

**TOWNSHIP OF NEWTOWN**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

*Year Ended December 31, 2020*

## **INTRODUCTORY SECTION**

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**YEAR ENDED DECEMBER 31, 2020**

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## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

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

### ***Report on the Financial Statements***

We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Newtown as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note N, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on the Township of Newtown's operational and financial performance. At this point, the Township of Newtown cannot reasonably estimate the impact on its operations or financial results. Our opinion is not modified with respect to this matter.

***Other Matters***

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 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, 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  
September 13, 2021

# **TOWNSHIP OF NEWTOWN**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**YEAR ENDED DECEMBER 31, 2020**

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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, 2020. 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 2020, the assets of Newtown Township exceeded its liabilities by \$24,209,499 (representing its net position for governmental activities). Of this amount, \$10,572,720 (44%) is unrestricted and available to meet the government's ongoing obligations to citizens and creditors.
- Total revenues of the Township's 2020 governmental activities were \$13,054,139, and expenditures totaled \$9,617,010. This compares to 2019 activity of \$13,702,730 in revenue, and \$10,905,232 in expenditures
- Total assets increased by \$8,003,279 since 2019, as current assets increased by \$4,424,198, capital assets increased by \$3,632,026 and deferred outflow of resources decreased by \$52,945. More detail can be found on page 20, Statement of Net Position.
- Overall liabilities increased by \$4,566,150 since 2019, as current liabilities increased by \$536,423, long-term liabilities increased by \$3,306,371 and deferred inflow of resources increased by \$723,356. 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 \$15,848,857 as of December 31, 2020. As of December 31, 2019, governmental funds reported a fund balance of \$13,730,286.
- At December 31, 2020, the General Fund reported a fund balance of \$5,815,005 compared to a December 31, 2019 balance of \$6,018,703.

# TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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## 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 or position. 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, 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 Sewer Authority, component units are important because the Township is financially accountable for it.

# TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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## ***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 it 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 - 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 to 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 generally 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 that because of a trust arrangement can be used only 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, 2020

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### 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 \$24,209,499 in fiscal year 2020. The following table presents condensed comparative financial information for the net position of the Township for calendar years 2020 and 2019.

	2020	2019
<b>Township of Newtown Schedule of Net Position</b>		
	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Current and other assets	\$ 21,257,729	\$ 16,833,531
Capital assets, net of depreciation	27,100,148	23,468,122
Deferred outflows of resources	<u>308,688</u>	<u>361,633</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 48,666,565</u>	<u>\$ 40,663,286</u>
<b>LIABILITIES</b>		
Current liabilities	\$ 2,729,458	\$ 2,193,035
Long-term liabilities	19,668,881	16,362,510
Deferred inflows of resources	<u>2,058,727</u>	<u>1,335,371</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<u>24,457,066</u>	<u>19,890,916</u>
<b>NET POSITION</b>		
Net investment in capital assets	13,214,814	12,415,975
Restricted	421,965	325,985
Unrestricted	<u>10,572,720</u>	<u>8,030,410</u>
<b>TOTAL NET POSITION</b>	<u>24,209,499</u>	<u>20,772,370</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 48,666,565</u>	<u>\$ 40,663,286</u>

**TOWNSHIP OF NEWTOWN**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2020**

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

The unrestricted net position of \$10,572,720 may be used to meet the Township's ongoing obligations to citizens and creditors. The Township has also reported a net position of \$13,214,814, which reflects the investment in capital assets (land, buildings, vehicles, machinery and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding.

The 2020 Statement of Net Position showed an increase in total net position for governmental activities of \$3,437,129, as opposed to that of 2019 which showed an increase of \$2,797,498.

The following comparison illustrates revenues and expenses of governmental activities and business-type activities for fiscal years 2020 and 2019 in a detailed format:

<b>Township of Newtown</b>		
<b>Changes in Net Position</b>		
	2020	2019
<b>REVENUES</b>		
Program revenues		
Charges for services	\$ 2,303,169	\$ 4,090,036
Operating grants and contributions	2,528,959	1,242,445
General revenues		
Property taxes	5,829,523	5,499,979
Public utility and realty transfer taxes	1,036,414	1,395,950
Business privilege and mercantile taxes	657,552	681,040
Franchise fee - cable TV	358,224	360,086
Other revenues	340,298	433,194
<b>TOTAL REVENUES</b>	<b>13,054,139</b>	<b>13,702,730</b>
<b>EXPENSES</b>		
General government	1,072,210	1,253,920
Public safety	4,806,254	4,748,815
Public works	1,320,775	1,520,428
Library	244,453	233,206
Culture and recreation	227,650	237,484
Insurance	110,057	
Interest on long-term debt	330,955	288,207
Pension, OPEB and insurance	130,401	1,320,205
Unallocated depreciation expense	1,374,255	1,302,967
<b>TOTAL EXPENSES</b>	<b>9,617,010</b>	<b>10,905,232</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 3,437,129</b>	<b>\$ 2,797,498</b>

# TOWNSHIP OF NEWTOWN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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

### Revenues

1. **Economic Condition** - 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 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, refuse, sewer, 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 Board 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, 2020

### Governmental Activities - Changes in Net Position

Revenue from Newtown Township's governmental activities in 2020 totaled \$13,054,139, which was \$648,591 less than in 2019. Sources of revenue were primarily from property taxes, reality transfer taxes, public safety related charges and operating grants and contributions. Overall, revenues in 2020 decreased by 5% from 2019. Taxes comprised the largest source of Township revenues (57%), amounting to \$7,523,489 in 2020. Property taxes represent \$5,829,523 (45% of revenue) with business and deed transfer taxes accounting for the balance. A spike in operating grants and contributions can be credited to a contribution to capital improvements from the Municipal Authority associated with road restoration. The large decrease in charges for service is related to the overall decrease in permit revenue in 2020 in comparison to 2019.

Expenses of all governmental activities in 2020 amounted to \$9,617,010, which was \$1,288,222 less than in 2019. As the statement of activities indicates, public safety is the largest program with expenses of \$4,806,254 (50%) of governmental expenses. Public works expenses totaled \$1,320,775 (14%) of expenses. Public works saw a significant decrease of \$199,953 because of a decrease in capital expenditures in 2020. General government came in as the third biggest expense accounting for \$1,072,210 (12%). General government also saw a decrease due to the lack of capital purchases. Pension, OPEB, and insurance saw a significant decrease in savings due to large, one-time adjustment that took place in 2019 associated with the change in health insurance plans.

### Cost of Services - Expenses Analysis

The schedule on the following page highlights the cost of services for Governmental Activities. The total cost of services column includes all costs related to the programs and 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 or other general revenue or transfers.

Net cost of Governmental Activities is 50% of total cost of services in 2020. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

	2020		2019	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Governmental Activities				
General government	\$ 1,072,210	\$ 978,907	\$ 1,253,920	\$ 1,128,772
Public safety	4,806,254	2,413,983	4,748,815	586,036
Public works	1,320,775	(738,813)	1,520,428	888,841
Library	244,453	244,453	233,206	233,206
Culture and recreation	227,650	206,571	237,484	85,662
Insurance	110,057	110,057		
Interest on long-term debt	330,955	330,955	288,207	288,207
Pension, OPEB and insurance	130,401	(135,486)	1,320,205	1,059,060
Unallocated depreciation	1,374,255	1,374,255	1,302,967	1,302,967
	<u>\$ 9,617,010</u>	<u>\$ 4,784,882</u>	<u>\$ 10,905,232</u>	<u>\$ 5,572,751</u>

# TOWNSHIP OF NEWTOWN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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### 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 \$15,848,857. The Township General Fund's unassigned fund balance was \$5,788,005 as of December 31, 2020, equating to 44% of 2020's total revenues and 40% of total expenditures, excluding operating transfers.

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 percent of regular general fund operating revenues. Newtown chose to maintain a fund balance of 25% or 3 months of operating expenses.

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Revenue			
Real estate and transfer taxes	\$ 6,736,495	\$ 6,832,751	\$ (96,256)
Local service taxes	657,552	681,040	(23,488)
Licenses, permits and fines	2,227,281	4,036,566	(1,809,285)
Intergovernmental	201,903	197,018	4,885
Changes for services	50,567	52,930	(2,363)
Franchise fee - cable TV	358,224	360,086	(1,862)
Act 205 Pension	265,887	261,145	4,742
Other revenues	<u>244,589</u>	<u>352,488</u>	<u>(107,899)</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 10,742,498</u></b>	<b><u>\$ 12,774,024</u></b>	<b><u>\$ (2,031,526)</u></b>

# TOWNSHIP OF NEWTOWN

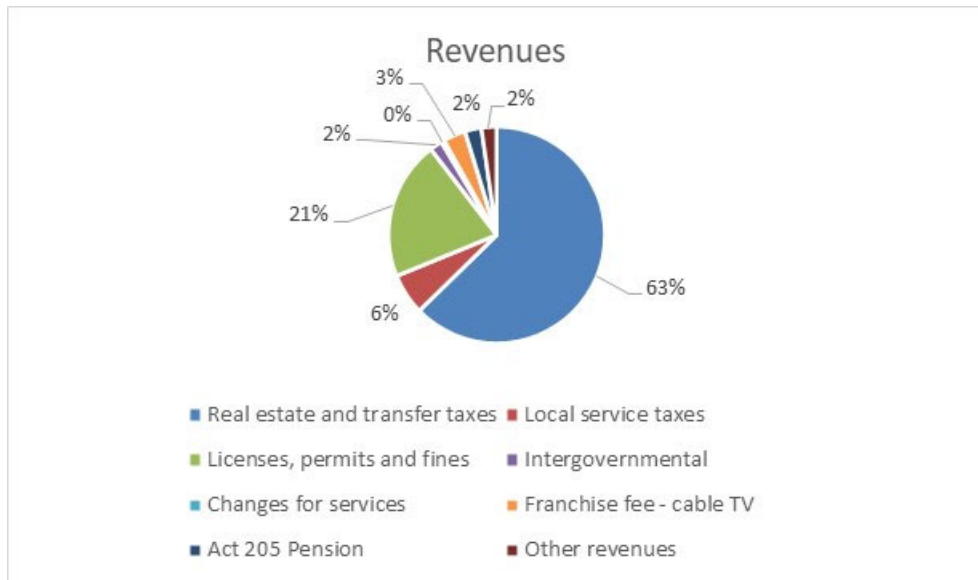
## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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Revenues and other financing sources for 2020 totaled \$10,742,498. This decreased by \$2,031,526 (16%) of revenues from 2019. The major factors contributing to this increase were as follows:

- Although real estate taxes saw an increase of \$263,000 in comparison to 2019, transfer tax saw a decrease of approximately \$359,500. This sharp decrease can be attributed to the transfer of a large property in 2019.
- Local Service Tax experienced a decrease of \$23,488. This decrease is presumed to be associated with the COVID-19 work from home orders.
- Licenses, Permits, and Fines saw a decrease of \$1,809,285 when compared to 2019. This was the result of a decrease in building permit revenues in 2020 related to one large project that pulled permits in 2019 and not 2020.
- Other revenues also experienced a decrease of \$107,899 due to a decrease in interest rates. In addition 2019 saw a large sale in Township assets as well as an above average refund of prior year expenses.



# TOWNSHIP OF NEWTOWN

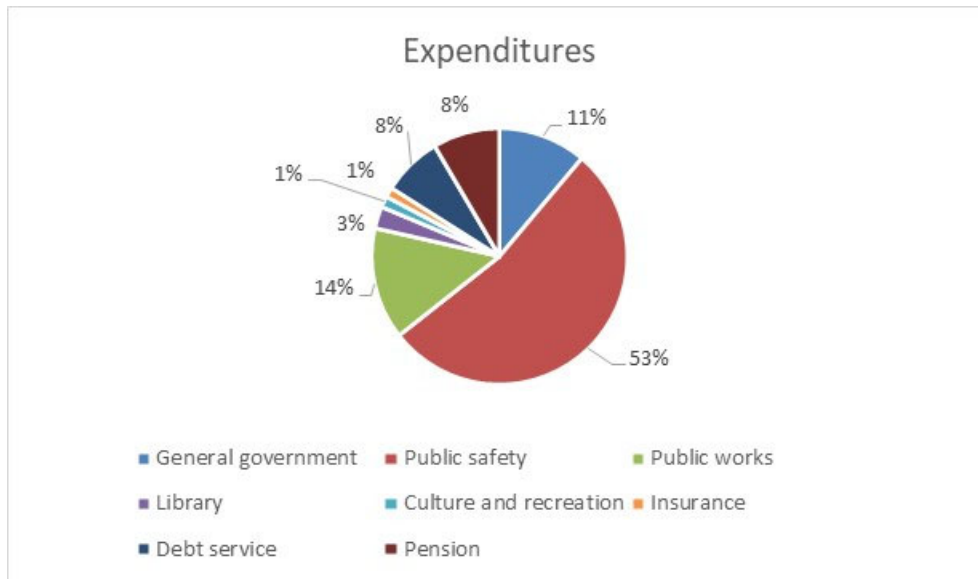
## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

	2020	2019	Increase (Decrease)
<b>Expenditures</b>			
General government	\$ 983,792	\$ 1,076,904	\$ (93,112)
Public safety	4,704,417	4,612,039	92,378
Public works	1,247,738	1,366,295	(118,557)
Library	244,453	233,206	11,247
Culture and recreation	124,670	133,209	(8,539)
Insurance	110,057	107,471	2,586
Debt service	667,274	676,077	(8,803)
Pension	748,656	655,878	92,778
<b>TOTAL EXPENDITURES</b>	<u>8,831,057</u>	<u>8,861,079</u>	<u>(30,022)</u>
<b>Other financing sources</b>			
Operating transfers out	<u>2,115,139</u>	<u>2,062,698</u>	<u>52,441</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING SOURCES</b>	<u>\$ 10,946,196</u>	<u>\$ 10,923,777</u>	<u>\$ 22,419</u>

Total expenditures and other financing uses were \$10,946,196 in 2020. This represents an increase of \$22,419 (1%) from 2019. Key drivers contributing to these changes were:

- Operating Transfers increased by \$52,441. This was primarily due to a Board of Supervisors decision to transfer \$2,115,139 to the Capital Fund. These additional transfers were added to help fund in capital projects as well as build Capital Fund Balance.



# TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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## 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 2020 ended over budget by 8% or \$759,309. The key contributing factors were:

- Real Estate Taxes revenues finished \$13,750 over budget due to an above average year for delinquent taxes collected by the County.
- Transfer Taxes came in \$60,414 over budget due to the increase of homes being sold after the COVID-19 requirements were reduced.
- Local Service Tax experienced a deficit of \$47,488. This decrease is presumed to be associated with the COVID-19 work from home orders.
- New construction, coupling with the increased collection of licenses and registrations, led to an increase of \$841,288 in the licenses and permits category. The permit revenue associated with the Dunwoody was the biggest contributing factor.
- Fines and Forfeits revenue ended the year \$13,907 short of what was budgeted. The key source of the shortfall was a decrease in District Court related revenues. Due to the pandemic, District Court was closed for a portion of the year, leading to less cases being heard. In turn, the Township saw a decrease in revenue from District Court decisions.
- Investment earnings fell short of the budgeted amount by \$38,967 due to the decrease in interest rates related to the COVID-19 pandemic.
- Intergovernmental revenues were under budget by \$113,817. The primary reason for the shortfall was the School Resource Officer reimbursement agreement with Marple Newtown High School. Due to the stay at home order, schools were closed for a portion of 2020, resulting in the School Resource Officer working less hours. This led to less reimbursement from the Marple Newtown School District than the Township expected.
- Pension contributions from the State were greater than expected in 2020, resulting in an end result of \$13,887 increase over budget.
- Miscellaneous revenues saw a surplus of \$56,954. Insurance related refunds related to insurance claims filed in 2020 were the key source.

# TOWNSHIP OF NEWTOWN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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### Expenditures

Actual Expenditures at the end of 2020 equated to \$590,146 below budget (7%) of expenditures. Contributing to this favorable position were several factors:

- **General Government** - Overall, general government services equated to \$128,238 under budget. The majority of these can be explained by a few key items. The first is due to the hiring freeze, instituted by the Board of Supervisors due to the COVID-19 pandemic. This hiring freeze delayed the hiring of a full-time communications person, saving approximately \$51,000, and two part time cleaning people, saving an additional \$23,000. General legal services, police contract negotiation legal services and codes related legal services also saw savings totaling \$29,440. Lastly, I.T. saw an overall savings of approximately \$19,000. This saving was seen due to the fact that the Township's board room did not need the additional software package originally quoted when the camera equipment was being installed.
- **Public Safety** - Public safety saw savings of \$136,764. Of these savings, salaries and personnel expenses contributed \$54,901 (41%) of total savings. A large portion of these savings were related to the COVID-19 pandemic. Line items, such as extra duty, reimbursable overtime, along with conferences and meetings were under budget due to canceled events. In addition, \$41,477 in savings came in as there was a reduced use of third party building inspectors. These types of inspections were handled more by Codes staff in 2020 than in prior years. The third biggest category in savings was seen in insurances. Insurance for workers compensation and heart and lung came in \$17,669 under what was quoted while putting together the 2020 budget. Lastly, planning expenses came in \$12,862 under budget due to the decreased use of the planning consultant.
- **Highway and Streets** - Overall, highways and streets were \$274,965 under budget for the year, in which the salary and benefit related expenses saw the biggest savings of \$90,274. For the majority of the year, the Public Works Department was short staffed. In addition, COVID-19 restrictions limited the amount of overtime and seasonal staff expenses as well. The second largest savings can be credited to winter event costs. Unlike previous years, 2020 had a very mild winter resulting in savings of \$78,693 in salt, temporary winter help, snow related overtime, snow equipment maintenance, etc. Building related costs also experienced a savings of \$26,257 related to budgeted maintenance on the Municipal Building that did not take place in 2020. The fourth major category of savings was seen in recycling costs. The community recycling did not take place in 2020 due to restrictions related to the pandemic. Also, in the recycling category, leaves were only picked up once in 2020 unlike other years when multiple sweeps of the Township were made. These two together contributed approximately \$26,000 in savings. The remaining savings was spread throughout the highways and streets category in savings such as gasoline, diesel, materials, and small tools.
- **Culture and Recreation** - In 2020, culture and recreation was \$71,722 under budget. Of this, \$35,089 of the savings were operating expense saving associated with park maintenance. Additionally, a large event was planned in 2020 for Gather in the Circle but was cancelled due to limits set by the State due to the pandemic. This saw another saving of \$20,467. This event is planned to take place in 2021.

**TOWNSHIP OF NEWTOWN**

MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

- **Pension** - Pension related expenditures were \$13,887 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.

**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, 2020 is \$27,100,148 net of accumulated depreciation. Major capital assets acquired, and improvements made during the year out of the operating budget were:

- \$350,000 - Purchase of Property.
- \$4,611,474 - Road improvements, stormwater management improvements & traffic sign/signal improvements
- \$44,807 - Video cameras & equipment.

**Schedule of Capital Assets  
For the Year Ended December 31, 2020**

	<u>Beginning Balance</u>	<u>Increase/ (Decrease)</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
<b>CAPITAL ASSETS</b>			
Land	\$ 5,570,225	\$ 350,000	\$ 5,920,225
Land improvements	688,140	-	688,140
Buildings	13,823,924	-	13,823,924
Infrastructure	9,645,716	4,611,474	14,257,190
Furniture and equipment	7,436,514	44,807	7,481,321
<b>TOTAL CAPITAL ASSETS</b>	<u>37,164,519</u>	<u>5,006,281</u>	<u>42,170,800</u>
<b>ACCUMULATED DEPRECIATION</b>			
Land improvements	(556,403)	(14,499)	(570,902)
Buildings	(3,046,148)	(421,402)	(3,467,550)
Infrastructure	(4,595,684)	(635,793)	(5,231,477)
Furniture and equipment	(5,498,162)	(302,561)	(5,800,723)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>(13,696,397)</u>	<u>(1,374,255)</u>	<u>(15,070,652)</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<u>\$ 23,468,122</u>	<u>\$ 3,632,026</u>	<u>\$ 27,100,148</u>

**Long-Term Debt**

As of December 31, 2019, Newtown Township's outstanding debt portfolio consisted of \$14,285,285 in notes and bonds. The Township took two additional borrowings in 2020: General Obligation Note 2020 and 2020A totaling \$3,607,000. During 2020, the Township made principal payments of \$689,000 on the Series of 2016 General Obligation Bonds and Series A&B of 2016 General Obligation Notes.

# TOWNSHIP OF NEWTOWN

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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State statutes limits the amount of general obligation debt a governmental entity may issue to 250 percent of its average borrowing base (average revenues over the past three years). The Township's current allowable debt borrowing base is approximately \$22,917,568. As of December 31, 2020, the Township's borrowing level is at 63% 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, 2020

	Principal Outstanding January 1, 2020	Maturities	Additions (Refinancing)	Principal Outstanding December 31, 2020
General Obligation Bonds Series of 2016	\$ 9,060,000	\$ (175,000)	\$ -	\$ 8,885,000
General Obligation Notes Series A&B of 2016	2,249,000	(514,000)	-	1,735,000
Series of 2020 and 2020A	-	3,607,000	-	3,607,000
Less deferred amounts Issuance premium	61,072	(2,787)	-	58,285
	<u>\$ 11,370,072</u>	<u>\$ 2,915,213</u>	<u>\$ -</u>	<u>\$ 14,285,285</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 3.015 mills to 1.7089 mills in 2020. In addition, the hydrant millage changed from .038 mills in 2019 to .0215 in 2020 and street light millage changed from .081 mills to .045. The decrease in millage rate was due to a County Wide Reassessment. Overall Newtown Township's assessment went from \$1,920,248,605 in 2019 to \$3,429,101,583 to 2020.
- 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 the BPG Townhomes, AmeriHealth headquarters, Liseter neighborhood and new office buildings including a new parking garage in Ellis Preserve are all contributing factors.
- All these factors were considered in preparing the Townships budget for the 2020 fiscal year.

# **TOWNSHIP OF NEWTOWN**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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## **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 Newtown Township Municipal Authority.

General information relating to Newtown Township can be found on its website at [www.newtowntownship.org](http://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. Thanks to all.

**TOWNSHIP OF NEWTOWN**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

	Primary	Component Units	
	Governmental Activities	Newtown Library	Municipal Authority
<b>ASSETS</b>			
Cash and cash equivalents	\$ 14,819,676	\$ 181,078	\$ 17,231,143
Investments	-	-	1,459,121
Taxes receivable	214,334	-	-
Accounts receivable	282,262	-	1,575,281
Due from component units	2,158,819	-	-
Prepaid items	1,144,877	-	14,271
Net pension asset	2,637,761	-	-
Capital assets			
Property, plant and equipment, Municipal Authority	-	-	29,282,060
Property, plant and equipment, Newtown Library	-	83,700	-
Nondepreciable capital assets	5,920,225	-	-
Depreciable capital assets	21,179,923	-	-
<b>TOTAL ASSETS</b>	<b>48,357,877</b>	<b>264,778</b>	<b>49,561,876</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	56,248	-	-
Deferred outflows related to OPEB	252,440	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>308,688</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	199,348	1,410	143,421
Accrued payroll	93,813	-	-
Accrued interest	34,038	-	490,940
Escrow deposits	1,753,243	-	654,496
Unearned revenue	649,016	-	-
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	1,195,787	-	742,058
Portion due or payable after one year			
Bonds and notes payable	13,089,498	-	34,783,567
Compensated absences	556,159	-	-
Total OPEB liability	4,827,437	-	-
Due to Newtown Township	-	-	2,158,819
<b>TOTAL LIABILITIES</b>	<b>22,398,339</b>	<b>1,410</b>	<b>38,973,301</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	2,058,727	-	-
<b>NET POSITION</b>			
Net investment in capital assets	13,214,814	83,700	933,676
Restricted	421,965	28,000	-
Unrestricted	10,572,720	151,668	9,654,899
<b>TOTAL NET POSITION</b>	<b>\$ 24,209,499</b>	<b>\$ 263,368</b>	<b>\$ 10,588,575</b>

See accompanying notes to the basic financial statements.

**TOWNSHIP OF NEWTOWN**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 1,072,210	\$ 63,716	\$ 29,587	\$ -
Public safety	4,806,254	2,239,453	152,818	-
Public works	1,320,775	-	2,059,588	-
Library	244,453	-	-	-
Culture and recreation	227,650	-	21,079	-
Insurance	110,057	-	-	-
Interest on long-term debt	330,955	-	-	-
Pension and OPEB, unallocated	130,401	-	265,887	-
Depreciation, unallocated	1,374,255	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 9,617,010</b>	<b>\$ 2,303,169</b>	<b>\$ 2,528,959</b>	<b>\$ -</b>
<b>COMPONENT UNITS</b>				
Newtown Library	\$ 433,370	\$ 2,912	\$ 436,327	\$ -
Municipal Authority	5,663,384	5,062,150	-	-
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 6,096,754</b>	<b>\$ 5,065,062</b>	<b>\$ 436,327</b>	<b>\$ -</b>
<b>GENERAL REVENUES</b>				
Taxes				
Real property tax				
Real estate transfer taxes				
Local services tax				
Cable TV franchise fees				
Investment income				
Miscellaneous				
<b>TOTAL GENERAL REVENUES</b>				
<b>CHANGE IN NET POSITION</b>				
<b>NET POSITION AT BEGINNING OF YEAR</b>				
<b>NET POSITION AT END OF YEAR</b>				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

<u>Primary Government</u>	<u>Component Units</u>	
<u>Governmental Activities</u>	<u>Newtown Library</u>	<u>Municipal Authority</u>
\$ (978,907)	\$ -	\$ -
(2,413,983)	-	-
738,813	-	-
(244,453)	-	-
(206,571)	-	-
(110,057)	-	-
(330,955)	-	-
135,486	-	-
<u>(1,374,255)</u>	<u>-</u>	<u>-</u>
(4,784,882)	-	-
-	5,869	-
<u>-</u>	<u>-</u>	<u>(601,234)</u>
-	5,869	(601,234)
5,829,523	-	-
1,036,414	-	-
657,552	-	-
358,224	-	-
60,121	1,622	121,795
280,177	-	-
<u>8,222,011</u>	<u>1,622</u>	<u>121,795</u>
3,437,129	7,491	(479,439)
<u>20,772,370</u>	<u>255,877</u>	<u>11,068,014</u>
<u>\$ 24,209,499</u>	<u>\$ 263,368</u>	<u>\$ 10,588,575</u>

**TOWNSHIP OF NEWTOWN**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2020**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Note Proceeds Fund</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,062,195	\$ 5,914,453	\$ 170,888
Taxes receivable	214,334	-	-
Accounts receivable	221,422	17,955	-
Due from other funds	4,824	3,200	-
Due from component units	509,492	1,649,327	-
Prepaid items	27,000	1,117,877	-
	<u>8,039,267</u>	<u>8,702,812</u>	<u>170,888</u>
<b>TOTAL ASSETS</b>	<b>\$ 8,039,267</b>	<b>\$ 8,702,812</b>	<b>\$ 170,888</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 170,562	\$ 724	\$ -
Accrued payroll	93,813	-	-
Escrow deposits	1,753,243	-	-
Unearned revenues	122,929	-	-
Due to other funds	8,024	-	-
	<u>2,148,571</u>	<u>724</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b>2,148,571</b>	<b>724</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues, property taxes	75,691	-	-
	<u>75,691</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable	27,000	1,117,877	-
Restricted	-	-	170,888
Committed to	-	1,112,000	-
Assigned	-	6,472,211	-
Unassigned	5,788,005	-	-
	<u>5,815,005</u>	<u>8,702,088</u>	<u>170,888</u>
<b>TOTAL FUND BALANCES</b>	<b>5,815,005</b>	<b>8,702,088</b>	<b>170,888</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 8,039,267</b>	<b>\$ 8,702,812</b>	<b>\$ 170,888</b>

*See accompanying notes to the basic financial statements.*

Stormwater Fund	Other Governmental Funds	Total Governmental Funds
\$ 834,420	\$ 837,720	\$ 14,819,676
-	-	214,334
-	42,885	282,262
-	1,206	9,230
-	-	2,158,819
-	-	1,144,877
<u>\$ 834,420</u>	<u>\$ 881,811</u>	<u>\$ 18,629,198</u>
\$ -	\$ 28,062	\$ 199,348
-	-	93,813
-	-	1,753,243
524,457	1,630	649,016
-	1,206	9,230
<u>524,457</u>	<u>30,898</u>	<u>2,704,650</u>
-	-	75,691
-	-	1,144,877
-	651,028	821,916
-	-	1,112,000
309,963	201,091	6,983,265
-	(1,206)	5,786,799
<u>309,963</u>	<u>850,913</u>	<u>15,848,857</u>
<u>\$ 834,420</u>	<u>\$ 881,811</u>	<u>\$ 18,629,198</u>

# TOWNSHIP OF NEWTOWN

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2020

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 15,848,857
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,100,148
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 activities	(1,750,039)
Other long-term assets that are not available to pay for current period expenditures and, therefore, are not reported in the funds.	2,637,761
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(34,038)
Bonds and notes payable	(14,285,285)
Total OPEB liability	(4,827,437)
Compensated absences	(556,159)
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>75,691</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 24,209,499</u>

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF NEWTOWN**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2020**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Note Proceeds Fund</u>
<b>REVENUES</b>			
Real estate taxes	\$ 5,700,081	\$ -	\$ -
Transfer taxes	1,036,414	-	-
Local services tax	657,552	-	-
Licenses and permits	2,192,188	-	-
Fines and forfeits	35,093	-	-
Interest income, rents and royalties	36,033	15,025	2,089
Intergovernmental revenues	201,903	17,955	-
Act 205 Pension	265,887	-	-
Charges for services	50,567	-	-
Franchise fee - cable TV	358,224	-	-
Refunds of prior year expenditures	764	-	-
Contributions	-	1,720,827	-
Miscellaneous	207,792	-	-
TOTAL REVENUES	<u>10,742,498</u>	<u>1,753,807</u>	<u>2,089</u>
<b>EXPENDITURES</b>			
Current			
General government	983,792	44,807	-
Public safety	4,704,417	175,000	-
Highways and streets	1,247,738	2,341,453	2,312,299
Library	244,453	-	-
Culture and recreation	124,670	9,500	-
Insurance	110,057	-	-
Pension	748,656	-	-
Debt service (principal and interest)	667,274	8,620	18,902
TOTAL EXPENDITURES	<u>8,831,057</u>	<u>2,579,380</u>	<u>2,331,201</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,911,441</u>	<u>(825,573)</u>	<u>(2,329,112)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from loan issuance	-	1,107,000	2,500,000
Interfund transfers in	-	2,113,478	-
Interfund transfers out	(2,115,139)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,115,139)</u>	<u>3,220,478</u>	<u>2,500,000</u>
NET CHANGE IN FUND BALANCES	(203,698)	2,394,905	170,888
FUND BALANCES AT BEGINNING OF YEAR	<u>6,018,703</u>	<u>6,307,183</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 5,815,005</u>	<u>\$ 8,702,088</u>	<u>\$ 170,888</u>

*See accompanying notes to the basic financial statements.*

Stormwater Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 113,682	\$ 5,813,763
-	-	1,036,414
-	-	657,552
-	-	2,192,188
-	-	35,093
2,678	4,296	60,121
-	410,261	630,119
-	-	265,887
-	-	50,567
-	-	358,224
-	-	764
-	26,902	1,747,729
-	121	207,913
<u>2,678</u>	<u>555,262</u>	<u>13,056,334</u>
-	87,838	1,116,437
-	97,303	4,976,720
2,658	32,248	5,936,396
-	-	244,453
-	268,480	402,650
-	-	110,057
-	-	748,656
-	314,598	1,009,394
<u>2,658</u>	<u>800,467</u>	<u>14,544,763</u>
<u>20</u>	<u>(245,205)</u>	<u>(1,488,429)</u>
-	-	3,607,000
-	11,584	2,125,062
-	(9,923)	(2,125,062)
-	1,661	3,607,000
20	(243,544)	2,118,571
<u>309,943</u>	<u>1,094,457</u>	<u>13,730,286</u>
<u>\$ 309,963</u>	<u>\$ 850,913</u>	<u>\$ 15,848,857</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, 2020

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,118,571

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 (\$1,374,255) exceeds capital outlays (\$5,006,281) in the current period. 3,632,026

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. 15,760

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. (2,915,213)

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. (13,348)

The net change in the liability for compensated absences is reported in the government-wide statements but not in the Governmental Funds statements. (18,922)

The net change in the liability for the net pension 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. 990,491

The net change in the liability for the total OPEB liability is reported in the government-wide statements but not in the Governmental Funds statements. (372,236)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,437,129

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF NEWTOWN**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2020**

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	Pension Trust Funds	
	Police Pension Fund	Municipal Pension Fund
ASSETS		
Cash	\$ 575,947	\$ 143,186
Investments	15,621,579	3,644,314
Prepaid pension payments	40,420	15,716
Employee contributions receivable	<u>4,410</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 16,242,356</u>	<u>\$ 3,803,216</u>
NET POSITION		
Restricted for pensions	<u>\$ 16,242,356</u>	<u>\$ 3,803,216</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, 2020**

	Pension Trust Funds	
	Police Pension Fund	Municipal Pension Fund
ADDITIONS		
Contributions		
Employer	\$ 530,201	\$ 218,455
Employee	113,568	-
TOTAL CONTRIBUTIONS	<u>643,769</u>	<u>218,455</u>
Investment income		
Realized and unrealized gains on investments	1,910,828	444,961
Interest and dividends	292,108	68,193
TOTAL INVESTMENT INCOME	<u>2,202,936</u>	<u>513,154</u>
Less investment expense	<u>(66,654)</u>	<u>(15,559)</u>
NET INVESTMENT EARNINGS	<u>2,136,282</u>	<u>497,595</u>
TOTAL ADDITIONS	<u>2,780,051</u>	<u>716,050</u>
DEDUCTIONS		
Benefit payments	485,045	182,553
Administrative expenses	8,921	6,831
TOTAL DEDUCTIONS	<u>493,966</u>	<u>189,384</u>
CHANGE IN NET POSITION	2,286,085	526,666
NET POSITION - BEGINNING	<u>13,956,271</u>	<u>3,276,550</u>
NET POSITION - ENDING	<u>\$ 16,242,356</u>	<u>\$ 3,803,216</u>

*See accompanying notes to the basic financial statements.*

**TOWNSHIP OF NEWTOWN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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**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, 2020

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**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.

**Bond Fund** - The Bond 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.

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).

**TOWNSHIP OF NEWTOWN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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.

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.

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2020

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**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, 2020**

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**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, 2020 for the Governmental Activities. For the Newtown Township Municipal Authority, the allowance for uncollectibles was \$19,291 at December 31, 2020.

**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, 2020**

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**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 two 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 and proprietary fund statement of net position and the underlying factors creating this deferred outflow can be found in Note J.

**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, 2020.

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.

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.

**TOWNSHIP OF NEWTOWN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

***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.

**TOWNSHIP OF NEWTOWN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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, 2020**

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**NOTE C - DEPOSITS AND INVESTMENTS**

**Deposits**

At year end, the total carrying amount of the Township's checking, savings and money market deposits was \$14,819,676, and the corresponding bank balance was \$15,281,136. 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 \$719,133 and the corresponding bank balances were \$719,133.

**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, 2020, the carrying amounts of the Township's bank deposits were \$14,819,676, and the corresponding bank balances were \$15,281,136, of which \$250,000 was covered by Federal Depository Insurance. Of the remaining \$15,750,268, \$14,938,165 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 \$812,103 was held in state investment pools that are uninsured and uncollateralized. Pension fund deposits of \$719,133 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, 2020, the Township had the following investments:

	Fair Value Level 1	Investment Maturities Less Than One Year
PENSION ACTIVITIES		
Exchange traded funds	\$ 19,265,893	\$ 19,265,893

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**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 \$19,265,894 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	\$ 181,078
BALANCE PER BANK AND FINANCIAL INSTITUTIONS	181,078
Outstanding checks and reconciling items	<u>(1,026)</u>
CARRYING AMOUNTS ON STATEMENT OF NET POSITION	<u>\$ 180,052</u>

**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, 2020, none of the Library's bank balance of \$181,078 was exposed to custodial credit risk.

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**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, 2020, \$250,000 of the total bank balance of \$17,275,486 was insured by the Federal Depository Insurance Corporation. The remaining bank balance of \$17,025,486 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.

**Investments**

As of December 31, 2020, the Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less Than One Year</u>	<u>1 to 5 Years</u>
U.S. Treasury Series	\$ <u>1,459,121</u>	\$ <u>-</u>	\$ <u>1,459,121</u>

***Fair Value Measurement*** - The Authority 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 U.S. Treasury Series of \$1,459,121 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 Authority's investment policy does not address this type of risk.

***Concentration of Credit Risk*** - This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. More than 5% of the Authority's investments are in U.S. Treasury Series. These investments are 100% of the Authority's total investments.

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**NOTE D - TAXES RECEIVABLE**

	<u>General Fund</u>
Real estate taxes	\$ 122,988
Transfer taxes	<u>91,346</u>
<b>TOTAL TAXES RECEIVABLE</b>	<b>\$ <u>214,334</u></b>

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 \$59,931 in the governmental funds.

**NOTE E - DUE FROM OTHER GOVERNMENTS**

	<u>General Fund</u>	<u>Municipal Authority</u>
Due from component unit	\$ 2,158,819	\$ -
Due to primary government	<u>-</u>	<u>2,158,819</u>
	<b>\$ <u>2,158,819</u></b>	<b>\$ <u>2,158,819</u></b>

**NOTE F - ACCOUNTS RECEIVABLE**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Municipal Authority</u>
Fees	\$ -	\$ -	\$ -	\$ 1,594,572
Franchise fee - cable TV receivable	90,002	-	-	-
Grant receivable	-	-	42,055	-
2020 M/A Payment	110,002	-	-	-
Road program reimbursement	-	17,955	-	-
Miscellaneous	21,418	-	830	-
	<u>221,422</u>	<u>17,955</u>	<u>42,885</u>	<u>1,594,572</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,291)</u>
<b>ACCOUNTS RECEIVABLE, net</b>	<b>\$ <u>221,422</u></b>	<b>\$ <u>17,955</u></b>	<b>\$ <u>42,885</u></b>	<b>\$ <u>1,575,281</u></b>

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE G - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

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

Interfund transfers were as follows:

	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 2,115,139	\$ -
Capital Reserve Fund	-	2,113,478
Street Light Fund	<u>9,923</u>	<u>11,584</u>
	<u>\$ 2,125,062</u>	<u>\$ 2,125,062</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.

**NOTE H - CAPITAL ASSETS**

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 5,570,225	\$ 350,000	\$ -	\$ 5,920,225
Capital assets being depreciated				
Land improvements	688,140	-	-	688,140
Buildings	13,823,924	-	-	13,823,924
Infrastructure	9,645,716	4,611,474	-	14,257,190
Furniture and equipment	<u>7,436,514</u>	<u>44,807</u>	<u>-</u>	<u>7,481,321</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>31,594,294</u>	<u>4,656,281</u>	<u>-</u>	<u>36,250,575</u>
Accumulated depreciation				
Land improvements	(556,403)	(14,499)	-	(570,902)
Buildings	(3,046,148)	(421,402)	-	(3,467,550)
Infrastructure	(4,595,684)	(635,793)	-	(5,231,477)
Furniture and equipment	<u>(5,498,162)</u>	<u>(302,561)</u>	<u>-</u>	<u>(5,800,723)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(13,696,397)</u>	<u>(1,374,255)</u>	<u>-</u>	<u>(15,070,652)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>17,897,897</u>	<u>3,282,026</u>	<u>-</u>	<u>21,179,923</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<u>\$ 23,468,122</u>	<u>\$ 3,632,026</u>	<u>\$ -</u>	<u>\$ 27,100,148</u>

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE H - CAPITAL ASSETS (Continued)**

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
COMPONENT UNIT ACTIVITIES				
LIBRARY				
Capital assets				
Furniture and equipment	\$ 234,545	\$ -	\$ -	\$ 234,545
Book collection	347,967	29,512	-	377,479
TOTAL CAPITAL ASSETS	<u>582,512</u>	<u>29,512</u>	<u>-</u>	<u>612,024</u>
Accumulated depreciation				
Furniture and equipment	(232,229)	(1,449)	-	(233,678)
Book collection	(261,776)	(32,870)	-	(294,646)
TOTAL ACCUMULATED DEPRECIATION	<u>(494,005)</u>	<u>(34,319)</u>	<u>-</u>	<u>(528,324)</u>
COMPONENT UNIT ACTIVITIES				
CAPITAL ASSETS, net	<u>\$ 88,507</u>	<u>\$ (4,807)</u>	<u>\$ -</u>	<u>\$ 83,700</u>
COMPONENT UNIT ACTIVITIES				
MUNICIPAL AUTHORITY				
Capital assets not being depreciated				
Land	\$ 1,234,825	\$ -	\$ -	\$ 1,234,825
Construction in progress	17,670,515	7,762,704	-	25,433,219
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>18,905,340</u>	<u>7,762,704</u>	<u>-</u>	<u>26,668,044</u>
Capital assets being depreciated				
Land improvements	7,195,511	-	-	7,195,511
Accumulated depreciation				
Land improvements	(4,473,548)	(107,947)	-	(4,581,495)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>2,721,963</u>	<u>(107,947)</u>	<u>-</u>	<u>2,614,016</u>
COMPONENT UNIT ACTIVITIES				
CAPITAL ASSETS, net	<u>\$ 21,627,303</u>	<u>\$ 7,654,757</u>	<u>\$ -</u>	<u>\$ 29,282,060</u>

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

Governmental activities - unallocated	\$ 1,374,255
Component unit - Newtown Public Library	34,319
Component unit - Newtown Township Municipal Authority	<u>107,947</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 1,516,521</u>

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE I - LONG-TERM DEBT**

	Principal Outstanding January 1, 2020	Additions	Reductions	Principal Outstanding December 31, 2020	Due Within One Year
General Obligation Bonds Series of 2016	\$ 9,060,000	\$ -	\$ (175,000)	\$ 8,885,000	\$ 180,000
General Obligation Notes Series A&B of 2016	2,249,000	-	(514,000)	1,735,000	520,000
Series 2020	-	2,500,000	-	2,500,000	492,000
Series A 2020	-	1,107,000	-	1,107,000	1,000
	<u>11,309,000</u>	<u>3,607,000</u>	<u>(689,000)</u>	<u>14,227,000</u>	<u>1,193,000</u>
Deferred amounts					
Issuance premium	61,072	-	(2,787)	58,285	2,787
Compensated absences	537,237	18,922	-	556,159	-
Total OPEB liability	<u>4,455,201</u>	<u>372,236</u>	<u>-</u>	<u>4,827,437</u>	<u>-</u>
LONG-TERM DEBT	<u>\$ 16,362,510</u>	<u>\$ 3,998,158</u>	<u>\$ (691,787)</u>	<u>\$ 19,668,881</u>	<u>\$ 1,195,787</u>

	Outstanding Principal
General Obligation Bonds, Series of 2016. Original principal amount of \$9,565,000, maturing through December 1, 2041, bearing interest from 1.75% to 3%. Interest is payable semi-annually on June 1 and December 1.	\$ 8,885,000
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.	1,735,000
General Obligation Notes, Series 2020. Original principal amount of \$2,500,000, maturing through May 2025, bearing interest at .73%. Interest is paid monthly.	2,500,000
General Obligation Notes, Series A of 2020. Original principal amount of \$1,107,000, maturing through May 2031, bearing interest at .910%. Interest is paid monthly.	<u>1,107,000</u>
	<u>\$ 14,227,000</u>

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**NOTE I - LONG-TERM DEBT (Continued)**

The annual requirements to amortize all debts outstanding as of December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 1,193,000	\$ 294,542	\$ 1,487,542
2022	999,000	283,374	1,282,374
2023	1,012,000	271,412	1,283,412
2024	1,026,000	259,250	1,285,250
2025	1,035,000	246,881	1,281,881
2026 to 2030	2,771,000	1,085,162	3,856,162
2031 to 2035	2,636,000	765,606	3,401,606
2036 to 2040	2,920,000	363,300	3,283,300
2041	635,000	19,050	654,050
	<u>\$ 14,227,000</u>	<u>\$ 3,588,577</u>	<u>\$ 17,815,577</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, 2020, DeVal would have received a payment of approximately \$110 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, 2020**

**NOTE I - LONG-TERM DEBT (Continued)**

**Component Unit Activities - Municipal Authority**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
BONDS PAYABLE					
Guaranteed Sewer Revenue					
Bond, Series of 2018	\$ 33,520,000	\$ -	\$ -	\$ 33,520,000	\$ 670,000
Bond premiums	<u>2,077,683</u>	<u>-</u>	<u>(72,058)</u>	<u>2,005,625</u>	<u>72,058</u>
 TOTAL BONDS PAYABLE	 <u>\$ 35,597,683</u>	 <u>\$ -</u>	 <u>\$ (72,058)</u>	 <u>\$ 35,525,625</u>	 <u>\$ 742,058</u>

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:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 670,000	\$ 1,472,819
2022	695,000	1,446,019
2023	720,000	1,425,169
2024	745,000	1,396,369
2025	775,000	1,366,569
2026 to 2030	4,375,000	6,341,845
2031 to 2035	5,310,000	5,400,170
2036 to 2040	6,375,000	4,340,151
2041 to 2045	8,020,000	2,701,000
2046 to 2048	<u>5,835,000</u>	<u>593,000</u>
	 <u>\$ 33,520,000</u>	 <u>\$ 26,483,111</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, 2020**

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**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, 2019 actuarial evaluation (updated through roll forward procedures through the measurement date of December 31, 2020):

	<u>Police</u>	<u>Non-Uniform</u>
Inactive plan members currently receiving benefits	13	12
Inactive plan member entitled to but not yet receiving benefits	-	5
Active plan members	<u>20</u>	<u>16</u>
	<u>33</u>	<u>33</u>

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**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 2020 was \$530,201 and the Township's actual contribution was \$530,201. The MMO for the non-uniform pension plan for 2020 was \$154,568 and the Township's actual contribution was \$218,455.

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	45.5%	4.63%
International Equities	24.5%	6.01%
Fixed income	27%	68.00%
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, 2020**

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**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, 2020, 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, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.30% 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**

	<u>Total Police Pension Liability</u>	<u>Police Plan Fiduciary Net Position</u>	<u>Net Police Pension Liability (Asset)</u>
Balance, January 1, 2020	\$ 13,399,935	\$ 13,956,271	\$ (556,336)
Changes for the year			
Service cost	395,137	-	395,137
Interest	948,679	-	948,679
Differences between expected and actual experience	-	-	-
Benefit payments	(485,044)	(485,044)	-
Contributions			
State aid	-	177,258	(177,258)
Employer	-	352,943	(352,943)
Member	-	113,568	(113,568)
Net investment income	-	2,136,281	(2,136,281)
Administrative expense	-	(8,921)	8,921
Net changes	<u>858,772</u>	<u>2,286,085</u>	<u>(1,427,313)</u>
Balance, December 31, 2020	<u>\$ 14,258,707</u>	<u>\$ 16,242,356</u>	<u>\$ (1,983,649)</u>

Plan fiduciary net position as a percentage of the total pension liability related to the police pension at December 31, 2020 was 113.9%.

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**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 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1- percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability (assets)	\$ <u>(392,095)</u>	\$ <u>(1,983,649)</u>	\$ <u>(3,322,621)</u>

For the year ended December 31, 2020, the Township recognized pension expense of \$809,004 related to the police pension. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (355,350)
Changes in assumptions	51,443	-
Net difference between projected and actual investment earnings	<u>-</u>	<u>(1,418,984)</u>
	<u>\$ 51,443</u>	<u>\$ (1,774,334)</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>	
2021	\$ (524,289)
2022	(307,986)
2023	(581,744)
2024	(258,595)
2025	(25,918)
Thereafter	<u>(24,359)</u>
	<u>\$ (1,722,891)</u>

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)**

**Actuarial Assumptions (Police Pension)**

The total pension liability as of December 31, 2020 was determined by rolling forward the System's total pension liability as of the January 1, 2019 actuarial valuation to December 31, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation - 2.25%
- Salary increases - 5.00%
- Investment rate of return - 7.00% (net of pension plan investment expenses, including inflation)
- Mortality rates were based on the Blue Collar RP-2000 Mortality Tables projected to 2017 using Scale AA

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00%. 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, 2020	\$ 2,961,917	\$ 3,276,550	\$ (314,633)
Changes for the year			
Service cost	129,712	-	129,712
Interest	240,028	-	240,028
Differences between expected and actual experience	-	-	-
Changes of assumption	-	-	-
Benefit payments	(182,553)	(182,553)	-
Contributions			
State aid	-	88,629	(88,629)
Employer	-	129,826	(129,826)
Net investment income	-	497,594	(497,594)
Administrative expense	-	(6,830)	6,830
Net changes	<u>187,187</u>	<u>526,666</u>	<u>(339,479)</u>
Balance, December 31, 2020	<u>\$ 3,149,104</u>	<u>\$ 3,803,216</u>	<u>\$ (654,112)</u>

Plan fiduciary net position as a percentage of the total pension liability related to the non-uniform pension at December 31, 2020, was 120.8%.

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**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 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net pension liability (assets)	\$ (350,718)	\$ (654,112)	\$ (917,066)

For the year ended December 31, 2020, the Township recognized pension expense of \$181,487 related to the non-uniform pension. At December 31, 2020, the Township reported deferred outflows of resources and deferred inflows of resources related to the non-uniform pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (12,532)
Changes in assumptions	4,805	-
Net difference between projected and actual investment earnings	<u>-</u>	<u>(271,861)</u>
	<u>\$ 4,805</u>	<u>\$ (284,393)</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>	
2021	\$ (76,600)
2022	(36,035)
2023	(120,436)
2024	(50,718)
2025	2,566
Thereafter	<u>1,635</u>
	<u>\$ (279,588)</u>

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)**

**Actuarial Assumptions (Non-Uniform Pension)**

The total pension liability (asset) as of December 31, 2020 was determined by rolling forward the System's total pension liability as of the January 1, 2019 actuarial valuation to December 31, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation - 2.25%
- Salary increases - 5.00%
- Investment rate of return - 8.00% (net of pension plan investment expenses, including inflation)
- Mortality rates were based on the Blue Collar RP-2000 Mortality Tables projected to 2017 using Scale AA.

**Discount Rate** - The discount rate used to measure the total pension liability was 8.00%. 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, 2020, the annual money-weighted rate of return on the non-uniform pension plan investments, net of pension plan investment expense, was 15.28%. 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, 2020**

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**NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Plan Membership**

At January 1, 2019, 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	17
	21
	21

**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, 2019. Update procedures were then used to roll forward to the Township's fiscal year ending December 31, 2020, 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, 2020**

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**NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Discount Rate** – 3.75% based on the S&P 20 year AA municipal bond rate.

**Healthcare Cost Trend Rate** – Medical costs are assumed to increase by 7.5% during 2021 reduced by 0.25% per year to an ultimate level of 5% per year.

**Mortality** – Blue Collar RP-2000 Mortality Tables for Males and Females projected 17 years using Scale AA.

**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.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at December 31, 2019	\$ 4,455,201
Changes for the year	
Service cost	318,262
Interest cost	176,704
Differences between expected and actual experience	-
Changes in benefit terms	-
Benefit payments	<u>(122,730)</u>
Net changes	<u>372,236</u>
Balance at December 31, 2020	<u>\$ 4,827,437</u>

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

***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 (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current discount rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Total OPEB liability	\$ <u>5,257,836</u>	\$ <u>4,827,437</u>	\$ <u>4,440,678</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:

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ <u>4,277,744</u>	\$ <u>4,827,437</u>	\$ <u>5,473,018</u>

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

For the year ended December 31, 2020, the Plan recognized OPEB expense of \$372,236. At December 31, 2020, 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	\$ <u>252,440</u>	\$ <u>-</u>

**TOWNSHIP OF NEWTOWN**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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**NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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>	
2021	\$ 23,075
2022	23,075
2023	23,075
2024	23,075
2025	23,075
Thereafter	<u>137,065</u>
	<u>\$ 252,440</u>

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE L - FUND BALANCES**

	General Fund	Capital Reserve Fund	Note Proceeds Fund	Stormw ater Fund	Other Governmental Funds
Nonspendable					
Prepaid expenses	\$ 27,000	\$ 1,117,877	\$ -	\$ -	\$ -
Restricted					
Building improvements	-	-	170,888	-	229,063
Hydrant Fund	-	-	-	-	53,522
Street Light Fund	-	-	-	-	95,737
Liquid Fuels Fund	-	-	-	-	272,706
TOTAL RESTRICTED	<u>-</u>	<u>-</u>	<u>170,888</u>	<u>-</u>	<u>651,028</u>
Committed					
Greer Park Playground equipment	-	75,000	-	-	-
Gable Field improvements	-	25,000	-	-	-
Emerald Ash Borer treatments	-	12,000	-	-	-
Ash tree removal	-	50,000	-	-	-
Dam repairs	-	950,000	-	-	-
TOTAL COMMITTED	<u>-</u>	<u>1,112,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned					
Paper Mill House and Bartram Bridge signs	-	14,000	-	-	-
Survey of Townshp prosperities	-	10,000	-	-	-
Property acquisition	-	250,000	-	-	-
Capital projects	-	6,198,211	-	-	-
War On Drugs Fund	-	-	-	-	30,942
Police Donation Fund	-	-	-	-	58,725
Open Space Fund	-	-	-	-	111,424
Storm w ater maintenance	-	-	-	309,943	-
TOTAL ASSIGNED	<u>-</u>	<u>6,472,211</u>	<u>-</u>	<u>309,943</u>	<u>201,091</u>
Unassigned	<u>5,788,005</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,206)</u>
TOTAL FUND BALANCE	<u>\$ 5,815,005</u>	<u>\$ 8,702,088</u>	<u>\$ 170,888</u>	<u>\$ 309,943</u>	<u>\$ 850,913</u>

**TOWNSHIP OF NEWTOWN**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

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**NOTE M - RELATED-PARTY TRANSACTIONS**

**COMPONENT UNIT – NEWTOWN MUNICIPAL AUTHORITY**

At December 31, 2020, the Authority had a balance due to the primary government (Township of Newtown) of \$2,158,819.

The balance of \$2,158,819 due to the Township as of December 31, 2020 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. In 2020, the Authority recognized an additional \$1,649,327 due to the Township for road work that was done by the Township on behalf of the Authority. 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 \$110,000 for the year ended December 31, 2020, which were paid in full during 2020.

**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 2020, 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, 2020**

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
<b>REVENUES</b>				
Real estate taxes	\$ 5,686,331	\$ 5,686,331	\$ 5,700,081	\$ 13,750
Transfer taxes	976,000	976,000	1,036,414	60,414
Local services tax	705,000	705,000	657,552	(47,448)
Licenses and permits	1,350,900	1,350,900	2,192,188	841,288
Fines and forfeits	49,000	49,000	35,093	(13,907)
Interest income, rents and royalties	75,000	75,000	36,033	(38,967)
Intergovernmental	315,720	315,720	201,903	(113,817)
Act 205 Pension	252,000	252,000	265,887	13,887
Charges for services	57,400	57,400	50,567	(6,833)
Franchise fee - cable TV	365,000	365,000	358,224	(6,776)
Refunds of prior year expenditures	-	-	764	764
Miscellaneous	141,568	150,838	207,792	56,954
<b>TOTAL REVENUES</b>	<u>9,973,919</u>	<u>9,983,189</u>	<u>10,742,498</u>	<u>759,309</u>
<b>EXPENDITURES</b>				
General government	1,112,027	1,112,027	983,792	(128,235)
Public safety	4,841,181	4,841,181	4,704,417	(136,764)
Highways and streets	1,513,433	1,522,703	1,247,738	(274,965)
Library	238,389	238,389	244,453	6,064
Culture and recreation	196,392	196,392	124,670	(71,722)
Insurance	114,414	114,414	110,057	(4,357)
Pension	734,769	734,769	748,656	13,887
Debt service (principal and interest)	654,230	661,328	667,274	5,946
<b>TOTAL EXPENDITURES</b>	<u>9,404,835</u>	<u>9,421,203</u>	<u>8,831,057</u>	<u>(590,146)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>569,084</u>	<u>561,986</u>	<u>1,911,441</u>	<u>1,349,455</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>(589,084)</u>	<u>(589,084)</u>	<u>(2,115,139)</u>	<u>(1,526,055)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$ (20,000)</u>	<u>\$ (27,098)</u>	<u>(203,698)</u>	<u>\$ (176,600)</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>				
			<u>6,018,703</u>	
<b>FUND BALANCE AT END OF YEAR</b>				
			<u>\$ 5,815,005</u>	

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 395,137	\$ 376,321	\$ 319,402
Interest	948,679	892,647	856,997
Changes for experience	-	(205,785)	-
Changes of assumptions	-	-	-
Benefit payments	<u>(485,044)</u>	<u>(489,637)</u>	<u>(546,847)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	858,772	573,546	629,552
Total pension liability, beginning	<u>13,399,935</u>	<u>12,826,389</u>	<u>12,196,837</u>
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<u><u>\$ 14,258,707</u></u>	<u><u>\$ 13,399,935</u></u>	<u><u>\$ 12,826,389</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions			
State Aid	\$ 352,943	\$ 174,097	\$ 149,900
Employer	177,258	284,127	329,781
Member	113,568	102,278	94,444
Net investment income	2,136,281	2,402,586	(793,501)
Benefit payments, including refunds of member contributions	(485,044)	(489,637)	(546,847)
Administrative expense	<u>(8,921)</u>	<u>(18,171)</u>	<u>(12,262)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,286,085	2,455,280	(778,485)
Plan fiduciary net position, beginning	<u>13,956,271</u>	<u>11,500,991</u>	<u>12,279,476</u>
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<u><u>\$ 16,242,356</u></u>	<u><u>\$ 13,956,271</u></u>	<u><u>\$ 11,500,991</u></u>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<u><u>\$ (1,983,649)</u></u>	<u><u>\$ (556,336)</u></u>	<u><u>\$ 1,325,398</u></u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<u>113.91%</u>	<u>104.15%</u>	<u>89.67%</u>
<b>COVERED PAYROLL</b>	<u><u>\$ 1,973,606</u></u>	<u><u>\$ 1,700,000</u></u>	<u><u>\$ 1,871,652</u></u>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<u><u>-100.5%</u></u>	<u><u>-32.73%</u></u>	<u><u>70.81%</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 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><u>12,196,837</u></u>	<u><u>11,876,050</u></u>	<u><u>11,178,830</u></u>	<u><u>10,719,670</u></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><u>12,279,476</u></u>	<u><u>10,253,580</u></u>	<u><u>9,417,299</u></u>	<u><u>9,518,045</u></u>
\$	<u><u>(82,639)</u></u>	<u><u>1,622,470</u></u>	<u><u>1,761,531</u></u>	<u><u>1,201,625</u></u>
	<u>100.68%</u>	<u>86.34%</u>	<u>84.24%</u>	<u>88.79%</u>
\$	<u><u>1,715,480</u></u>	<u><u>1,672,244</u></u>	<u><u>1,622,008</u></u>	<u><u>1,493,418</u></u>
	<u><u>-4.82%</u></u>	<u><u>97.02%</u></u>	<u><u>108.60%</u></u>	<u><u>80.46%</u></u>

**TOWNSHIP OF NEWTOWN**  
**SCHEDULE OF POLICE PENSION PLAN**  
**CONTRIBUTIONS**  
**LAST SEVEN FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 530,201	458,224	\$ 479,681
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>530,201</u>	<u>458,224</u>	<u>479,681</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 1,973,606</u>	<u>\$ 1,700,000</u>	<u>\$ 1,871,652</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<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, 2019

Entry age normal  
Level dollar, closed  
1 year  
Section 210(a) of Act 44  
2.25%  
5.0% annual increase  
7.0%  
50  
Blue Collar RP-2000 Mortality Table

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

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	<u>2020</u>	<u>2019</u>	<u>2018</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<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.

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

# TOWNSHIP OF NEWTOWN

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

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

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><u>2,645,006</u></u>	<u><u>2,578,511</u></u>	<u><u>2,475,994</u></u>	<u><u>2,391,615</u></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><u>2,925,508</u></u>	<u><u>2,423,163</u></u>	<u><u>2,339,918</u></u>	<u><u>2,463,123</u></u>
\$	<u><u>(280,502)</u></u>	<u><u>155,348</u></u>	<u><u>136,076</u></u>	<u><u>(71,508)</u></u>
	<u>110.60%</u>	<u>93.98%</u>	<u>94.50%</u>	<u>102.99%</u>
\$	<u><u>877,178</u></u>	<u><u>719,300</u></u>	<u><u>714,542</u></u>	<u><u>726,888</u></u>
	<u><u>-31.98%</u></u>	<u><u>21.60%</u></u>	<u><u>19.04%</u></u>	<u><u>-9.84%</u></u>

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 154,568	\$ 142,208	\$ 135,724
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>218,455</u>	<u>217,853</u>	<u>180,724</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (63,887)</u>	<u>\$ (75,645)</u>	<u>\$ (45,000)</u>
COVERED PAYROLL	<u>\$ 1,210,670</u>	<u>\$ 1,080,000</u>	<u>\$ 1,022,920</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<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, 2019

Entry age normal  
Level dollar, closed  
N/A  
Smoothing per section 210(a) of Act 44  
2.25%  
5.0% annual increase  
8.0%  
65  
Blue Collar RP-2000 Mortality Table

**TOWNSHIP OF NEWTOWN**  
SCHEDULE OF NON-UNIFORM PENSION PLAN  
INVESTMENT RETURNS  
LAST SEVEN FISCAL YEARS

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	<u>2020</u>	<u>2019</u>	<u>2018</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<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.

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

# TOWNSHIP OF NEWTOWN

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 318,262	\$ 303,107	\$ 167,922
Interest	176,704	163,191	124,353
Changes for experience	-	275,515	-
Changes in benefit terms	-	454,971	-
Benefit payments	<u>(122,730)</u>	<u>(119,480)</u>	<u>(125,061)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	372,236	1,077,304	167,214
Total OPEB liability, beginning	<u>4,455,201</u>	<u>3,377,897</u>	<u>3,210,683</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 4,827,437</u>	<u>\$ 4,455,201</u>	<u>\$ 3,377,897</u>
COVERED PAYROLL	<u>\$ 2,170,980</u>	<u>\$ 2,067,600</u>	<u>\$ 1,898,240</u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>222.36%</u>	<u>215.48%</u>	<u>177.95%</u>

### NOTES TO SCHEDULE

Changes in benefit terms: In 2019, the Township contribution to the medical/Rx plan changed from 100% to 90%.

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