

TOWNSHIP OF NEWTOWN
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2022

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ACCOUNTANTS • ADVISORS

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

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

Opinion

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Newtown as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Newtown as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Newtown's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township of Newtown's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township of Newtown's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 19, budgetary comparison information on page 59, the pension schedules on pages 60 through 65, and the other postemployment benefit schedule on page 66 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Limerick, Pennsylvania
February 29, 2024

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

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, 2022. 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 2022, the assets of Newtown Township exceeded its liabilities by \$28,010,091 (representing its net position for governmental activities). Of this amount, \$11,839,927 (42%) is unrestricted and is available to meet the government's ongoing obligations to citizens and creditors.
- Total revenues of the Township's 2022 governmental activities were \$12,162,954, and expenditures totaled \$11,753,392. This compares to 2021 activity of \$12,176,468 in revenue, and \$8,785,438 in expenditures.
- Total assets and deferred outflows of resources decreased by \$186,943 since 2021, as current assets decreased by \$2,427,314, capital assets decreased by \$51,365 and deferred outflow of resources increased by \$2,291,736. More detail can be found on page 20, Statement of Net Position.
- Overall liabilities and deferred inflows of resources decreased by \$596,505 since 2021, as current liabilities decreased by \$408,414, long-term liabilities increased by \$1,601,822 and deferred inflow of resources decreased by \$1,798,913. 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 \$16,054,236 as of December 31, 2022. As of December 31, 2021, governmental funds reported a fund balance of \$15,499,531.
- At December 31, 2022, the General Fund reported a fund balance of \$5,064,581 compared to a December 31, 2021 balance of \$5,331,134.

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

USING THIS ANNUAL REPORT

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

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

Government-Wide Financial Statements

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

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

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

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

- **Governmental Activities** - Most of the Township's basic services are reported here, including the police, code enforcement, engineering, fire, ambulance, general administration, public works, and parks and recreation. Also included is the Capital Projects Fund. The Township's street resurfacing project represents the major activities within this fund.
- **Component Unit** - Although legally separate, the Library and Municipal Authority (Component Units) are important because the Township is financially accountable for them.

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

Fund Level Financial Statements

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

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

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

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.

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

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 \$28,010,091 in fiscal year 2022. The following table presents condensed comparative financial information for the net position of the Township for calendar years 2022 and 2021.

Township of Newtown		<u>2022</u>	<u>2021</u>
Schedule of Net Position			
ASSETS			
Current and other assets	\$	20,338,481	\$ 22,765,795
Capital assets, net of depreciation		27,662,337	27,713,702
Deferred outflows of resources		<u>4,000,993</u>	<u>1,709,257</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$	<u>52,001,811</u>	\$ <u>52,188,754</u>
LIABILITIES			
Current liabilities	\$	4,215,380	\$ 4,623,794
Long-term liabilities		17,710,266	16,108,444
Deferred inflows of resources		<u>2,066,074</u>	<u>3,855,987</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		<u>23,991,720</u>	<u>24,588,225</u>
NET POSITION			
Net investment in capital assets		15,735,079	14,782,912
Restricted		435,085	495,436
Unrestricted		<u>11,839,927</u>	<u>12,322,181</u>
TOTAL NET POSITION		<u>28,010,091</u>	<u>27,600,529</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$	<u>52,001,811</u>	\$ <u>52,188,754</u>

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

The unrestricted net position of \$11,839,927 may be used to meet the Township's ongoing obligations to citizens and creditors. The Township has also reported a net position of \$15,735,079, which reflects the investment in capital assets (land, buildings, vehicles, machinery and equipment, and infrastructure) less any related debt used to acquire those assets is still outstanding.

The 2022 Statement of Net Position shows an increase in total net position for governmental activities of \$409,562, as opposed to that of 2021 which showed an increase of \$3,391,030.

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

The following comparison illustrates revenues and expenses of governmental activities and business-type activities for fiscal years 2022 and 2021 in a detailed format:

Township of Newtown		
Changes in Net Position		
	<u>2022</u>	<u>2021</u>
REVENUES		
Program revenues		
Charges for services	\$ 1,626,171	\$ 2,046,360
Operating grants and contributions	1,711,237	1,007,825
General revenues		
Property taxes	6,354,493	5,963,687
Public utility and realty transfer taxes	998,708	1,899,198
Business privilege and mercantile taxes	632,957	642,997
Franchise fee - cable TV	330,186	358,326
Other revenues	509,202	258,075
TOTAL REVENUES	<u>12,162,954</u>	<u>12,176,468</u>
EXPENSES		
General government	1,361,861	1,124,054
Public safety	5,384,851	4,887,299
Public works	1,773,072	1,512,200
Library	251,638	231,075
Culture and recreation	217,267	261,857
Insurance	132,340	114,130
Interest on long-term debt	141,342	256,619
Pension, OPEB and insurance	1,127,687	(1,071,540)
Unallocated depreciation expense	1,363,334	1,469,744
TOTAL EXPENSES	<u>11,753,392</u>	<u>8,785,438</u>
CHANGE IN NET POSITION	<u>\$ 409,562</u>	<u>\$ 3,391,030</u>

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

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

Revenues

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

Expenses

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

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

Governmental Activities - Changes in Net Position

Revenue from Newtown Township's governmental activities in 2022 totaled \$12,162,954 which was \$13,514 less than in 2021. Sources of revenue were primarily from property taxes, realty transfer taxes, public safety related charges, operating grants, and contributions. Overall, revenues in 2022 decreased by less than 1% from 2021. Taxes comprised the largest source of Township revenues (66%), amounting to \$7,986,158 in 2022. Property taxes represent that largest revenue source reporting \$6,354,493 or 52% of revenue.

Expenses of all governmental activities in 2022 amounted to \$11,753,392, which was \$2,967,924 more than in 2021. As the statement of activities indicates, public safety is the largest program with expenses of \$5,384,851 (46%) of governmental expenses. Public works expenses totaled \$1,773,072 (15%) of expenses. Public works saw an increase of \$260,872 of which a \$191,712 was due to an increase in recycling collection cost in 2022. General government came in as the third largest expense, accounting for \$1,361,861 (12%).

Cost of Services - Expenses Analysis

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

Net cost of Governmental Activities is 72% of total cost of services in 2022. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

	2022		2021	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Governmental Activities				
General government	\$ 1,361,861	\$ 1,198,013	\$ 1,124,054	\$ 1,001,994
Public safety	5,384,851	3,637,925	4,887,299	2,769,436
Public works	1,773,072	664,959	1,512,200	1,067,144
Library	251,638	251,638	231,075	231,075
Culture and recreation	217,267	188,851	261,857	166,096
Insurance	132,340	132,340	114,130	114,130
Interest on long-term debt	141,342	141,342	256,619	256,619
Pension and OPEB, unallocated	1,127,687	837,582	(1,071,540)	(1,344,985)
Unallocated depreciation	1,363,334	1,363,334	1,469,744	1,469,744
	<u>\$ 11,753,392</u>	<u>\$ 8,415,984</u>	<u>\$ 8,785,438</u>	<u>\$ 5,731,253</u>

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

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 \$16,054,236. The General Fund's unassigned fund balance was \$2,344,110 as of December 31, 2022, equating to 22% of 2022's total revenues and 25% of total expenditures, excluding other financing sources.

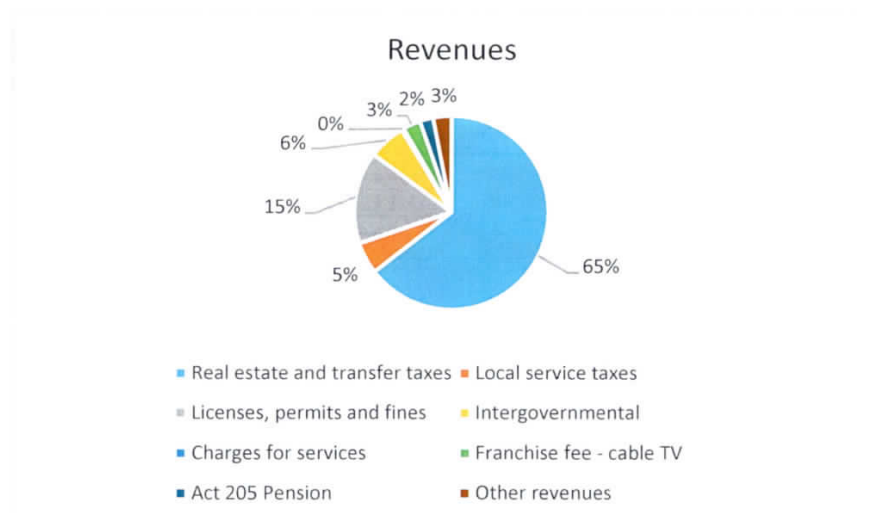
Maintaining a reasonable fund balance provides a "safety net" in the event of emergencies, economic downturns, or other unforeseen circumstances. Without an adequate level of fund balance, these unforeseen amounts could create the need for a significant tax increase in a future period or create the need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

	<u>2022</u>	<u>2021</u>	Increase (Decrease)
Revenue			
Real estate and transfer taxes	\$ 7,355,599	\$ 7,867,313	\$ (511,714)
Local service taxes	632,957	642,997	(10,040)
Licenses, permits and fines	1,434,991	1,859,121	(424,130)
Intergovernmental	1,428,738	762,217	666,521
Charges for services	47,308	42,859	4,449
Franchise fee - cable TV	330,186	358,326	(28,140)
Act 205 Pension	290,105	273,445	16,660
Other revenues	645,468	374,668	270,800
TOTAL REVENUES	<u>12,165,352</u>	<u>12,180,946</u>	<u>(15,594)</u>
Other financing sources			
Proceeds from refunding note or loans issued	-	8,751,000	(8,751,000)
Operating transfers in	1,745,066	2,132,614	(387,548)
TOTAL OTHER FINANCING SOURCES	<u>1,745,066</u>	<u>10,883,614</u>	<u>(9,138,548)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 13,910,418</u>	<u>\$ 23,064,560</u>	<u>\$ (9,154,142)</u>

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

Revenues and other financing sources for 2022 totaled \$13,910,418. This decreased by \$9,154,142 (40%) of revenues from 2021. The major factors contributing to this decrease were as follows:

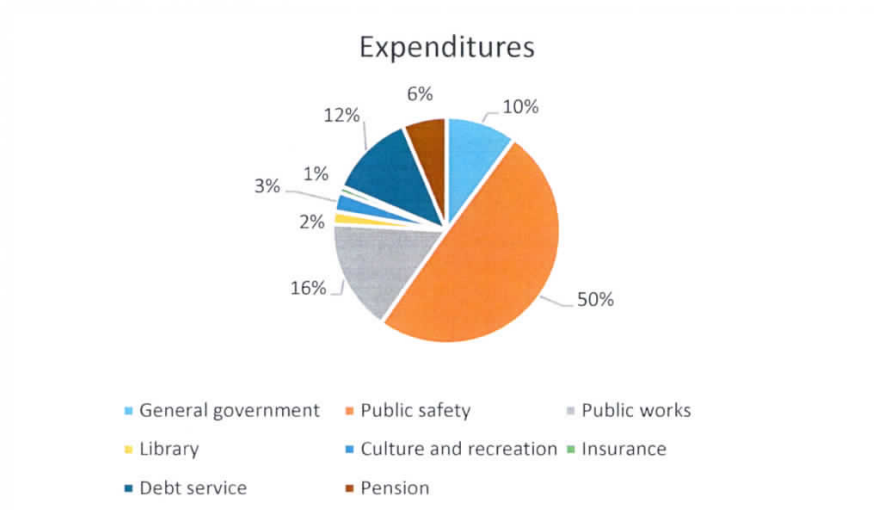
- Real estate taxes increased \$388,776 in comparison to 2021. Real estate transfer tax decreased \$900,490 due to the transfer of two large properties in 2021. In addition to having the two large properties transfer, the volume of transfers decreased during the 2022 fiscal year.
- Local Service Tax experienced a decrease of \$10,040. This decrease is presumed to be associated with the continued work from home trend.
- Intergovernmental services came in \$666,521 ahead of 2021 due primarily to the recognition of ARPA funding revenue related to a storm water improvement project and funding increase from the state for road maintenance. The remainder was due to Local grants for recycling and low volume road improvements as well as County Aid related to road work not received in 2021.
- Other revenue sources reported an increase of \$270,800. This large increase in revenue is associated with the improved interest rates for investment of cash on hand. The Township was able to invest monies not needed for operating or capital at the current time.
- Permit Fees continue to drop off as the growth in large land development projects continue to finish. Liseter and several of the Ellis Preserve phases permits completed.



TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>	<u>Increase (Decrease)</u>
Expenditures			
General government	\$ 1,177,663	\$ 1,261,555	\$ (83,892)
Public safety	5,348,914	6,251,902	(902,988)
Public works	2,763,407	2,028,631	734,776
Library	251,638	231,075	20,563
Culture and recreation	396,113	349,427	46,686
Insurance	132,340	114,130	18,210
Debt service	1,143,342	1,541,942	(398,600)
Pension	397,230	797,610	(400,380)
TOTAL EXPENDITURES	<u>11,610,647</u>	<u>12,576,272</u>	<u>(965,625)</u>
Other financing sources			
Payment to refunded bond escrow agent	-	8,705,000	(8,705,000)
Operating transfers out	<u>1,745,066</u>	<u>2,132,614</u>	<u>(387,548)</u>
TOTAL OTHER FINANCING SOURCES	<u>1,745,066</u>	<u>10,837,614</u>	<u>(9,092,548)</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ 13,355,713</u>	<u>\$ 23,413,886</u>	<u>\$ (10,058,173)</u>

Total expenditures and other financing uses were \$13,355,713 in 2022. This represents a decrease of \$10,058,173 (43%) from 2021. Key drivers contributing to these changes were:



TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

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 2022 ended over budget by 3% or \$297,896. The key contributing factors were:

- Real Estate Tax revenues finished \$68,593 over budget. A 97.5% collection rate was budgeted in 2022 but over 98% of all taxes were collected, which is equivalent to \$33,852. Interim taxes were also higher than expected by \$28,486. Lastly, the County had an above average year in delinquent collections contributing to the revenues above the 2022 budget.
- Transfer Taxes came in \$1,292 under budget. This was very close to what was anticipated.
- Local Service Tax experienced a deficit of \$87,043. This decrease is presumed to be associated with the work from home trend that is affecting many businesses.
- New construction, and zoning fees, led to an increase of \$24,019 over budget for the licenses and permits category. The permit revenue associated with the continued build-out of the Ellis Preserve was a contributing factor.
- Fines and Forfeits revenue ended the year \$2,304 short of what was budgeted. The main sources of the shortfall were a decrease in District Court and related revenues.
- Investment earnings increase over the budgeted amount by \$54,521 due to the increase in interest rates.
- Intergovernmental revenues were over budget by \$68,480. The primary reason for the increase was the amounts received for the Low volume road grant and the recycling grant. The county aid for road maintenance was also not anticipated due to prior year none payment.
- Act 205 Pension revenues came in \$16,660 ahead of budget. This increase was a result of a larger Pension State Aid payment than projected for 2022.
- Miscellaneous revenues saw a surplus of \$160,269. Insurance related refunds related to insurance claims filed in 2022 were the key source. The Township does not budget for insurance related refunds.

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

Expenditures

Actual Expenditures at the end of 2022 equated to \$601,535 below budget (6%) of expenditures. Contributing to this favorable position were several factors:

- **General Government** - Overall, general government services equated to \$88,046 under budget. The majority of the savings seen in the General Government Category is attributed to the Township not moving forward with the hiring of a full-time Custodial Support. Included in the 2022 budget was the hire of a full-time employee to handle the Township's Custodial needs.
- **Public Safety** - Public safety saw savings of \$253,105. Of these savings, salaries and personnel expenses contributed the largest portion with approximately \$134,946 (53%) of total savings. A large portion of these savings were related to an employee out on long-term disability and health insurance savings for new hires who were single versus family insurance. The Township budgets for all new employees to need family insurance until they are hired. Dues and memberships were under budget. Another significant area of saving was the use of third party inspectors for building permits. The Township used more in house staff and changed the third party inspector who ended up charging less. This saved \$88,550. Lastly, planning expenses came in \$11,150 under budget due to the decreased use of the planning consultant.
- **Highway and Streets** - Overall, highways and streets were \$212,718 under budget for the year, in which the salary and benefit related expenses saw the biggest savings of \$123,038. In addition to operating short handed for a portion the year, the Public Works Department was budgeted to hire a full time grounds keeper which did not occur in 2022. Furthermore, 2022 winter resulted in overtime savings of almost \$20,000 even though salt use was over. This was due to the number of storms that came during the week days. Overall road repair related costs contributed an additional \$15,725 in savings. The majority of the savings from road repairs can be attributed to the raw materials and using limited engineering services. Storm water repairs came in \$35,000 under budget. Most of the repairs were handled through the Capital fund or the use of ARPA fund dollars. The remaining savings was spread throughout the highways and streets category in savings such as gasoline, equipment rentals, materials, and small tools.
- **Culture and Recreation** - In 2022, culture and recreation was \$66,096 under budget. Of this, \$11,444 of the savings was operating expense savings associated with potential ash tree removal that did not happen in 2022. Additionally, in 2022 the Township budgeted for community events such as electronic recycling and paper shredding events. Due to less participation from the surrounding communities, these events did not take place in 2022, contributing an additional \$10,000 in savings. There was also a savings of \$14,000 related to park maintenance. This saving was spread over all of the parks. The remaining saving was an accumulation of smaller items such as the Papermill House, Environmental Advisory Council, and American in Bloom savings.

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

- **Pension** - Pension related expenditures were \$16,660 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, 2022 is \$27,662,337 net of accumulated depreciation. Major capital assets acquired, and improvements made during the year out of the operating budget were:

- \$151,174 - Public Works Vehicles and Equipment
- \$229,747 - Police Vehicles and Equipment
- \$98,766 - Public Works Street and Traffic Signs, Sidewalks, line painting, and lights
- \$284,966 - Storm Water Improvements
- \$112,586 - Land Acquisition
- \$88,049 - Park improvements including bleachers, Bocce Ball Courts, water filling station, new trash and recycling cans etc.
- \$56,445 - Replaced video and security camera equipment

**Schedule of Capital Assets
For the Year Ended December 31, 2022**

	<u>Beginning Balance</u>	<u>Increase/ (Decrease)</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES			
CAPITAL ASSETS			
Land	\$ 5,920,225	\$ 2,724	\$ 5,922,949
Land improvements	688,140	738	688,878
Buildings	13,919,685	-	13,919,685
Infrastructure	14,469,982	337,840	14,807,822
Furniture and equipment	9,256,066	970,667	10,226,733
TOTAL CAPITAL ASSETS	<u>44,254,098</u>	<u>1,311,969</u>	<u>45,566,067</u>
ACCUMULATED DEPRECIATION			
Land improvements	(585,401)	(14,171)	(599,572)
Buildings	(3,892,782)	(425,232)	(4,318,014)
Infrastructure	(5,925,521)	(575,906)	(6,501,427)
Furniture and equipment	(6,136,692)	(348,025)	(6,484,717)
TOTAL ACCUMULATED DEPRECIATION	<u>(16,540,396)</u>	<u>(1,363,334)</u>	<u>(17,903,730)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 27,713,702</u>	<u>\$ (51,365)</u>	<u>\$ 27,662,337</u>

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

Long-Term Debt

As of December 31, 2022, Newtown Township's outstanding debt portfolio consisted of \$12,078,000 in notes. During 2022, the Township made principal payments of \$1,002,000 on the Series of 2016 General Obligation Bonds, Series A&B of 2016 General Obligation Notes, Series of 2020, and 2020A General obligation Notes.

State statutes limit the amount of general obligation debt a governmental entity may issue to 250% of its average borrowing base (average revenues over the past three years). The Township's current allowable debt borrowing base is approximately \$31,000,000. As of December 31, 2022, the Township's borrowing level is at 39% capacity.

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

Debt Service Schedule
For the Year Ended December 31, 2021

	Principal Outstanding January 1, 2022	Maturities	Additions (Refinancing)	Principal Outstanding December 31, 2022
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
General Obligation Notes				
Series A&B of 2016	\$ 1,215,000	\$ (212,000)	\$ -	\$ 1,003,000
Series of 2020 and 2020A	3,114,000	(602,000)	-	2,512,000
Series of 2021	<u>8,751,000</u>	<u>(188,000)</u>	<u>-</u>	<u>8,563,000</u>
	<u>\$ 13,080,000</u>	<u>\$ (1,002,000)</u>	<u>\$ -</u>	<u>\$ 12,078,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Newtown Township continues to maintain a diversified revenue base should there be any short-term fluctuations in any one revenue source.
- Newtown Township changed its general millage rate from 1.7314 mills to 1.7661 mills in 2022. The hydrant millage remained unchanged 0.0325 mills and the street light millage changed from 0.034 mills to 0.0352. Overall Newtown Township's assessment went from \$3,607,439,413 in 2022 to 3,635,138,002 in 2023.

The Township expects to see an increase in real estate tax assessment that will in turn increase the amount of real estate taxes collected. Large projects such as new residential and commercial building located in the Ellis Preserve, and Stoney Knoll development will be the largest contributors.

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

REQUESTS FOR INFORMATION

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

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

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

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

TOWNSHIP OF NEWTOWN
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Primary	Component Units	
	Governmental Activities	Newtown Library	Municipal Authority
ASSETS			
Cash and cash equivalents	\$ 19,194,246	\$ 176,849	\$ 12,662,042
Taxes receivable	162,394	-	-
Accounts receivable	405,686	-	1,270,161
Due from component units	509,492	-	-
Prepaid items	66,663	-	46,039
Capital assets			
Property, plant and equipment, Municipal Authority	-	-	33,837,053
Property, plant and equipment, Newtown Library	-	81,533	-
Nondepreciable capital assets	5,922,949	-	-
Depreciable capital assets	21,739,388	-	-
TOTAL ASSETS	48,000,818	258,382	47,815,295
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	3,803,816	-	-
Deferred outflows related to OPEB	197,177	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,000,993	-	-
LIABILITIES			
Accounts payable and accrued expenses	597,770	-	219,978
Accrued payroll	157,110	-	-
Accrued interest	-	-	475,056
Escrow deposits	1,609,718	-	1,022,448
Unearned revenue	1,850,782	-	-
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	1,011,000	-	792,059
Portion due or payable after one year			
Bonds and notes payable	11,067,000	-	33,224,448
Compensated absences	896,325	-	-
Net pension liability	1,537,338	-	-
Total OPEB liability	3,198,603	-	-
Due to Newtown Township	-	-	509,492
TOTAL LIABILITIES	21,925,646	-	36,243,481
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,081,263	-	-
Deferred inflows related to OPEB	984,811	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,066,074	-	-
NET POSITION			
Net investment in capital assets	15,735,079	81,533	319,488
Restricted	435,085	28,000	-
Unrestricted	11,839,927	148,849	11,252,326
TOTAL NET POSITION	\$ 28,010,091	\$ 258,382	\$ 11,571,814

See accompanying notes to the basic financial statements.

TOWNSHIP OF NEWTOWN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,361,861	\$ 84,489	\$ 79,359	\$ -
Public safety	5,384,851	1,541,682	205,244	-
Public works	1,773,072	-	1,108,113	-
Library	251,638	-	-	-
Culture and recreation	217,267	-	28,416	-
Insurance	132,340	-	-	-
Interest on long-term debt	141,342	-	-	-
Pension and OPEB, unallocated	1,127,687	-	290,105	-
Depreciation, unallocated	1,363,334	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 11,753,392	\$ 1,626,171	\$ 1,711,237	\$ -
COMPONENT UNITS				
Newtown Library	\$ 474,847	\$ 4,741	\$ 464,148	\$ -
Municipal Authority	4,743,803	5,611,833	-	-
TOTAL COMPONENT UNITS	\$ 5,218,650	\$ 5,616,574	\$ 464,148	\$ -
GENERAL REVENUES				
Taxes				
Real property tax				
Real estate transfer taxes				
Local services tax				
Cable TV franchise fees				
Investment income				
Miscellaneous				
TOTAL GENERAL REVENUES				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR, RESTATED*				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Primary</u>	<u>Component Units</u>	
<u>Government</u>	<u>Newtown</u>	<u>Municipal</u>
<u>Governmental</u>	<u>Library</u>	<u>Authority</u>
<u>Activities</u>		
\$ (1,198,013)	\$ -	\$ -
(3,637,925)	-	-
(664,959)	-	-
(251,638)	-	-
(188,851)	-	-
(132,340)	-	-
(141,342)	-	-
(837,582)	-	-
<u>(1,363,334)</u>	<u>-</u>	<u>-</u>
(8,415,984)	-	-
-	(5,958)	-
<u>-</u>	<u>-</u>	<u>868,030</u>
-	(5,958)	868,030
6,354,493	-	-
998,708	-	-
632,957	-	-
330,186	-	-
129,243	1,108	89,316
379,959	-	-
<u>8,825,546</u>	<u>1,108</u>	<u>89,316</u>
409,562	(4,850)	957,346
<u>27,600,529</u>	<u>263,232</u>	<u>10,614,468 *</u>
<u>\$ 28,010,091</u>	<u>\$ 258,382</u>	<u>\$ 11,571,814</u>

TOWNSHIP OF NEWTOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Note Proceeds Fund</u>
ASSETS			
Cash and cash equivalents	\$ 6,293,467	\$ 10,085,469	\$ 85,702
Taxes receivable	162,394	-	-
Accounts receivable	326,926	17,955	-
Due from other funds	4,824	3,200	-
Due from component units	509,492	-	-
Prepaid items	66,663	-	-
	<u>6,293,467</u>	<u>10,085,469</u>	<u>85,702</u>
TOTAL ASSETS	<u>\$ 7,363,766</u>	<u>\$ 10,106,624</u>	<u>\$ 85,702</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 265,179	\$ 165,472	\$ -
Accrued payroll	157,110	-	-
Escrow deposits	1,609,718	-	-
Unearned revenues	190,289	-	-
Due to other funds	8,024	-	-
	<u>2,230,320</u>	<u>165,472</u>	<u>-</u>
TOTAL LIABILITIES	<u>2,230,320</u>	<u>165,472</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues, property taxes	68,865	-	-
	<u>68,865</u>	<u>-</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>68,865</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	66,663	-	-
Restricted	-	-	85,702
Committed to	2,653,808	2,425,000	-
Assigned	-	7,516,152	-
Unassigned	2,344,110	-	-
	<u>5,064,581</u>	<u>9,941,152</u>	<u>85,702</u>
TOTAL FUND BALANCES	<u>5,064,581</u>	<u>9,941,152</u>	<u>85,702</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	<u>\$ 7,363,766</u>	<u>\$ 10,106,624</u>	<u>\$ 85,702</u>

See accompanying notes to the basic financial statements.

<u>Stormwater Fund</u>	<u>ARPA Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 886,053	\$ 1,171,416	\$ 672,139	\$ 19,194,246
-	-	-	162,394
-	-	60,805	405,686
-	-	1,206	9,230
-	-	-	509,492
-	-	-	66,663
<u>\$ 886,053</u>	<u>\$ 1,171,416</u>	<u>\$ 734,150</u>	<u>\$ 20,347,711</u>
\$ -	\$ 161,213	\$ 5,906	\$ 597,770
-	-	-	157,110
-	-	-	1,609,718
616,662	1,002,827	41,004	1,850,782
-	-	1,206	9,230
<u>616,662</u>	<u>1,164,040</u>	<u>48,116</u>	<u>4,224,610</u>
-	-	-	68,865
-	-	-	66,663
-	7,376	500,125	593,203
-	-	-	5,078,808
269,391	-	187,115	7,972,658
-	-	(1,206)	2,342,904
<u>269,391</u>	<u>7,376</u>	<u>686,034</u>	<u>16,054,236</u>
<u>\$ 886,053</u>	<u>\$ 1,171,416</u>	<u>\$ 734,150</u>	<u>\$ 20,347,711</u>

TOWNSHIP OF NEWTOWN
RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2022

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 16,054,236
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,662,337
Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Deferred inflows and outflows related to pension and OPEB activities	1,934,919
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Bonds and notes payable	(12,078,000)
Net pension liability	(1,537,338)
Total OPEB liability	(3,198,603)
Compensated absences	(896,325)
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>68,865</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 28,010,091</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, 2022

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Note Proceeds Fund</u>
REVENUES			
Real estate taxes	\$ 6,218,686	\$ -	\$ -
Transfer taxes	998,708	-	-
Local services tax	632,957	-	-
Licenses and permits	1,434,991	-	-
Fines and forfeits	29,846	-	-
Interest income, rents and royalties	69,521	39,786	551
Intergovernmental revenues	392,944	146,923	-
Act 205 Pension	290,105	-	-
Charges for services	47,308	-	-
Franchise fee - cable TV	330,186	-	-
Refunds of prior year expenditures	14,399	-	-
Contributions	-	40,000	-
Miscellaneous	365,560	-	-
TOTAL REVENUES	<u>10,825,211</u>	<u>226,709</u>	<u>551</u>
EXPENDITURES			
Current			
General government	1,121,218	56,445	-
Public safety	4,902,553	339,609	-
Highways and streets	1,713,782	537,640	-
Library	251,638	-	-
Culture and recreation	203,064	88,049	-
Insurance	132,340	-	-
Pension	397,230	-	-
Debt service (principal and interest)	634,796	-	-
TOTAL EXPENDITURES	<u>9,356,621</u>	<u>1,021,743</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,468,590</u>	<u>(795,034)</u>	<u>551</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	1,733,482	-
Interfund transfers out	(1,735,143)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,735,143)</u>	<u>1,733,482</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(266,553)	938,448	551
FUND BALANCES AT BEGINNING OF YEAR	<u>5,331,134</u>	<u>9,002,704</u>	<u>85,151</u>
FUND BALANCES AT END OF YEAR	<u>\$ 5,064,581</u>	<u>\$ 9,941,152</u>	<u>\$ 85,702</u>

See accompanying notes to the basic financial statements.

<u>Stormwater Fund</u>	<u>ARPA Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 138,205	\$ 6,356,891
-	-	-	998,708
-	-	-	632,957
-	-	-	1,434,991
-	-	-	29,846
5,665	6,931	6,789	129,243
-	461,190	427,681	1,428,738
-	-	-	290,105
-	-	-	47,308
-	-	-	330,186
-	-	-	14,399
-	-	66,420	106,420
-	-	-	365,560
<u>5,665</u>	<u>468,121</u>	<u>639,095</u>	<u>12,165,352</u>
-	-	-	1,177,663
-	-	106,752	5,348,914
16,458	461,190	34,337	2,763,407
-	-	-	251,638
-	-	105,000	396,113
-	-	-	132,340
-	-	-	397,230
-	-	508,546	1,143,342
<u>16,458</u>	<u>461,190</u>	<u>754,635</u>	<u>11,610,647</u>
<u>(10,793)</u>	<u>6,931</u>	<u>(115,540)</u>	<u>554,705</u>
-	-	11,584	1,745,066
-	-	(9,923)	(1,745,066)
-	-	1,661	-
<u>(10,793)</u>	<u>6,931</u>	<u>(113,879)</u>	<u>554,705</u>
<u>280,184</u>	<u>445</u>	<u>799,913</u>	<u>15,499,531</u>
<u>\$ 269,391</u>	<u>\$ 7,376</u>	<u>\$ 686,034</u>	<u>\$ 16,054,236</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, 2022

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 554,705
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 (\$1,363,334) exceeds capital outlays (\$1,311,969) in the current period.	(51,365)
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.	(2,398)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,002,000
The net change in the liability for compensated absences is reported in the government-wide statements but not in the Governmental Funds statements.	(362,923)
The net change in the asset for the net pension asset and related deferred outflows of resources and deferred inflows of resources are reported in the government-wide statements but not in the Governmental Funds statements.	(526,905)
The net change in the liability for the total OPEB liability and related deferred outflows of resources and deferred inflows of resources are reported in the government-wide statements but not in the Governmental Funds statements.	<u>(203,552)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 409,562</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF NEWTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022

	Pension Trust Funds		
	Police Pension Fund	Municipal Pension Fund	Total Pension Trust Funds
ASSETS			
Cash	\$ 634,147	\$ 142,425	\$ 776,572
Investments	14,753,776	3,469,557	18,223,333
Prepaid pension payments	40,132	14,776	54,908
TOTAL ASSETS	<u>\$ 15,428,055</u>	<u>\$ 3,626,758</u>	<u>\$ 19,054,813</u>
NET POSITION			
Restricted for pensions	<u>\$ 15,428,055</u>	<u>\$ 3,626,758</u>	<u>\$ 19,054,813</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, 2022

	Pension Trust Funds		
	Police Pension Fund	Municipal Pension Fund	Total Pension Trust Funds
ADDITIONS			
Contributions			
Employer	\$ 221,220	\$ 176,010	\$ 397,230
Employee	112,325	-	112,325
TOTAL CONTRIBUTIONS	333,545	176,010	509,555
Investment income			
Realized and unrealized gains (losses) on investments	(3,203,538)	(745,269)	(3,948,807)
Interest and dividends	358,117	83,165	441,282
TOTAL INVESTMENT INCOME	(2,845,421)	(662,104)	(3,507,525)
Less investment expense	(82,262)	(19,134)	(101,396)
NET INVESTMENT EARNINGS	(2,927,683)	(681,238)	(3,608,921)
TOTAL ADDITIONS	(2,594,138)	(505,228)	(3,099,366)
DEDUCTIONS			
Benefit payments	481,583	177,308	658,891
Administrative expenses	6,699	6,501	13,200
TOTAL DEDUCTIONS	488,282	183,809	672,091
CHANGE IN NET POSITION	(3,082,420)	(689,037)	(3,771,457)
NET POSITION - BEGINNING	18,510,475	4,315,795	22,826,270
NET POSITION - ENDING	\$ 15,428,055	\$ 3,626,758	\$ 19,054,813

See accompanying notes to the basic financial statements.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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. Copies of the Authority's audited financial statements may be obtained at the Township's administrative office.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The Township reports the following major government funds:

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

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

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

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

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following nonmajor government funds:

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

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

Additionally, the Township reports the following fund types:

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

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial 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, 2022

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, 2022

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, 2022 for the Governmental Activities. For the Newtown Township Municipal Authority, the allowance for uncollectibles was \$176,923 at December 31, 2022.

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, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualify for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and the underlying factors creating this deferred outflow can be found in Note J. The deferred outflow of resources related to OPEB is reported in the government-wide statement of net position and the underlying factors creating this deferred outflow can be found in Note K.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has three items which qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and the underlying factors creating this deferred outflow can be found in Note J. The deferred inflow of resources related to OPEB is reported in the government-wide statement of net position and the underlying factors creating this deferred outflow can be found in Note K.

Compensated Absences

Township employees accrue vacation based upon their start date. Township employees are credited with vacation each pay period based on a rate which is respective to their length of service or job classification. Vacation may be accumulated up to 20 hours more than what an employee can earn in one year. If separation of service occurs in the year earned, the unused earned balance, but not more than what can be earned in the year, is paid at separation. All vacation pay is accrued when incurred in the government-wide financial statements.

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 be allowed to sell back up to 50% of their accumulated unused sick leave but never more than a total of 360 hours. It is purchased back at the officer's current rate of pay. All sick pay is accrued when incurred in the government-wide financial statements.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-uniform 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 a non-uniform employee terminates employment (whether for normal retirement, service-connected disability or non-service connected disability), the employee shall receive up to one-hundred (100) days severance pay based on the employee accrued unused sick leave. The unused sick leave is paid out at their current rate of pay, after three (3) years of service has been completed. All sick pay is accrued when incurred in the government-wide financial statements.

Long-Term Obligations

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

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

Government-Wide Net Position

Government-wide net position is divided into three components:

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

Restricted for: - This category presents external restrictions imposed by creditors, grantors, contributors or laws, or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

Governmental Fund Balances

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

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

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assigned - Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. There has been no such delegation for the year ended December 31, 2022.

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, 2022

NOTE C - DEPOSITS AND INVESTMENTS

Deposits

At year end, the total carrying amount of the Township's checking, savings and money market deposits was \$19,194,246, and the corresponding bank balance was \$19,419,120. 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 Trust Fund deposits was \$776,572 and the corresponding bank balances were \$776,572.

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, 2022, the carrying amounts of the Township's bank deposits were \$19,970,818, and the corresponding bank balances were \$20,195,692, of which \$250,000 was covered by Federal Depository Insurance. Of the remaining \$19,945,692, \$16,265,005 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 \$2,904,115 was held in state investment pools that are uninsured and uncollateralized. Pension fund deposits of \$776,572 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, 2022, the Township's Pension Trust Funds had the following investments:

	Fair Value Level 1	Investment Maturities Less Than One Year
PENSION ACTIVITIES		
Exchange traded funds	\$ 18,223,333	\$ 18,223,333

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 \$18,223,333 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	\$ 178,154
BALANCE PER BANK AND FINANCIAL INSTITUTIONS	<u>178,154</u>
Outstanding checks and reconciling items	<u>(1,305)</u>
CARRYING AMOUNTS ON STATEMENT OF NET POSITION	<u>\$ 176,849</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, 2022, none of the Library's bank balance of \$178,154 was exposed to custodial credit risk.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, \$250,000 of the total bank balance of \$12,619,731 was insured by the Federal Depository Insurance Corporation. The remaining bank balance of \$12,369,731 was exposed to credit risk because it was uninsured, although these funds are collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name. This includes collateralization of securities on a pooled basis in accordance with Act No. 72 of the PA General Assembly. Under such Act, financial institutions have the responsibility to maintain sufficient assets in a pooled asset account to collateralize adequately all public deposits, including any interest accrued thereon, in excess of applicable deposit insurance coverage.

NOTE D - TAXES RECEIVABLE

	<u>General Fund</u>
Real estate taxes	\$ 68,865
Transfer taxes	<u>93,529</u>
TOTAL TAXES RECEIVABLE	\$ <u>162,394</u>

At the end of the current fiscal year, the Township reported deferred inflows of resources, related to unavailable real estate tax revenue, in the amount of \$68,865 in the governmental funds.

NOTE E - DUE FROM OTHER GOVERNMENTS

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE F - ACCOUNTS RECEIVABLE

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Municipal Authority</u>
Fees	\$ -	\$ -	\$ -	\$ 1,447,084
Franchise fee - cable TV receivable	100,264	-	-	-
Grant receivable	-	-	60,805	-
2022 M/A Payment	140,375	-	-	-
Marple Newtown School District	55,028	-	-	-
Road program reimbursement	-	17,955	-	-
Miscellaneous	31,259	-	-	-
	<u>326,926</u>	<u>17,955</u>	<u>60,805</u>	<u>1,447,084</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(176,923)</u>
ACCOUNTS RECEIVABLE, net	<u>\$ 326,926</u>	<u>\$ 17,955</u>	<u>\$ 60,805</u>	<u>\$ 1,270,161</u>

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	3,200	-
	<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	\$ 1,735,143	\$ -
Capital Reserve Fund	-	1,733,482
Street Light Fund	9,923	11,584
	<u>\$ 1,745,066</u>	<u>\$ 1,745,066</u>

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE H - CAPITAL ASSETS

	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 5,920,225	\$ 2,724	\$ -	\$ 5,922,949
Capital assets being depreciated				
Land improvements	688,140	738	-	688,878
Buildings	13,919,685	-	-	13,919,685
Infrastructure	14,469,982	337,840	-	14,807,822
Furniture and equipment	9,256,066	970,667	-	10,226,733
TOTAL CAPITAL ASSETS BEING DEPRECIATED	38,333,873	1,309,245	-	39,643,118
Accumulated depreciation				
Land improvements	(585,401)	(14,171)	-	(599,572)
Buildings	(3,892,782)	(425,232)	-	(4,318,014)
Infrastructure	(5,925,521)	(575,906)	-	(6,501,427)
Furniture and equipment	(6,136,692)	(348,025)	-	(6,484,717)
TOTAL ACCUMULATED DEPRECIATION	(16,540,396)	(1,363,334)	-	(17,903,730)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	21,793,477	(54,089)	-	21,739,388
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 27,713,702	\$ (51,365)	\$ -	\$ 27,662,337

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE H - CAPITAL ASSETS (Continued)

	Balance January 1, 2022	Additions	Deletions	Balance December 31, 2022
COMPONENT UNIT ACTIVITIES				
LIBRARY				
Capital assets				
Furniture and equipment	\$ 234,545	\$ 1,049	\$ -	\$ 235,594
Book collection	254,465	38,996	(83,195)	210,266
TOTAL CAPITAL ASSETS	<u>489,010</u>	<u>40,045</u>	<u>(83,195)</u>	<u>445,860</u>
Accumulated depreciation				
Furniture and equipment	(233,926)	(597)	-	(234,523)
Book collection	(175,411)	(37,588)	83,195	(129,804)
TOTAL ACCUMULATED DEPRECIATION	<u>(409,337)</u>	<u>(38,185)</u>	<u>83,195</u>	<u>(364,327)</u>
COMPONENT UNIT ACTIVITIES CAPITAL ASSETS, net	<u>\$ 79,673</u>	<u>\$ 1,860</u>	<u>\$ -</u>	<u>\$ 81,533</u>
COMPONENT UNIT ACTIVITIES MUNICIPAL AUTHORITY				
Capital assets not being depreciated				
Land	\$ 1,234,825	\$ -	\$ -	\$ 1,234,825
Construction in progress	30,640,880	232,190	(28,544,250)	2,328,820
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>31,875,705</u>	<u>232,190</u>	<u>(28,544,250)</u>	<u>3,563,645</u>
Capital assets being depreciated				
Land improvements	7,195,511	28,544,250	-	35,739,761
Accumulated depreciation	(4,689,443)	(776,910)	-	(5,466,353)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>2,506,068</u>	<u>27,767,340</u>	<u>-</u>	<u>30,273,408</u>
COMPONENT UNIT ACTIVITIES CAPITAL ASSETS, net	<u>\$ 34,381,773</u>	<u>\$ 27,999,530</u>	<u>\$ (28,544,250)</u>	<u>\$ 33,837,053</u>

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

Governmental activities - unallocated	\$ 1,363,334
Component unit - Newtown Public Library	38,185
Component unit - Newtown Township Municipal Authority	<u>776,910</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 2,178,429</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE I - LONG-TERM DEBT

	Principal Outstanding January 1, 2022	Additions	Reductions	Principal Outstanding December 31, 2022	Due Within One Year
General Obligation Notes					
Series A&B of 2016	\$ 1,215,000	\$ -	\$ (212,000)	\$ 1,003,000	\$ 215,000
Series 2020	2,008,000	-	(496,000)	1,512,000	500,000
Series A 2020	1,106,000	-	(106,000)	1,000,000	107,000
Series 2021	8,751,000	-	(188,000)	8,563,000	189,000
	<u>13,080,000</u>	<u>-</u>	<u>(1,002,000)</u>	<u>12,078,000</u>	<u>1,011,000</u>
Compensated absences	533,402	362,923	-	896,325	-
Net pension liability	-	1,537,338	-	1,537,338	-
Total OPEB liability	<u>3,497,042</u>	<u>-</u>	<u>(298,439)</u>	<u>3,198,603</u>	<u>-</u>
LONG-TERM DEBT	\$ <u>17,110,444</u>	\$ <u>1,900,261</u>	\$ <u>(1,300,439)</u>	\$ <u>17,710,266</u>	\$ <u>1,011,000</u>

Outstanding
Principal

General Obligation Notes, Series A&B of 2016. Original principal amount of \$3,750,000, maturing through May 25, 2030, bearing interest at a variable rate. Interest is payable monthly on the 25th.	\$ 1,003,000
General Obligation Notes, Series 2020. Original principal amount of \$2,500,000, maturing through May 2025, bearing interest at .73%. Interest is paid monthly.	1,512,000
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.	1,000,000
General Obligation Notes, Series 2021. Original principal amount of \$8,751,000, maturing through November 2041, bearing interest at 1.148%. Interest is paid monthly. Refunding resulted in cash flow savings of \$1,889,432 and economic gain of \$12,224.	<u>8,563,000</u>
	<u>\$ 12,078,000</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1 - LONG-TERM DEBT (Continued)

The annual requirements to amortize all debts outstanding as of December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 1,011,000	\$ 133,174	\$ 1,144,174
2024	1,021,000	122,640	1,143,640
2025	1,031,000	111,988	1,142,988
2026	613,000	101,065	714,065
2027	618,000	94,581	712,581
2028 to 2032	3,007,000	366,437	3,373,437
2033 to 2037	2,597,000	210,258	2,807,258
2038 to 2041	<u>2,180,000</u>	<u>58,739</u>	<u>2,238,739</u>
	<u>\$ 12,078,000</u>	<u>\$ 1,198,882</u>	<u>\$ 13,276,882</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, 2022, DeVal would have received a payment of approximately \$132 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, 2022

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	\$ 32,850,000	\$ -	\$ (695,000)	\$ 32,155,000	\$ 720,000
Bond premiums	<u>1,933,566</u>	<u>-</u>	<u>(72,059)</u>	<u>1,861,507</u>	<u>72,059</u>
TOTAL BONDS PAYABLE	<u>\$ 34,783,566</u>	<u>\$ -</u>	<u>\$ (767,059)</u>	<u>\$ 34,016,507</u>	<u>\$ 792,059</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>
2023	\$ 720,000	\$ 1,425,169
2024	745,000	1,396,369
2025	775,000	1,366,569
2026	805,000	1,335,569
2027	840,000	1,303,369
2028 to 2032	4,730,000	5,984,845
2033 to 2037	5,720,000	4,995,595
2038 to 2042	6,940,000	3,775,788
2043 to 2047	8,840,000	1,879,000
2048	<u>2,040,000</u>	<u>102,000</u>
	<u>\$ 32,155,000</u>	<u>\$ 23,564,273</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, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

Plan Membership

The following table provides information concerning types of covered employees and benefit provisions for each of the Township's plans, from the January 1, 2021 actuarial evaluation (updated through roll forward procedures through the measurement date of December 31, 2022):

	<u>Police</u>	<u>Non-Uniform</u>
Inactive plan members currently receiving benefits	16	10
Inactive plan member entitled to but not yet receiving benefits	1	10
Active plan members	<u>18</u>	<u>20</u>
	<u>35</u>	<u>40</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 2022 was \$212,890 and the Township's actual contribution was \$221,220. The MMO for the non-uniform pension plan for 2022 was \$167,680 and the Township's actual contribution was \$176,010.

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

Investments

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	49.0%	5.45%
International Equities	21.0%	5.88%
Fixed income	27%	-0.01%
Cash	3%	-1.16%
	<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, 2022

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, 2022, 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, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (16.06%) for the police pension plan and (15.77%) for the non-uniform 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, 2022	\$ <u>15,506,418</u>	\$ <u>18,510,475</u>	\$ <u>(3,004,057)</u>
Changes for the year			
Service cost	564,754	-	564,754
Interest	992,266	-	992,266
Differences between expected and actual experience	-	-	-
Changes of assumption	-	-	-
Benefit payments	(481,583)	(481,583)	-
Contributions			
State aid	-	196,857	(196,857)
Employer	-	24,363	(24,363)
Member	-	112,325	(112,325)
Net investment income	-	(2,927,682)	2,927,682
Administrative expense	-	(6,700)	6,700
Net changes	<u>1,075,437</u>	<u>(3,082,420)</u>	<u>4,157,857</u>
Balance, December 31, 2022	\$ <u>16,581,855</u>	\$ <u>15,428,055</u>	\$ <u>1,153,800</u>

Plan fiduciary net position as a percentage of the total pension liability related to the police pension at December 31, 2022 was 93.0%.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net pension liability (asset)	\$ <u>3,088,734</u>	\$ <u>1,153,800</u>	\$ <u>(460,589)</u>

For the year ended December 31, 2022, the Township recognized pension expense of \$604,027 related to the police pension. At December 31, 2022, 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	\$ -	\$ 847,133
Changes in assumptions	938,791	-
Net difference between projected and actual investment earnings	<u>1,895,916</u>	<u>-</u>
	<u>\$ 2,834,707</u>	<u>\$ 847,133</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>	
2023	\$ 73,500
2024	396,649
2025	629,327
2026	836,163
2027	36,062
Thereafter	<u>15,873</u>
	<u>\$ 1,987,574</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Police Pension)

The total pension liability as of December 31, 2022 was determined by rolling forward the System's total pension liability as of the January 1, 2021 actuarial valuation to December 31, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

NON-UNIFORM PENSION PLAN

	<u>Total Non-Uniform Pension Liability</u>	<u>Non-Uniform Plan Fiduciary Net Position</u>	<u>Net Non-Uniform Pension Liability (Asset)</u>
Balance, January 1, 2022	\$ 3,746,645	\$ 4,315,795	\$ (569,150)
Changes for the year			
Service cost	203,190	-	203,190
Interest	237,769	-	237,769
Differences between expected and actual experience	-	-	-
Changes of assumption	-	-	-
Benefit payments	(177,308)	(177,308)	-
Contributions			
State aid	-	93,248	(93,248)
Employer	-	82,762	(82,762)
Net investment income	-	(681,239)	681,239
Administrative expense	-	(6,500)	6,500
Net changes	<u>263,651</u>	<u>(689,037)</u>	<u>952,688</u>
Balance, December 31, 2022	<u>\$ 4,010,296</u>	<u>\$ 3,626,758</u>	<u>\$ 383,538</u>

Plan fiduciary net position as a percentage of the total pension liability related to the non-uniform pension at December 31, 2022, was 90.4%.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

	<u>1% Decrease 5.50%</u>	<u>Current Discount Rate 6.50%</u>	<u>1% Increase 7.50%</u>
Net pension liability	\$ <u>824,237</u>	\$ <u>383,538</u>	\$ <u>6,837</u>

For the year ended December 31, 2022, the Township recognized pension expense of \$320,108 related to the non-uniform pension. At December 31, 2022, 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	\$ 14,898	\$ 234,130
Changes in assumptions	497,071	-
Net difference between projected and actual investment earnings	<u>457,140</u>	<u>-</u>
	<u>\$ 969,109</u>	<u>\$ 234,130</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>	
2023	\$ 65,716
2024	135,434
2025	188,719
2026	235,996
2027	42,622
Thereafter	<u>66,492</u>
	<u>\$ 734,979</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Non-Uniform Pension)

The total pension liability as of December 31, 2022 was determined by rolling forward the System's total pension liability as of the January 1, 2021 actuarial valuation to December 31, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

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

Discount Rate - The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the non-uniform pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2022

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Membership

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

Inactive plan members of beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>20</u>
	<u><u>22</u></u>

Funding Policy

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

Benefits Provided

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

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

No life insurance benefits are provided.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021. Update procedures were then used to roll forward to the Township's fiscal year ending December 31, 2022, 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, 2022

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate - 4.31% based on the S&P 20 year AA municipal bond rate.

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

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

Termination - None assumed.

Disability - None assumed.

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

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

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

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

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2021	\$ 3,497,042
Changes for the year	
Service cost	288,732
Interest cost	84,147
Changes in assumptions	(579,008)
Benefit payments	<u>(92,310)</u>
Net changes	<u>(298,439)</u>
Balance at December 31, 2022	<u>\$ 3,198,603</u>

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

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.31 percent) or 1-percentage-point higher (5.31 percent) than the current discount rate:

	<u>1% Decrease 3.31%</u>	<u>Discount Rate 4.31%</u>	<u>1% Increase 5.31%</u>
Total OPEB liability	\$ <u>3,465,901</u>	\$ <u>3,198,603</u>	\$ <u>2,955,037</u>

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

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

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ <u>2,821,476</u>	\$ <u>3,198,603</u>	\$ <u>3,646,213</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended December 31, 2022, the Plan recognized OPEB expense of \$295,862. At December 31, 2022, the Township reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 13,962	\$ 527,229
Difference between expected and actual experience	<u>183,215</u>	<u>457,582</u>
	<u>\$ 197,177</u>	<u>\$ 984,811</u>

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

<u>Year Ending December 31,</u>	
2023	\$ (77,017)
2024	(77,017)
2025	(77,017)
2026	(77,017)
2027	(77,017)
Thereafter	<u>(402,549)</u>
	<u>\$ (787,634)</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE L - FUND BALANCES

	General Fund	Capital Reserve Fund	Note Proceeds Fund	Stormwater Fund	ARPA Fund	Other Governmental Funds
Nonspendable						
Prepaid expenses	\$ 66,663	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted						
Building improvements	-	-	85,702	-	-	65,040
ARPA Fund	-	-	-	-	7,376	-
Hydrant Fund	-	-	-	-	-	69,691
Street Light Fund	-	-	-	-	-	101,553
Liquid Fuels Fund	-	-	-	-	-	263,841
TOTAL	-	-	85,702	-	7,376	500,125
RESTRICTED	-	-	85,702	-	7,376	500,125
Committed						
Operating Expenditures	2,653,808	1,000,000	-	-	-	-
Greer Park Playground equipment	-	75,000	-	-	-	-
Road Program	-	400,000	-	-	-	-
Dam repairs	-	950,000	-	-	-	-
TOTAL	2,653,808	2,425,000	-	-	-	-
COMMITTED	2,653,808	2,425,000	-	-	-	-
Assigned						
Drexel Lodge Park sign	-	-	-	-	-	-
Public Work Replacement program	-	430,799	-	-	-	-
Meadow Preserve	-	1,000,000	-	-	-	-
Ambulance Trailer Repair/Restoration	-	100,000	-	-	-	-
Capital projects	-	5,985,353	-	-	-	-
War On Drugs Fund	-	-	-	-	-	31,189
Ambulance billing	-	-	-	-	-	64,794
Open Space Fund	-	-	-	-	-	91,132
Storm water maintenance	-	-	-	269,391	-	-
TOTAL	-	7,516,152	-	269,391	-	187,115
ASSIGNED	-	7,516,152	-	269,391	-	187,115
Unassigned	2,344,110	-	-	-	-	(1,206)
TOTAL FUND BALANCE	\$ 5,064,581	\$ 9,941,152	\$ 85,702	\$ 269,391	\$ 7,376	\$ 686,034

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE M - RELATED-PARTY TRANSACTIONS

COMPONENT UNIT - NEWTOWN MUNICIPAL AUTHORITY

At December 31, 2022, the Authority had a balance due to the primary government (Township of Newtown) of \$509,492.

The balance of \$509,492 due to the Township as of December 31, 2022 resulted from the advances from the Township to the Authority during the years 2011-2014 to fund their engineering costs and debt service payments. During 2015, the Township transferred the majority of the cash from the Townships' sewer funds prior to the transfer of operations effective January 1, 2016. There are no formal set terms of repayment to the Township.

The Township of Newtown provides management and support services for the Authority. The Authority pays a management fee to the Township for these services. Management fees were calculated at \$140,375 for the year ended December 31, 2022.

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 2022, the contributions from Newtown Township totaled \$230,000. 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 - PRIOR PERIOD ADJUSTMENT

COMPONENT UNIT - NEWTOWN MUNICIPAL AUTHORITY

During the year, the Authority became aware of an adjustment needed to correct the construction in progress balance and fund balance. As a result of the adjustment, the beginning net position increased from \$10,400,481 to \$10,614,468 and the construction in progress balance increased from \$30,426,893 to \$30,640,880.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF NEWTOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Real estate taxes	\$ 6,150,093	\$ 6,150,093	\$ 6,218,686	\$ 68,593
Transfer taxes	1,000,000	1,000,000	998,708	(1,292)
Local services tax	720,000	720,000	632,957	(87,043)
Licenses and permits	1,410,972	1,410,972	1,434,991	24,019
Fines and forfeits	32,150	32,150	29,846	(2,304)
Interest income, rents and royalties	15,000	15,000	69,521	54,521
Intergovernmental	324,464	324,464	392,944	68,480
Act 205 Pension	273,445	273,445	290,105	16,660
Charges for services	35,900	35,900	47,308	11,408
Franchise fee - cable TV	360,000	360,000	330,186	(29,814)
Refunds of prior year expenditures	-	-	14,399	14,399
Miscellaneous	205,291	205,291	365,560	160,269
TOTAL REVENUES	<u>10,527,315</u>	<u>10,527,315</u>	<u>10,825,211</u>	<u>297,896</u>
EXPENDITURES				
General government	1,209,264	1,209,264	1,121,218	(88,046)
Public safety	5,155,658	5,155,658	4,902,553	(253,105)
Highways and streets	1,926,500	1,926,500	1,713,782	(212,718)
Library	255,842	255,842	251,638	(4,204)
Culture and recreation	269,160	269,160	203,064	(66,096)
Insurance	124,815	124,815	132,340	7,525
Pension	380,570	380,570	397,230	16,660
Debt service (principal and interest)	636,347	636,347	634,796	(1,551)
TOTAL EXPENDITURES	<u>9,958,156</u>	<u>9,958,156</u>	<u>9,356,621</u>	<u>(601,535)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>569,159</u>	<u>569,159</u>	<u>1,468,590</u>	<u>899,431</u>
OTHER FINANCING USES				
Transfers out	<u>(569,159)</u>	<u>(569,159)</u>	<u>(1,735,143)</u>	<u>(1,165,984)</u>
TOTAL OTHER FINANCING USES	<u>(569,159)</u>	<u>(569,159)</u>	<u>(1,735,143)</u>	<u>(1,165,984)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ -</u>	<u>\$ -</u>	<u>(266,553)</u>	<u>\$ (266,553)</u>
FUND BALANCE AT BEGINNING OF YEAR				
			<u>5,331,134</u>	
FUND BALANCE AT END OF YEAR				
			<u>\$ 5,064,581</u>	

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

	2022	2021	2020	2019
TOTAL PENSION LIABILITY				
Service cost	\$ 564,754	\$ 505,033	\$ 395,137	\$ 376,321
Interest	992,266	961,259	948,679	892,647
Changes for experience	-	(1,015,304)	-	(205,785)
Changes of assumptions	-	1,283,611	-	-
Benefit payments	(481,583)	(486,888)	(485,044)	(489,637)
NET CHANGE IN TOTAL PENSION LIABILITY	1,075,437	1,247,711	858,772	573,546
Total pension liability, beginning	15,506,418	14,258,707	13,399,935	12,826,389
TOTAL PENSION LIABILITY, ENDING (a)	\$ 16,581,855	\$ 15,506,418	\$ 14,258,707	\$ 13,399,935
PLAN FIDUCIARY NET POSITION				
Contributions				
State Aid	\$ 196,857	\$ 191,891	\$ 177,258	\$ 174,097
Employer	24,363	385,030	352,943	284,127
Member	112,325	109,760	113,568	102,278
Net investment income	(2,927,682)	2,078,926	2,136,281	2,402,586
Benefit payments, including refunds of member contributions	(481,583)	(486,888)	(485,044)	(489,637)
Administrative expense	(6,700)	(10,600)	(8,921)	(18,171)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(3,082,420)	2,268,119	2,286,085	2,455,280
Plan fiduciary net position, beginning	18,510,475	16,242,356	13,956,271	11,500,991
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 15,428,055	\$ 18,510,475	\$ 16,242,356	\$ 13,956,271
NET PENSION LIABILITY, ENDING (a)-(b)	\$ 1,153,800	\$ (3,004,057)	\$ (1,983,649)	\$ (556,336)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	93.04%	119.37%	113.91%	104.15%
COVERED PAYROLL	\$ 2,160,806	\$ 2,229,466	\$ 1,973,606	\$ 1,700,000
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	53.4%	-134.7%	-100.5%	-32.73%

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	319,402	\$ 304,192	\$ 296,180	\$ 282,076	\$ 238,778
	856,997	812,056	789,649	744,037	713,989
	-	(399,427)	-	(435,683)	-
	-	36,008	-	257,339	-
	<u>(546,847)</u>	<u>(432,042)</u>	<u>(388,609)</u>	<u>(388,609)</u>	<u>(387,718)</u>
	629,552	320,787	697,220	459,160	565,049
	<u>12,196,837</u>	<u>11,876,050</u>	<u>11,178,830</u>	<u>10,719,670</u>	<u>10,154,621</u>
\$	<u><u>12,826,389</u></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>
\$	149,900	\$ 156,001	\$ 166,147	\$ 133,308	\$ 131,671
	329,781	542,685	224,129	202,680	190,982
	94,444	89,570	83,861	84,372	81,214
	(793,501)	1,738,673	808,973	(72,710)	623,859
	(546,847)	(432,042)	(388,609)	(388,609)	(387,718)
	<u>(12,262)</u>	<u>(68,991)</u>	<u>(58,220)</u>	<u>(59,787)</u>	<u>(4,800)</u>
	(778,485)	2,025,896	836,281	(100,746)	635,208
	<u>12,279,476</u>	<u>10,253,580</u>	<u>9,417,299</u>	<u>9,518,045</u>	<u>8,882,837</u>
\$	<u><u>11,500,991</u></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>1,325,398</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>89.67%</u>	<u>100.68%</u>	<u>86.34%</u>	<u>84.24%</u>	<u>88.79%</u>
\$	<u><u>1,871,652</u></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>70.81%</u>	<u>-4.82%</u>	<u>97.02%</u>	<u>108.60%</u>	<u>80.46%</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 212,890	\$ 566,199	\$ 530,201	\$ 458,224
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>221,220</u>	<u>576,921</u>	<u>530,201</u>	<u>458,224</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (8,330)</u>	<u>\$ (10,722)</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 2,160,806</u>	<u>\$ 2,229,466</u>	<u>\$ 1,973,606</u>	<u>\$ 1,700,000</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>10.24%</u>	<u>25.88%</u>	<u>26.86%</u>	<u>26.95%</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	479,681	\$ 395,676	\$ 390,276	\$ 355,988	\$ 322,653
	<u>479,681</u>	<u>698,807</u>	<u>390,276</u>	<u>355,988</u>	<u>322,653</u>
\$	<u>-</u>	<u>(303,131)</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>1,871,652</u>	<u>1,715,480</u>	<u>1,672,244</u>	<u>1,622,008</u>	<u>1,493,418</u>
	<u>25.63%</u>	<u>40.74%</u>	<u>23.34%</u>	<u>21.95%</u>	<u>21.61%</u>

January 1, 2021

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-16.06%</u>	<u>12.82%</u>	<u>15.30%</u>	<u>20.96%</u>

NOTE TO SCHEDULE

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>-6.64%</u>	<u>16.37%</u>	<u>7.82%</u>	<u>-1.29%</u>	<u>7.13%</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 203,190	\$ 181,704	\$ 129,712
Interest	237,769	234,261	240,028
Changes for experience	-	(280,452)	-
Changes of assumptions	-	645,298	-
Benefit payments	<u>(177,308)</u>	<u>(183,270)</u>	<u>(182,553)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	263,651	597,541	187,187
Total pension liability, beginning	<u>3,746,645</u>	<u>3,149,104</u>	<u>2,961,917</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 4,010,296</u>	<u>\$ 3,746,645</u>	<u>\$ 3,149,104</u>
PLAN FIDUCIARY NET POSITION			
Contributions			
State Aid	\$ 93,248	\$ 81,554	\$ 88,629
Employer	82,762	139,135	129,826
Member	-	-	-
Net investment income	(681,239)	485,560	497,594
Benefit payments, including refunds of member contributions	(177,308)	(183,270)	(182,553)
Administrative expense	<u>(6,500)</u>	<u>(10,400)</u>	<u>(6,830)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(689,037)	512,579	526,666
Plan fiduciary net position, beginning	<u>4,315,795</u>	<u>3,803,216</u>	<u>3,276,550</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 3,626,758</u>	<u>\$ 4,315,795</u>	<u>\$ 3,803,216</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 383,538</u>	<u>\$ (569,150)</u>	<u>\$ (654,112)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>90.44%</u>	<u>115.19%</u>	<u>120.77%</u>
COVERED PAYROLL	<u>\$ 1,198,448</u>	<u>\$ 1,259,186</u>	<u>\$ 1,210,670</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>32.00%</u>	<u>-45.20%</u>	<u>-54.03%</u>

NOTES TO SCHEDULE

Changes of assumptions: In 2015, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2015 using Scale AA. In 2017, the mortality assumption was changed from the RP-2000 Table projected to 2015 to the RP-2000 Table projected to 2017 using Scale AA. In 2021, the interest rate assumption was lowered from 8.0% to 6.5% per annum and the mortality assumption was changed from the RP-2000 Table projected to 2017 using Sale AA to the PubG-2010 projected 5 years past the valuation date with Scale MP-2020.

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

	2019	2018	2017	2016	2015	2014
\$	123,535	\$ 106,157	\$ 101,102	\$ 75,017	\$ 71,445	\$ 76,536
	226,555	212,445	202,444	197,289	188,778	181,519
	32,582	-	(70,408)	-	(102,640)	-
	-	-	9,330	-	71,826	-
	<u>(193,150)</u>	<u>(191,213)</u>	<u>(175,973)</u>	<u>(169,789)</u>	<u>(145,030)</u>	<u>(117,776)</u>
	189,522	127,389	66,495	102,517	84,379	140,279
	<u>2,772,395</u>	<u>2,645,006</u>	<u>2,578,511</u>	<u>2,475,994</u>	<u>2,391,615</u>	<u>2,251,336</u>
\$	<u>2,961,917</u>	<u>2,772,395</u>	<u>2,645,006</u>	<u>2,578,511</u>	<u>2,475,994</u>	<u>2,391,615</u>
\$	87,048	\$ 79,635	\$ 73,412	\$ 39,461	\$ 13,329	\$ 11,416
	130,805	101,089	223,366	39,461	47,050	50,345
	-	-	-	-	-	-
	560,932	(206,771)	406,483	192,444	(15,429)	164,004
	(193,150)	(191,213)	(175,973)	(169,789)	(145,030)	(117,776)
	<u>(10,830)</u>	<u>(6,503)</u>	<u>(24,943)</u>	<u>(18,332)</u>	<u>(23,125)</u>	<u>(4,600)</u>
	574,805	(223,763)	502,345	83,245	(123,205)	103,389
	<u>2,701,745</u>	<u>2,925,508</u>	<u>2,423,163</u>	<u>2,339,918</u>	<u>2,463,123</u>	<u>2,359,734</u>
\$	<u>3,276,550</u>	<u>2,701,745</u>	<u>2,925,508</u>	<u>2,423,163</u>	<u>2,339,918</u>	<u>2,463,123</u>
\$	<u>(314,633)</u>	<u>70,650</u>	<u>(280,502)</u>	<u>155,348</u>	<u>136,076</u>	<u>(71,508)</u>
	<u>110.62%</u>	<u>97.45%</u>	<u>110.60%</u>	<u>93.98%</u>	<u>94.50%</u>	<u>102.99%</u>
\$	<u>1,080,000</u>	<u>1,022,920</u>	<u>877,178</u>	<u>719,300</u>	<u>714,542</u>	<u>726,888</u>
	<u>-29.13%</u>	<u>6.91%</u>	<u>-31.98%</u>	<u>21.60%</u>	<u>19.04%</u>	<u>-9.84%</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 167,680	\$ 159,967	\$ 154,568	\$ 142,208
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>176,010</u>	<u>220,689</u>	<u>218,455</u>	<u>217,853</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (8,330)</u>	<u>\$ (60,722)</u>	<u>\$ (63,887)</u>	<u>\$ (75,645)</u>
COVERED PAYROLL	<u>\$ 1,198,448</u>	<u>\$ 1,259,186</u>	<u>\$ 1,210,670</u>	<u>\$ 1,080,000</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>14.69%</u>	<u>17.53%</u>	<u>18.04%</u>	<u>20.17%</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	135,724	\$ 96,778	\$ 78,922	\$ 60,379	\$ 84,990
	<u>180,724</u>	<u>296,778</u>	<u>78,922</u>	<u>60,379</u>	<u>84,990</u>
\$	<u>(45,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>1,022,920</u>	<u>877,178</u>	<u>719,300</u>	<u>714,542</u>	<u>726,886</u>
	<u>17.67%</u>	<u>33.83%</u>	<u>10.97%</u>	<u>8.45%</u>	<u>11.69%</u>

January 1, 2021

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

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-15.77%</u>	<u>12.86%</u>	<u>15.28%</u>	<u>20.99%</u>

NOTE TO SCHEDULE

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>-6.69%</u>	<u>16.48%</u>	<u>7.80%</u>	<u>-1.23%</u>	<u>7.17%</u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY					
Service cost	\$ 288,732	\$ 274,983	\$ 318,262	\$ 303,107	\$ 167,922
Interest	84,147	78,171	176,704	163,191	124,353
Changes for experience	-	(557,248)	-	275,515	-
Changes in benefit terms	-	(1,032,531)	-	454,971	-
Changes in assumptions	(579,008)	17,002	-	-	-
Benefit payments	<u>(92,310)</u>	<u>(110,772)</u>	<u>(122,730)</u>	<u>(119,480)</u>	<u>(125,061)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(298,439)	(1,330,395)	372,236	1,077,304	167,214
Total OPEB liability, beginning	<u>3,497,042</u>	<u>4,827,437</u>	<u>4,455,201</u>	<u>3,377,897</u>	<u>3,210,683</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 3,198,603</u>	<u>\$ 3,497,042</u>	<u>\$ 4,827,437</u>	<u>\$ 4,455,201</u>	<u>\$ 3,377,897</u>
COVERED PAYROLL	<u>\$ 2,551,285</u>	<u>\$ 2,314,091</u>	<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>125.37%</u>	<u>151.12%</u>	<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%. Effective January 1, 2020, the Township's contribution toward the retiree's HAS decreased during calendar years 2020, 2021, 2022, 2023, and 2024. Effective January 1, 2020, the Township provides benefits to the surviving spouses of officers that are retired or eligible to retire and prior to the officer's eligibility for Medicare. Effective January 1, 2020, a Deferred Retirement Option Plan (DROP) was added to the collectively bargained agreement.

Changes in assumptions: For 2022, The discount rate changed from 2.25% to 4.31%. The assumed rate of increase in medical and prescription drug claims was adjusted. The assumed rates of mortality were changed from Blue Collar RP-2000 Mortality tables projected 17 years using Scale AA to 2010 Public Safety Amount Based Mortality Tables projected to 2026 using Scale MP-2020.

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