNIT ACTIVITIES CAPITAL ASSETS, net	<u>\$ 83,700</u>	<u>\$ (4,027)</u>	<u>\$ -</u>	<u>\$ 79,673</u>
COMPONENT UNIT ACTIVITIES				
MUNICIPAL AUTHORITY				
Capital assets not being depreciated				
Land	\$ 1,234,825	\$ -	\$ -	\$ 1,234,825
Construction in progress	25,433,219	4,993,674	-	30,426,893
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>26,668,044</u>	<u>4,993,674</u>	<u>-</u>	<u>31,661,718</u>
Capital assets being depreciated				
Land improvements	7,195,511	-	-	7,195,511
Accumulated depreciation				
Land improvements	(4,581,495)	(107,948)	-	(4,689,443)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>2,614,016</u>	<u>(107,948)</u>	<u>-</u>	<u>2,506,068</u>
COMPONENT UNIT ACTIVITIES CAPITAL ASSETS, net	<u>\$ 29,282,060</u>	<u>\$ 4,885,726</u>	<u>\$ -</u>	<u>\$ 34,167,786</u>

Depreciation expense was charged to functions/programs of the Township as follows:

Governmental activities - unallocated	\$ 1,469,744
Component unit - Newtown Public Library	36,423
Component unit - Newtown Township Municipal Authority	<u>107,948</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 1,614,115</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - LONG-TERM DEBT

	Principal Outstanding January 1, 2021	Additions	Reductions	Principal Outstanding December 31, 2021	Due Within One Year
General Obligation Bonds					
Series of 2016	\$ 8,885,000	\$ -	\$ (8,885,000)	\$ -	\$ -
General Obligation Notes					
Series A&B of 2016	1,735,000	-	(520,000)	1,215,000	212,000
Series 2020	2,500,000	-	(492,000)	2,008,000	496,000
Series A 2020	1,107,000	-	(1,000)	1,106,000	106,000
Series 2021	-	8,751,000	-	8,751,000	188,000
	<u>14,227,000</u>	<u>8,751,000</u>	<u>(9,898,000)</u>	<u>13,080,000</u>	<u>1,002,000</u>
Deferred amounts					
Issuance premium	58,285	-	(58,285)	-	-
Compensated absences	556,159	-	(22,757)	533,402	-
Total OPEB liability	<u>4,827,437</u>	<u>-</u>	<u>(1,330,395)</u>	<u>3,497,042</u>	<u>-</u>
LONG-TERM DEBT	<u>\$ 19,668,881</u>	<u>\$ 8,751,000</u>	<u>\$ (11,309,437)</u>	<u>\$ 17,110,444</u>	<u>\$ 1,002,000</u>

Outstanding
Principal

General Obligation Notes, Series A&B of 2016. Original principal amount of \$3,750,000. maturing through May 25, 2030, bearing interest at a variable rate. Interest is payable monthly on the 25th.

\$ 1,215,000

General Obligation Notes, Series 2020. Original principal amount of \$2,500,000, maturing through May 2025, bearing interest at .73%. Interest is paid monthly.

2,008,000

General Obligation Notes, Series A of 2020. Original principal amount of \$1,107,000, maturing thorough May 2031, bearing interest at .910%. Interest is paid monthly.

1,106,000

General Obligation Notes, Series 2021. Original principal amount of \$8,751,000, maturing thorough November 2041, bearing interest at 1.148%. Interest is paid monthly. Refunding resulted in cash flow savings of \$1,889,432 and economic gain of \$12,224.

8,751,000

\$ 13,080,000

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - LONG-TERM DEBT (Continued)

The annual requirements to amortize all debts outstanding as of December 31, 2021 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 1,002,000	\$ 143,596	\$ 1,145,596
2023	1,011,000	133,174	1,144,174
2024	1,021,000	122,640	1,143,640
2025	1,031,000	111,988	1,142,988
2026	613,000	101,065	714,065
2027 to 2031	3,122,000	401,365	3,523,365
2032 to 2036	2,569,000	239,804	2,808,804
2037 to 2041	<u>2,711,000</u>	<u>88,846</u>	<u>2,799,846</u>
	<u>\$ 13,080,000</u>	<u>\$ 1,342,478</u>	<u>\$ 14,422,478</u>

The Township financed the General Obligation Bonds, Series A and B of 2016 and General Obligation Notes Series A 2020 and 2020 through the Delaware Valley Regional Finance Authority (DeVal). DeVal has, in turn, entered into interest rate swap agreements with various counterparties to provide fixed interest rates to borrowers. These agreements may be terminated under the following circumstances: (1) DeVal and the counterparty mutually consent to termination, (2) the borrower defaults on its loan, or (3) DeVal or the counterparty default or their financial conditions deteriorate to make a default imminent. Upon termination, DeVal would receive or make a payment depending on the market value of the related interest rate swap. If DeVal were obligated to make such a payment and sufficient funds were not available, DeVal could assess each borrower its allocable share of the termination payment.

As of December 31, 2021, DeVal would have received a payment of approximately \$98 million if all of the swap agreements were terminated. Therefore, no amounts are reflected on the Township's financial statements.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE I - LONG-TERM DEBT (Continued)

Component Unit Activities - Municipal Authority

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
BONDS PAYABLE					
Guaranteed Sewer Revenue					
Bond, Series of 2018	\$ 33,520,000	\$ -	\$ (670,000)	\$ 33,520,000	\$ 695,000
Bond premiums	2,005,625	-	(72,059)	1,933,566	72,058
TOTAL BONDS PAYABLE	\$ 35,525,625	\$ -	\$ (742,059)	\$ 35,453,566	\$ 767,058

On November 5, 2018, Guaranteed Sewer Revenue Bonds, Series of 2018, were issued in the original amount of \$33,520,000. Interest rates range from 3.0% to 5.0% with interest payable semi-annually and principal payable annually from September 2019 through September 2048. These bonds were issued to provide funds for the capital program, for payment of certain capitalized interest, and for payment of costs of issuing the Bonds.

Annual debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest
2022	\$ 695,000	\$ 1,446,019
2023	720,000	1,425,169
2024	745,000	1,396,369
2025	775,000	1,366,569
2025	805,000	1,335,569
2027 to 2031	4,550,000	6,166,845
2032 to 2036	5,515,000	5,199,020
2037 to 2041	6,640,000	4,073,482
2042 to 2046	8,420,000	2,300,000
2047 to 2048	3,985,000	301,250
	<u>\$ 32,850,000</u>	<u>\$ 25,010,292</u>

NOTE J - DEFINED BENEFIT PENSION PLAN

Plan Description

The Township contributes to two public employee retirement systems (PERS), one for its uniformed employees and one for non-uniformed employees. Both are single employer PERS, administered by the Township. Both plans are defined benefit pension plans. The Police Pension Plan (uniformed) covers all full-time uniformed employees. The Non-Uniform Plan covers all full-time non-uniformed employees.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Pension plan financial statements are prepared using the accrual basis of accounting. Plan pension payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value.

Police Pension Plan - Members may retire upon reaching age 50 and completion of 25 years of service. Early retirement may occur after 20 years of service; vesting occurs after completion of 12 years of vesting service. Retirement benefit is equal to 50% of the average monthly compensation averaged over the last 36 months, plus an additional service increment of \$100 per month for each completed year in excess of 25 years, to a maximum of \$200. Survivor benefit is available at 50% of pension if a member is retired or eligible for retirement. If eligible for vesting, refund of contributions with interest of 50% of vested benefit payable at officer's superannuation retirement date. Disability benefit if service related is 100% base pay offset by worker compensation and social security benefits, reduced to 50% upon reaching normal retirement. If hired after January 1, 2009, disability if service related is 75% base pay offset by worker compensation and social security benefits. Cost-of-living post retirement adjustments are made in accordance with Act 600. Member contributions are 5% of pay. Interest is credited to members' contributions at the rate of 3%.

Non-Uniform Pension Plan - Normal retirement for this plan is age 65 and completion of 5 years of service. Early retirement is at age 55 and 5 years of service. Vesting in the plan is 100% after 5 years of service. The retirement benefit consists of 2% of final average 36 months of compensation, multiplied by all credited service (the maximum service for benefit accrual is 25 years). Survivor benefits consist of actuarial equivalent options. Disability benefit service and non-service related disability benefit consist of accrued benefits actuarially reduced. There are no post retirement adjustments. Full-time employees are not required to contribute to the Plan. There is no interest rate credited to member contributions.

Plan Membership

The following table provides information concerning types of covered employees and benefit provisions for each of the Township's plans, from the January 1, 2021 actuarial evaluation (updated through roll forward procedures through the measurement date of December 31, 2021):

	<u>Police</u>	<u>Non-Uniform</u>
Inactive plan members currently receiving benefits	16	10
Inactive plan member entitled to but not yet receiving benefits	-	7
Active plan members	<u>18</u>	<u>20</u>
	<u>34</u>	<u>37</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Contributions

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the Minimum Municipal Obligation (MMO), which is based on the Plans' biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. Any financial requirement established by the MMO which exceeds state and member contributions must be funded by the employer. The MMO for the police pension plan for 2021 was \$566,199 and the Township's actual contribution was \$576,921. The MMO for the non-uniform pension plan for 2021 was \$159,967 and the Township's actual contribution was \$220,689.

Police participants are required to contribute 5% of their compensation to the plan. This contribution is governed by the plan's governing ordinances and collective bargaining. Administrative costs, which may include but are not limited to investment management fees and actuarial services, are charged to the Plans and funded through the MMO and/or plan earnings.

Investments

Investment Policy - The plans' investment policy in regards to the allocation of invested assets is established and may be amended by the Township's Board of Supervisors and Pension Board. 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 plans' formal investment policy statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	49.0%	4.40%
International Equities	21.0%	5.73%
Fixed income	27%	-1.22%
Cash	3%	-0.38%
	<u>100%</u>	

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Concentration of Credit Risk - 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 the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The plans do have a formal investment policy that addresses concentrations of credit risk. As of December 31, 2021, no investment in any one organization represented 5% or more of the plan's respective fiduciary net position.

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.82% for the police pension plan. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

POLICE PENSION PLAN

	Total Police Pension Liability	Police Plan Fiduciary Net Position	Net Police Pension Liability (Asset)
Balance, January 1, 2021	\$ 14,258,707	\$ 16,242,356	\$ (1,983,649)
Changes for the year			
Service cost	505,033	-	505,033
Interest	961,259	-	961,259
Differences between expected and actual experience	(1,015,304)	-	(1,015,304)
Changes of assumption	1,283,611	-	1,283,611
Benefit payments	(486,888)	(486,888)	-
Contributions			
State aid	-	191,891	(191,891)
Employer	-	385,030	(385,030)
Member	-	109,760	(109,760)
Net investment income	-	2,078,926	(2,078,926)
Administrative expense	-	(10,600)	10,600
Net changes	1,247,711	2,268,119	(1,020,408)
Balance, December 31, 2021	\$ 15,506,418	\$ 18,510,475	\$ (3,004,057)

Plan fiduciary net position as a percentage of the total pension liability related to the police pension at December 31, 2021 was 119.4%.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate (Police Pension)

The following presents the net pension liability (asset), calculated using the discount rate of 6.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net pension liability (assets)	\$ <u>(1,085,868)</u>	\$ <u>(3,004,057)</u>	\$ <u>(4,598,235)</u>

For the year ended December 31, 2021, the Township recognized pension expense of \$958,823 related to the police pension. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (1,080,575)
Changes in assumptions	1,120,188	-
Net difference between projected and actual investment earnings	-	(1,827,089)
	\$ <u>1,120,188</u>	\$ <u>(2,907,664)</u>

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

<u>Year Ending December 31,</u>	
2022	\$ (477,204)
2023	(750,962)
2024	(427,813)
2025	(195,135)
2026	11,703
Thereafter	<u>51,935</u>
	\$ <u>(1,787,476)</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Police Pension)

The total pension liability as of December 31, 2021 was determined by rolling forward the System's total pension liability as of the January 1, 2021 actuarial valuation to December 31, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation - 2.25%
- Salary increases - 5.00%
- Investment rate of return - 6.50% (net of pension plan investment expenses, including inflation)
- Mortality rates were based on PUBS-2010 Mortality projected 5 years past the valuation date using scale MP-2020

Discount Rate - The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member 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 upon the Plan's current target investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability.

NON-UNIFORM PENSION PLAN

	Total Non-Uniform Pension Liability	Non-Uniform Plan Fiduciary Net Position	Net Non-Uniform Pension Liability (Asset)
Balance, January 1, 2021	\$ 3,149,104	\$ 3,803,216	\$ (654,112)
Changes for the year			
Service cost	181,704	-	181,704
Interest	234,261	-	234,261
Differences between expected and actual experience	(280,452)	-	(280,452)
Changes of assumption	645,298	-	645,298
Benefit payments	(183,270)	(183,270)	-
Contributions			
State aid	-	81,554	(81,554)
Employer	-	139,135	(139,135)
Net investment income	-	485,560	(485,560)
Administrative expense	-	(10,400)	10,400
Net changes	597,541	512,579	84,962
Balance, December 31, 2021	\$ 3,746,645	\$ 4,315,795	\$ (569,150)

Plan fiduciary net position as a percentage of the total pension liability related to the non-uniform pension at December 31, 2021, was 115.2%.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate (Non-Uniform Pension)

The following presents the net pension liability (asset), calculated using the discount rate of 6.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net pension liability (assets)	\$ <u>(136,954)</u>	\$ <u>(569,150)</u>	\$ <u>(936,659)</u>

For the year ended December 31, 2021, the Township recognized pension expense of \$121,015 related to the non-uniform pension. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to the non-uniform pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (256,108)
Changes in assumptions	573,587	-
Net difference between projected and actual investment earnings	<u>-</u>	<u>(391,090)</u>
	\$ <u>573,587</u>	\$ <u>(647,198)</u>

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

<u>Year Ending December 31,</u>	
2022	\$ (41,625)
2023	(126,026)
2024	(56,308)
2025	(3,023)
2026	44,257
Thereafter	<u>109,114</u>
	\$ <u>(73,611)</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Non-Uniform Pension)

The total pension liability (asset) as of December 31, 2021 was determined by rolling forward the System's total pension liability as of the January 1, 2021 actuarial valuation to December 31, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation - 2.25%
- Salary increases - 5.00%
- Investment rate of return - 6.50% (net of pension plan investment expenses, including inflation)
- Mortality rates were based on the PUBS-2010 Mortality projected 5 years past the valuation date using scale MP-2020

Discount Rate - The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member 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 non-uniform pension plan's fiduciary net position was projected to be available to make 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.

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on the non-uniform pension plan investments, net of pension plan investment expense, was 12.86%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE K - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

Newtown Township's Other Post-Employment Benefits offered to police employees and retirees is a single-employer defined benefit plan for benefits other than pension which is controlled by the provisions of a collectively bargained agreement between the Township of Newtown and the Fraternal Order of Police, Delaware County Lodge No. 27 on behalf of the Police Officers of Newtown Township most recently revised on January 1, 2018.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Membership

At January 1, 2021, plan membership consisted of the following:

Inactive plan members of beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>18</u>
	<u>22</u>

Funding Policy

The plan is an unfunded plan with no assets accumulated in a trust. The Township negotiates the contribution percentage between the Township and employees through union contracts and its personnel policy. The required contribution rates of the employer and the members vary depending on the applicable agreement. The Township currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the Township.

Benefits Provided

Benefits are payable for members who retire after attaining age 50 with 25 years of service or retire due to a service connected disability.

Medical coverage only is provided until the individual is Medicare eligible. The medical plan has a \$2,500 single / \$5,000 family deductible, of which the Township deposits 90% into an HAS for each retiree. Dental and vision coverages may be purchased by paying 100% of the premium. There is no retiree contribution. Coverage for a spouse ends once the retiree is eligible for Medicare. Dependent child coverage is available only if the retiree is permanently disabled. Survivor benefits are only provided if an officer is killed in service, and the coverage ends when the survivor reaches age 65.

No life insurance benefits are provided.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021. Update procedures were then used to roll forward to the Township's fiscal year ending December 31, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increases - 5% compounded annually.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate - 2.25% based on the S&P 20 year AA municipal bond rate.

Healthcare Cost Trend Rate - Medical costs are assumed to decrease by 16.67% during 2022 due to the 2 month premium holiday offered to the Township, increase by 20% during 2023 and 7% during 2024 reduced by 0.25% per year thereafter to an ultimate level of 5% per year. The administrative fee associated with administering the HSAs and HRA is assumed to remain level during 2022 and increase by 1% per year thereafter.

Mortality - 2010 Public Service Amount Based Mortality Tables projected to 2026 using Scale MP-2020.

Termination - None assumed.

Disability - None assumed.

Retirement - Assumed to occur at a minimum of age 50 with 25 years of service.

Participation - 100% of retirees, spouses and dependents who are eligible to participate in retiree medical coverage are assumed to do so.

Marital Status - 80% of future retirees are assumed to have a spouse participating in coverage.

Spouse Age - Female spouses are assumed to be 3 years younger than male spouses.

Actuarial Cost Method - Entry Age Normal - Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2020	\$ 4,827,437
Changes for the year	
Service cost	274,983
Interest cost	78,171
Changes in assumptions	17,002
Differences between expected and actual experience	(557,248)
Changes in benefit terms	(1,032,531)
Benefit payments	(110,772)
Net changes	<u>(1,330,395)</u>
Balance at December 31, 2021	<u>\$ 3,497,042</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25 percent) or 1-percentage-point higher (3.25 percent) than the current discount rate:

	<u>1% Decrease (1.25%)</u>	<u>Discount Rate (2.25%)</u>	<u>1% Increase (3.25%)</u>
Total OPEB liability	\$ <u>3,797,376</u>	\$ <u>3,497,042</u>	\$ <u>3,222,949</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>3,090,732</u>	\$ <u>3,497,042</u>	\$ <u>3,978,993</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the Plan recognized OPEB expense of \$792,312. At December 31, 2021, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 15,482	\$ -
Difference between expected and actual experience	<u>-</u>	<u>(301,125)</u>
	<u>\$ 15,482</u>	<u>\$ (301,125)</u>

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

<u>Year Ending December 31,</u>	
2022	\$ (25,238)
2023	(25,238)
2024	(25,238)
2025	(25,238)
2026	(25,238)
Thereafter	<u>(159,453)</u>
	<u>\$ (285,643)</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE L - FUND BALANCES

	General Fund	Capital Reserve Fund	Note Proceeds Fund	Stormw ater Fund	ARPA Fund	Other Governmental Funds
Nonspendable						
Prepaid expenses	\$ 37,179	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted						
Building improvements	-	-	85,151	-	-	64,059
ARPA Fund	-	-	-	-	445	-
Hydrant Fund	-	-	-	-	-	55,232
Street Light Fund	-	-	-	-	-	99,895
Liquid Fuels Fund	-	-	-	-	-	340,309
TOTAL						
RESTRICTED	-	-	85,151	-	445	559,495
Committed						
Operating Expenditures	2,623,039	1,000,000				
Greer Park Playground equipment	-	75,000	-	-	-	-
Road Program	-	300,000	-	-	-	-
Line Painting	14,200	17,955	-	-	-	-
Park Trash/Recycling Containers	-	11,000	-	-	-	-
Ash tree removal	-	9,200	-	-	-	-
Dam repairs	-	950,000	-	-	-	-
TOTAL						
COMMITTED	2,637,239	2,363,155	-	-	-	-
Assigned						
Drexel Lodge Park sign	-	3,290	-	-	-	-
Public Work Replacement program	-	430,799	-	-	-	-
Meadow Preserve	-	1,000,000	-	-	-	-
Ambulance Trailer Repair/Restoration	-	100,000	-	-	-	-
Capital projects	-	5,105,460	-	-	-	-
War On Drugs Fund	-	-	-	-	-	30,988
Police Donation Fund	-	-	-	-	-	43,050
Open Space Fund	-	-	-	-	-	167,586
Stormw ater maintenance	-	-	-	280,184	-	-
TOTAL						
ASSIGNED	-	6,639,549	-	280,184	-	241,624
Unassigned	2,656,716	-	-	-	-	(1,206)
TOTAL FUND BALANCE	\$ 5,331,134	\$ 9,002,704	\$ 85,151	\$ 280,184	\$ 445	\$ 799,913

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE M - RELATED-PARTY TRANSACTIONS

COMPONENT UNIT – NEWTOWN MUNICIPAL AUTHORITY

At December 31, 2021, the Authority had a balance due to the primary government (Township of Newtown) of \$509,492.

The balance of \$509,492 due to the Township as of December 31, 2021 resulted from the advances from the Township to the Authority during the years 2011-2014 to fund their engineering costs and debt service payments. During 2015, the Township transferred the majority of the cash from the Townships' sewer funds prior to the transfer of operations effective January 1, 2016. There are no formal set terms of repayment to the Township.

The Township of Newtown provides management and support services for the Authority. The Authority pays a management fee to the Township for these services. Management fees were calculated at \$111,077 for the year ended December 31, 2021, which were paid in full during 2021.

COMPONENT UNIT – NEWTOWN PUBLIC LIBRARY

Newtown Public Library is considered a component unit of the Township of Newtown, Delaware County, Pennsylvania. The Library's Board of Directors is officially appointed by the Township Board of Supervisors. The Library receives a substantial amount of its support from the Township. During 2021, the contributions from Newtown Township totaled \$211,000. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library's programs and activities. In addition, the Township allows the Library free use of building space that houses the Library.

NOTE N - RISK AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a pandemic which has impacted the global economy. The COVID-19 pandemic is still on-going and the duration and extent of the related financial impact of the Township's financial position, operations and cash flows is uncertain and cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF NEWTOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Budget
REVENUES				
Real estate taxes	\$ 5,754,402	\$ 5,754,402	\$ 5,860,303	\$ 105,901
Transfer taxes	900,000	900,000	1,899,198	999,198
Local services tax	734,500	734,500	642,997	(91,503)
Licenses and permits	1,434,137	1,434,137	1,832,877	398,740
Fines and forfeits	42,800	42,800	26,244	(16,556)
Interest income, rents and royalties	35,000	35,000	13,165	(21,835)
Intergovernmental	306,689	306,689	343,210	36,521
Act 205 Pension	252,000	252,000	273,445	21,445
Charges for services	36,650	36,650	42,859	6,209
Franchise fee - cable TV	360,000	360,000	358,326	(1,674)
Refunds of prior year expenditures	-	-	3,132	3,132
Miscellaneous	142,558	173,281	229,803	56,522
TOTAL REVENUES	9,998,736	10,029,459	11,525,559	1,496,100
EXPENDITURES				
General government	1,139,701	1,139,701	1,092,012	(47,689)
Public safety	4,902,092	4,902,092	4,826,323	(75,769)
Highways and streets	1,582,966	1,651,485	1,431,267	(220,218)
Library	242,830	242,830	231,075	(11,755)
Culture and recreation	220,324	243,040	212,031	(31,009)
Insurance	119,994	119,994	114,130	(5,864)
Pension	776,166	776,166	797,610	21,444
Debt service (principal and interest)	1,174,574	1,174,574	1,228,291	53,717
TOTAL EXPENDITURES	10,158,647	10,249,882	9,932,739	(317,143)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(159,911)	(220,423)	1,592,820	1,813,243
OTHER FINANCING USES				
Proceeds from refunding note issued	-	-	8,751,000	8,751,000
Payment to refunded bond escrow agent	-	-	(8,705,000)	(8,705,000)
Transfers out	(456,584)	(456,584)	(2,122,691)	(1,666,107)
TOTAL OTHER FINANCING SOURCES (USES)	(456,584)	(456,584)	(2,076,691)	(1,620,107)
NET CHANGE IN FUND BALANCE	\$ (616,495)	\$ (677,007)	(483,871)	\$ 193,136
FUND BALANCE AT BEGINNING OF YEAR			5,815,005	
FUND BALANCE AT END OF YEAR			\$ 5,331,134	

TOWNSHIP OF NEWTOWN
SCHEDULE OF CHANGES IN THE NET POLICE
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST EIGHT FISCAL YEARS

	2021	2020	2019	2018
TOTAL PENSION LIABILITY				
Service cost	\$ 505,033	\$ 395,137	\$ 376,321	\$ 319,402
Interest	961,259	948,679	892,647	856,997
Changes for experience	(1,015,304)	-	(205,785)	-
Changes of assumptions	1,283,611	-	-	-
Benefit payments	<u>(486,888)</u>	<u>(485,044)</u>	<u>(489,637)</u>	<u>(546,847)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,247,711	858,772	573,546	629,552
Total pension liability, beginning	<u>14,258,707</u>	<u>13,399,935</u>	<u>12,826,389</u>	<u>12,196,837</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u><u>\$ 15,506,418</u></u>	<u><u>\$ 14,258,707</u></u>	<u><u>\$ 13,399,935</u></u>	<u><u>\$ 12,826,389</u></u>
PLAN FIDUCIARY NET POSITION				
Contributions				
State Aid	\$ 191,891	\$ 177,258	\$ 174,097	\$ 149,900
Employer	385,030	352,943	284,127	329,781
Member	109,760	113,568	102,278	94,444
Net investment income	2,078,926	2,136,281	2,402,586	(793,501)
Benefit payments, including refunds of member contributions	(486,888)	(485,044)	(489,637)	(546,847)
Administrative expense	<u>(10,600)</u>	<u>(8,921)</u>	<u>(18,171)</u>	<u>(12,262)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,268,119	2,286,085	2,455,280	(778,485)
Plan fiduciary net position, beginning	<u>16,242,356</u>	<u>13,956,271</u>	<u>11,500,991</u>	<u>12,279,476</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u><u>\$ 18,510,475</u></u>	<u><u>\$ 16,242,356</u></u>	<u><u>\$ 13,956,271</u></u>	<u><u>\$ 11,500,991</u></u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u><u>\$ (3,004,057)</u></u>	<u><u>\$ (1,983,649)</u></u>	<u><u>\$ (556,336)</u></u>	<u><u>\$ 1,325,398</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>119.37%</u>	<u>113.91%</u>	<u>104.15%</u>	<u>89.67%</u>
COVERED PAYROLL	<u><u>\$ 2,229,466</u></u>	<u><u>\$ 1,973,606</u></u>	<u><u>\$ 1,700,000</u></u>	<u><u>\$ 1,871,652</u></u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>-134.7%</u>	<u>-100.5%</u>	<u>-32.73%</u>	<u>70.81%</u>

NOTES TO SCHEDULE

Changes of assumptions: 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 Blue Collar RP-2000 Table projected to 2015 to the Blue Collar RP-2000 Table projected to 2017 using Scale AA.

Benefit Change - In 2020, a 60 month Act 4 DROP was added.

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 304,192	\$ 296,180	\$ 282,076	\$ 238,778
812,056	789,649	744,037	713,989
(399,427)	-	(435,683)	-
36,008	-	257,339	-
<u>(432,042)</u>	<u>(388,609)</u>	<u>(388,609)</u>	<u>(387,718)</u>
320,787	697,220	459,160	565,049
<u>11,876,050</u>	<u>11,178,830</u>	<u>10,719,670</u>	<u>10,154,621</u>
<u>\$ 12,196,837</u>	<u>\$ 11,876,050</u>	<u>\$ 11,178,830</u>	<u>\$ 10,719,670</u>
\$ 156,001	\$ 166,147	\$ 133,308	\$ 131,671
542,685	224,129	202,680	190,982
89,570	83,861	84,372	81,214
1,738,673	808,973	(72,710)	623,859
(432,042)	(388,609)	(388,609)	(387,718)
<u>(68,991)</u>	<u>(58,220)</u>	<u>(59,787)</u>	<u>(4,800)</u>
2,025,896	836,281	(100,746)	635,208
<u>10,253,580</u>	<u>9,417,299</u>	<u>9,518,045</u>	<u>8,882,837</u>
<u>\$ 12,279,476</u>	<u>\$ 10,253,580</u>	<u>\$ 9,417,299</u>	<u>\$ 9,518,045</u>
<u>\$ (82,639)</u>	<u>\$ 1,622,470</u>	<u>\$ 1,761,531</u>	<u>\$ 1,201,625</u>
<u>100.68%</u>	<u>86.34%</u>	<u>84.24%</u>	<u>88.79%</u>
<u>\$ 1,715,480</u>	<u>\$ 1,672,244</u>	<u>\$ 1,622,008</u>	<u>\$ 1,493,418</u>
<u>-4.82%</u>	<u>97.02%</u>	<u>108.60%</u>	<u>80.46%</u>

TOWNSHIP OF NEWTOWN
SCHEDULE OF POLICE PENSION PLAN
CONTRIBUTIONS
LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 566,199	\$ 530,201	\$ 458,224	\$ 479,681
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>576,921</u>	<u>530,201</u>	<u>458,224</u>	<u>479,681</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>(10,722)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED PAYROLL	\$ <u>2,229,466</u>	\$ <u>1,973,606</u>	\$ <u>1,700,000</u>	\$ <u>1,871,652</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>25.88%</u>	<u>26.86%</u>	<u>26.95%</u>	<u>25.63%</u>

NOTES TO SCHEDULE

Valuation date:

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
- Amortization method
- Remaining amortization period
- Asset valuation method
- Inflation
- Salary increases
- Investment rate of return
- Retirement age
- Mortality

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 395,676	\$ 390,276	\$ 355,988	\$ 322,653
<u>698,807</u>	<u>390,276</u>	<u>355,988</u>	<u>322,653</u>
\$ <u>(303,131)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>1,715,480</u>	\$ <u>1,672,244</u>	\$ <u>1,622,008</u>	\$ <u>1,493,418</u>
<u>40.74%</u>	<u>23.34%</u>	<u>21.95%</u>	<u>21.61%</u>

January 1, 2021

Entry age normal
Level dollar, closed
N/A
Market Value
2.25%
5.0% annual increase
6.5%
50
PUBS-2010 Mortality

TOWNSHIP OF NEWTOWN
SCHEDULE OF POLICE PENSION PLAN
INVESTMENT RETURNS
LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>12.82%</u>	<u>15.30%</u>	<u>20.96%</u>	<u>-6.64%</u>

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.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>16.37%</u>	<u>7.82%</u>	<u>-1.29%</u>	<u>7.13%</u>

TOWNSHIP OF NEWTOWN

SCHEDULE OF CHANGES IN THE NET NON-UNIFORM PENSION PLAN LIABILITY AND RELATED RATIOS LAST EIGHT FISCAL YEARS

	2021	2020	2019	2018
TOTAL PENSION LIABILITY				
Service cost	\$ 181,704	\$ 129,712	\$ 123,535	\$ 106,157
Interest	234,261	240,028	226,555	212,445
Changes for experience	(280,452)	-	32,582	-
Changes of assumptions	645,298	-	-	-
Benefit payments	<u>(183,270)</u>	<u>(182,553)</u>	<u>(193,150)</u>	<u>(191,213)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	597,541	187,187	189,522	127,389
Total pension liability, beginning	<u>3,149,104</u>	<u>2,961,917</u>	<u>2,772,395</u>	<u>2,645,006</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u><u>\$ 3,746,645</u></u>	<u><u>\$ 3,149,104</u></u>	<u><u>\$ 2,961,917</u></u>	<u><u>\$ 2,772,395</u></u>
PLAN FIDUCIARY NET POSITION				
Contributions				
State Aid	\$ 81,554	\$ 88,629	\$ 87,048	\$ 79,635
Employer	139,135	129,826	130,805	101,089
Member	-	-	-	-
Net investment income	485,560	497,594	560,932	(206,771)
Benefit payments, including refunds of member contributions	(183,270)	(182,553)	(193,150)	(191,213)
Administrative expense	<u>(10,400)</u>	<u>(6,830)</u>	<u>(10,830)</u>	<u>(6,503)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	512,579	526,666	574,805	(223,763)
Plan fiduciary net position, beginning	<u>3,803,216</u>	<u>3,276,550</u>	<u>2,701,745</u>	<u>2,925,508</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u><u>\$ 4,315,795</u></u>	<u><u>\$ 3,803,216</u></u>	<u><u>\$ 3,276,550</u></u>	<u><u>\$ 2,701,745</u></u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u><u>\$ (569,150)</u></u>	<u><u>\$ (654,112)</u></u>	<u><u>\$ (314,633)</u></u>	<u><u>\$ 70,650</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>115.19%</u>	<u>120.77%</u>	<u>110.62%</u>	<u>97.45%</u>
COVERED PAYROLL	<u><u>\$ 1,259,186</u></u>	<u><u>\$ 1,210,670</u></u>	<u><u>\$ 1,080,000</u></u>	<u><u>\$ 1,022,920</u></u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u><u>-45.20%</u></u>	<u><u>-54.03%</u></u>	<u><u>-29.13%</u></u>	<u><u>6.91%</u></u>

NOTES TO SCHEDULE

Changes of assumptions: 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. In 2021, the interest rate assumption was lowered from 8.0% to 6.5% per annum and the mortality assumption was changed from the RP-2000 Table projected to 2017 using Sale AA to the PubG-2010 projected 5 years past the valuation date with Scale MP-2020.

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 101,102	\$ 75,017	\$ 71,445	\$ 76,536
202,444	197,289	188,778	181,519
(70,408)	-	(102,640)	-
9,330	-	71,826	-
<u>(175,973)</u>	<u>(169,789)</u>	<u>(145,030)</u>	<u>(117,776)</u>
66,495	102,517	84,379	140,279
<u>2,578,511</u>	<u>2,475,994</u>	<u>2,391,615</u>	<u>2,251,336</u>
<u>\$ 2,645,006</u>	<u>\$ 2,578,511</u>	<u>\$ 2,475,994</u>	<u>\$ 2,391,615</u>
\$ 73,412	\$ 39,461	\$ 13,329	\$ 11,416
223,366	39,461	47,050	50,345
-	-	-	-
406,483	192,444	(15,429)	164,004
(175,973)	(169,789)	(145,030)	(117,776)
<u>(24,943)</u>	<u>(18,332)</u>	<u>(23,125)</u>	<u>(4,600)</u>
502,345	83,245	(123,205)	103,389
<u>2,423,163</u>	<u>2,339,918</u>	<u>2,463,123</u>	<u>2,359,734</u>
<u>\$ 2,925,508</u>	<u>\$ 2,423,163</u>	<u>\$ 2,339,918</u>	<u>\$ 2,463,123</u>
<u>\$ (280,502)</u>	<u>\$ 155,348</u>	<u>\$ 136,076</u>	<u>\$ (71,508)</u>
<u>110.60%</u>	<u>93.98%</u>	<u>94.50%</u>	<u>102.99%</u>
<u>\$ 877,178</u>	<u>\$ 719,300</u>	<u>\$ 714,542</u>	<u>\$ 726,888</u>
<u>-31.98%</u>	<u>21.60%</u>	<u>19.04%</u>	<u>-9.84%</u>

TOWNSHIP OF NEWTOWN
SCHEDULE OF NON-UNIFORM PENSION PLAN
CONTRIBUTIONS
LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 159,967	\$ 154,568	\$ 142,208	\$ 135,724
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>220,689</u>	<u>218,455</u>	<u>217,853</u>	<u>180,724</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>(60,722)</u>	\$ <u>(63,887)</u>	\$ <u>(75,645)</u>	\$ <u>(45,000)</u>
COVERED PAYROLL	\$ <u>1,259,186</u>	\$ <u>1,210,670</u>	\$ <u>1,080,000</u>	\$ <u>1,022,920</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>17.53%</u>	<u>18.04%</u>	<u>20.17%</u>	<u>17.67%</u>

NOTES TO SCHEDULE

Valuation date:

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
- Amortization method
- Remaining amortization period
- Asset valuation method
- Inflation
- Salary increases
- Investment rate of return
- Retirement age
- Mortality

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

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 96,778	\$ 78,922	\$ 60,379	\$ 84,990
<u>296,778</u>	<u>78,922</u>	<u>60,379</u>	<u>84,990</u>
\$ <u>(200,000)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>877,178</u>	\$ <u>719,300</u>	\$ <u>714,542</u>	\$ <u>726,886</u>
<u>33.83%</u>	<u>10.97%</u>	<u>8.45%</u>	<u>11.69%</u>

January 1, 2021

Entry age normal
Level dollar, closed
N/A
Smoothing per section 210(a) of Act 44
2.25%
5.0% annual increase
6.5%
65
PUBS-2010 Mortality

TOWNSHIP OF NEWTOWN

SCHEDULE OF NON-UNIFORM PENSION PLAN

INVESTMENT RETURNS

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>12.86%</u>	<u>15.28%</u>	<u>20.99%</u>	<u>-6.69%</u>

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.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>16.48%</u>	<u>7.80%</u>	<u>-1.23%</u>	<u>7.17%</u>

TOWNSHIP OF NEWTOWN

SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT BENEFIT PLAN LIABILITY AND RELATED RATIOS LAST FOUR FISCAL YEARS

	2021	2020	2019	2018
TOTAL OPEB LIABILITY				
Service cost	\$ 274,983	\$ 318,262	\$ 303,107	\$ 167,922
Interest	78,171	176,704	163,191	124,353
Changes for experience	(557,248)	-	275,515	-
Changes in benefit terms	(1,032,531)	-	454,971	-
Changes in assumptions	17,002	-	-	-
Benefit payments	(110,772)	(122,730)	(119,480)	(125,061)
NET CHANGE IN TOTAL OPEB LIABILITY	(1,330,395)	372,236	1,077,304	167,214
Total OPEB liability, beginning	4,827,437	4,455,201	3,377,897	3,210,683
TOTAL OPEB LIABILITY, ENDING (a)	\$ 3,497,042	\$ 4,827,437	\$ 4,455,201	\$ 3,377,897
COVERED PAYROLL	\$ 2,314,091	\$ 2,170,980	\$ 2,067,600	\$ 1,898,240
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	151.12%	222.36%	215.48%	177.95%

NOTES TO SCHEDULE

Changes in benefit terms: In 2019, the Township contribution to the medical/Rx plan changed from 100% to 90%. Effective January 1, 2020, the Township's contribution toward the retiree's HAS decreased during calendar years 2020, 2021, 2022, 2023, and 2024. Effective January 1, 2020, the Township provides benefits to the surviving spouses of officers that are retired or eligible to retire and prior to the officer's eligibility for Medicare. Effective January 1, 2020, a Deferred Retirement Option Plan (DROP) was added to the collectively bargained agreement.

Changes in assumptions: For 2021, The discount rate changed from 3.75% to 2.25%. The assumed rate of increase in medical and prescription drug claims was adjusted. The assumed rates of mortality were changed from Blue Collar RP-2000 Mortality tables projected 17 years using Scale AA to 2010 Public Safety Amount Based Mortality Tables projected to 2026 using Scale MP-2020.

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