

TOWNSHIP OF NEWTOWN
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2018



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

TOWNSHIP OF NEWTOWN
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	20
Statement of Activities	21
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	22
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	26
Statement of Changes in Fiduciary Net Position	27
Notes to the Basic Financial Statements	28
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	59

TOWNSHIP OF NEWTOWN
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018

	Page
<i>Police Pension Plan</i>	
Schedules of Changes in the Net Police Pension Plan Liability and Related Ratios	60
Schedules of Police Pension Plan Contributions	61
Schedules of Police Pension Plan Investment Returns	62
<i>Non-Uniform Pension Plan</i>	
Schedules of Changes in the Net Non-Uniform Pension Plan Liability and Related Ratios	63
Schedules of Non-Uniform Pension Plan Contributions	64
Schedules of Non-Uniform Pension Plan Investment Returns	65
<i>Other Postemployment Benefit Plan</i>	
Schedule of Changes in the Total Other Postemployment Benefit Plan Liability and Related Ratios	66

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Newtown as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Newtown as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For the year ended December 31, 2018, the Township of Newtown adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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



Oaks, Pennsylvania
June 19, 2019

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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, 2018. 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.

- The assets of Newtown Township exceeded its liabilities at the close of the most recent fiscal year by \$17,974,872 (representing its net position for governmental activities). Of this amount, \$4,960,382 or 28% is unrestricted and available to meet the government's ongoing obligations to citizens and creditors.
- Total revenues of the Township's 2018 governmental activities were approximately \$11 million, and expenditures totaled \$11.4million. This compares to 2017 activity of \$11.9 million in revenue and \$8.8 million in expenditures.
- Government wide long-term debt decreased \$672,786, of which \$670,000 represents principal paid during 2018.

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 \$12,227,749 as of December 31, 2018. As of December 31, 2017, governmental funds reported a fund balance of \$13,439,024.
- At December 31, 2018, the General Fund reported a fund balance of \$5,754,231 compared to a December 31, 2017 balance of \$6,111,952.

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 23. 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.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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

Government-Wide Financial Statements

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

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

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

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

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

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

Fund Level Financial Statements

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

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

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

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

Infrastructure Assets

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

FINANCIAL ANALYSIS OF THE TOWNSHIP - GOVERNMENT-WIDE STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Newtown Township, assets exceeded liabilities by \$17,974,872. The following table presents condensed comparative financial information for the net position of the Township for calendar years 2018 and 2017. The implementation of GASB 75 increased long term liabilities \$2.4 million. In addition, a decline in the market in the 4th quarter of 2018 increased the pension liability by \$1.4 million. Between the two, this accounts for the majority of the increase in long term liabilities in 2018.

Township of Newtown Schedule of Net Position

	<u>2018</u>	<u>2017</u>
ASSETS		
Current and other assets	\$ 12,218,519	\$ 15,469,486
Capital assets, net of depreciation	24,358,283	21,882,097
Deferred outflows of resources	<u>1,294,127</u>	<u>221,071</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 37,870,929</u>	<u>\$ 37,572,654</u>
LIABILITIES		
Current liabilities	\$ 2,032,766	\$ 2,342,589
Long-term liabilities	17,321,796	13,245,776
Deferred inflows of resources	<u>541,495</u>	<u>1,292,835</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>19,896,057</u>	<u>16,881,200</u>
NET POSITION		
Net investment in capital assets	12,810,642	13,329,527
Restricted	203,848	-
Unrestricted	<u>4,960,382</u>	<u>7,361,927</u>
TOTAL NET POSITION	<u>17,974,872</u>	<u>20,691,454</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 37,870,929</u>	<u>\$ 37,572,654</u>

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

For more detailed information about this table, refer to the Statement of Net Position (page 21).

The unrestricted net position amounted to \$4,960,382, which may be used to meet the Township's ongoing obligations to citizens and creditors. The Township also reported net position of \$12,810,642, which reflects the investment in capital assets (land, buildings, vehicles, machinery and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding.

When comparing the 2018 Statement of Net Position to 2017. There was an decrease in total net position for governmental activities of \$366,363.

At the end of 2018, the Township is reporting a negative balance in net position. This decrease can be explained by an increase in unallocated depreciation expenses and decrease in charges for service in comparison to 2017.

The following comparison illustrates revenues and expenses of governmental activities and business-type activities for fiscal years 2018 and 2017 in a detailed format:

Township of Newtown			
Changes in Net Position			
		<u>2018</u>	<u>2017</u>
REVENUES			
Program revenues			
Charges for services	\$	1,579,850	\$ 2,378,186
Operating grants and contributions		876,495	1,761,209
General revenues			
Property taxes		5,596,951	5,322,200
Public utility and realty transfer taxes		1,227,592	1,325,904
Business privilege and mercantile taxes		672,642	621,115
Franchise fee - cable TV		354,265	357,748
Other revenues		760,815	214,604
TOTAL REVENUES		<u>11,068,610</u>	<u>11,980,966</u>
EXPENSES			
General government		1,146,627	1,015,496
Public safety		4,638,422	4,353,198
Public works		2,729,841	1,324,468
Library		227,392	197,351
Culture and recreation		167,125	176,658
Interest on long-term debt		301,996	457,149
Pension, OPEB and insurance		863,368	291,834
Unallocated depreciation expense		1,360,202	1,012,920
TOTAL EXPENSES		<u>11,434,973</u>	<u>8,829,074</u>
CHANGE IN NET POSITION	\$	<u><u>(366,363)</u></u>	\$ <u><u>3,151,892</u></u>

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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

Revenues

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

Expenses

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

TOWNSHIP OF NEWTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

Governmental Activities - Changes in Net Position

Revenue from Newtown Township's governmental activities in 2018 totaled \$11,068,610, a decrease of \$912,356. Sources of revenue were primarily from property taxes, realty transfer taxes, public safety related charges and operating grants and contributions. Overall, revenues decrease from 2017 by 8%. Taxes comprise the largest source of Township revenues (68%), amounting to \$7,497,185 in 2018. Property taxes represent \$5,596,951 (51% of revenue) with business and deed transfer taxes accounting for the balance. The decrease in governmental revenues over the prior year was primarily the result charges for service, primarily permit revenue not coming in as high as 2017.

Expenses of all governmental activities this year totaled \$11,434,973, an increase of \$2,605,899 from 2017. As the statement of activities indicates, public safety is the largest program with expenses of \$4,638,422 or 41% of governmental expenses. Debt expenses totaled \$301,966 or 3% of governmental expenses, and public works expenses totaled \$2,729,841 or 24% of governmental expenses.

Cost of Services - Expenses Analysis

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

Net cost of Governmental Activities is 79% of total cost of services in 2018. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Governmental Activities				
General government	\$ 1,146,627	\$ 1,032,076	\$ 1,015,496	\$ 773,334
Public safety	4,638,422	2,977,629	4,353,198	1,982,512
Public works	2,729,841	2,304,060	1,324,468	27,334
Library	227,392	227,392	197,351	197,351
Culture and recreation	167,125	141,440	176,658	176,658
Interest on long-term debt	301,996	301,996	457,149	457,149
Pension, OPEB and insurance	863,368	633,833	291,834	62,421
Unallocated depreciation	1,360,202	1,360,202	1,012,920	1,012,920
	<u>\$ 11,434,973</u>	<u>\$ 8,978,628</u>	<u>\$ 8,829,074</u>	<u>\$ 4,689,679</u>

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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 \$10,097,961. The Township's general fund unassigned fund balance was \$4,168,456 as of December 31, 2018, which equals 41% of 2018 total revenues and 48% of total expenditures, excluding operating transfers.

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

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Revenue			
Real estate and transfer taxes	\$ 6,602,463	\$ 6,539,472	\$ 62,991
Local service taxes	672,642	621,115	51,527
Licenses, permits and fines	1,461,450	2,155,655	(694,205)
Intergovernmental	207,169	192,697	14,472
Changes for services	100,810	60,343	40,467
Franchise fee - cable TV	354,265	357,748	(3,483)
Act 205 Pension	229,535	229,413	122
Other revenues	<u>654,618</u>	<u>280,057</u>	<u>374,561</u>
TOTAL REVENUES	<u>\$ 10,282,952</u>	<u>\$ 10,436,500</u>	<u>\$ (153,548)</u>

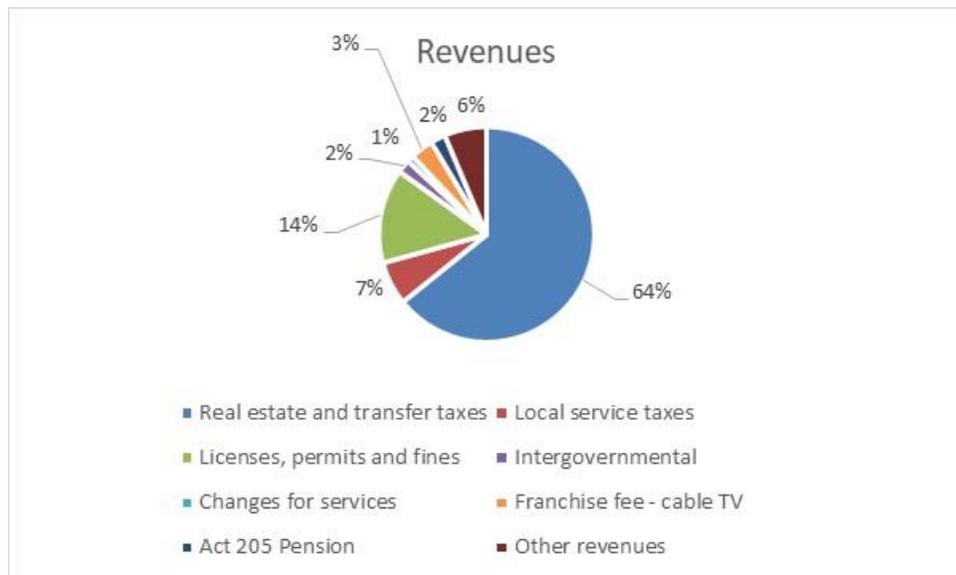
TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

Revenues and other financing sources for 2018 totaled \$10,282,952. This was a decrease over the previous year of \$153,548 or 1%. The major factors contributing to this increase were as follows:

- Licenses, Permits and Fines decreased \$694,205 compared to 2017. This was primarily the result of decrease building permit revenues in 2018.



TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

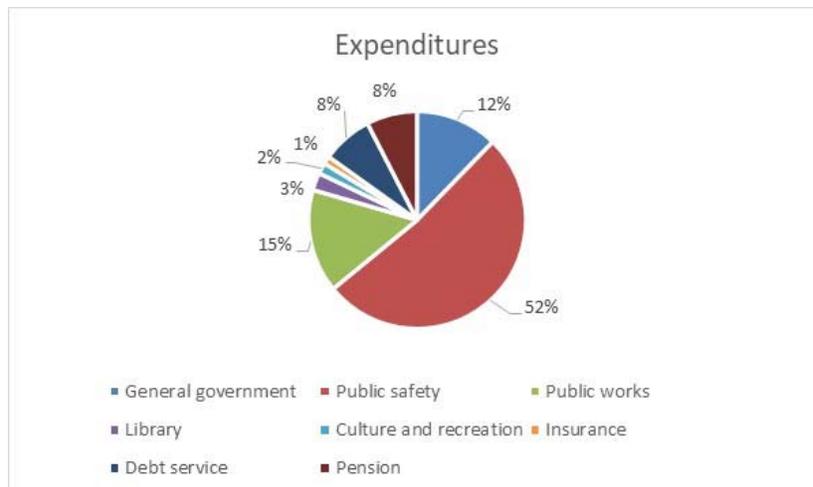
YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Expenditures			
General government	\$ 1,067,607	\$ 877,610	\$ 189,997
Public safety	4,521,883	4,070,756	451,127
Public works	1,344,305	1,260,081	84,224
Library	227,392	197,351	30,041
Culture and recreation	143,307	117,719	25,588
Insurance	100,956	105,130	(4,174)
Debt service	658,726	803,033	(144,307)
Pension	660,405	992,454	(332,049)
TOTAL EXPENDITURES	<u>8,724,581</u>	<u>8,424,134</u>	<u>300,447</u>
Other financing sources			
Operating transfers out	<u>3,501,867</u>	<u>782,934</u>	<u>2,718,933</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ 12,226,448</u>	<u>\$ 9,207,068</u>	<u>\$ 3,019,380</u>

Total expenditures and other financing uses were \$12,226,449 in 2018. This represents an increase of \$3,019,380 or 33% over the previous year. Key drivers contributing to these changes were:

- Operating Transfers out increased by \$2,718,933 or 347%. This was primarily due to a Board of Supervisors decision to transfer \$3,501,867 to the Capital Fund. These additional transfers were added to help fund in capital projects as well as build Capital Fund Balance.

Debt Service expenditures decreased \$144,307, due to the fact that 2018 was the first year in which the Newtown Township Municipal Authority repaid 100% of the Central Delaware County Authority Bond.



TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues

The statement comparing the Township's budget to actual results can be found on page 59. Total actual revenues ended the year over budget by 13% or \$1,179,063. The key contributing factors were:

- Improved collections in real estate taxes was a contributing factor. Newtown Township budgeted for a 97% collection rate, but actual collections were closer to 99%.
- Transfer Taxes came in \$302,592 above budget. The primary reason for the surplus was the sale of newly constructed homes.
- Local Service Taxes was above budget by \$7,642 that was largely the result of new job opportunities in the township due to new business openings.
- New construction coupled with the increased collection of licenses and registrations, led to an increase of \$291,180 in the licenses and permits category.
- Franchise Fees - Cable TV were \$9,265 above budget. This is partly due to an increase in homes within the Township, resulting in more cable users.
- Charges for Services finished at \$33,075 over budget. This can be directly correlated to a delay in payments for extra duty reimbursements for the Aronimink golf tournament.
- Investment earnings gained \$63,593 more than anticipated due to better interest rates than originally expected in 2018.
- Miscellaneous revenues experienced a surplus of \$49,363 over budget. This was directly related to Insurance Refunds which are not budgeted for in the Newtown Township budget.
- Refund of Prior Year Expenditures is over budget by \$238,011. In 2018 the Municipal Authority refunded the Township for costs associated with the 537 plan that should have been originally a Municipal Authority expense but was paid for with Township dollars.
- Pension contributions from the State were greater than expected in 2018, resulting in an end result of \$23,535 increase over budget.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

Expenditures

Actual Expenditures ended the year \$637,730 below budget or 7%. Contributing to this favorable position were several factors:

- **General Government** - Overall, general government services were \$5,346 under budget. These minimal savings can be attributed mostly to savings in operating expenses such as office supplies, postage, etc.
- **Public Safety** - Public safety saw a savings of \$323,291. Of these savings, Salaries, medical benefits, and social security totaling \$267,918 or 83% of total budget This was due to budgeting for additional personnel in the Police and Codes Departments that were not hired in 2018 or were hired later in the year than expected. Overall operating expenses saw savings in its planning consultant line item, with additional savings of 41,389. This savings was seen due to the fact the Zoning re-write did not take place in 2018 as expected.
- **Highway and Streets** - Overall, highway and streets were \$291,787 under budget for the year, in which the street program saw the biggest savings of \$150,000. In previous years, the Township expended the Road Program contribution from this department. In 2018 this expense was moved to a "Transfer to Other Fund" department. Coming in second with savings is snow removal. Snow removal costs saved the Township approximately \$38,000 due to a mild winter in 2018. The third biggest area of savings was due to the reduced use of operating expenditures such as gasoline, vehicle repairs, miscellaneous supplies and materials. Operating expenditures saw a savings of \$56,483.
- **Culture and Recreation** - In 2018, culture and recreation was \$11,001 under budget. Of this \$11,001 all but approximately \$1,000 of the savings was operating expense saving.
- **Library** - Library related expenditures were \$7,646 under budget, and savings are directly correlated with facility costs.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 YEAR ENDED DECEMBER 31, 2018

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, 2018 is \$24,359,283 net of accumulated depreciation. Major capital assets acquired, and improvements made during the year out of the operating budget were:

- \$3,280,010 - Township Building and Public Works Garage construction and renovations.
- \$282,018- Police and Public Works vehicles and related equipment.
- \$52,772- Traffic signal installations and improvements.

Schedule of Capital Assets For the Year Ended December 31, 2018

	<u>Beginning Balance</u>	<u>Increase/ (Decrease)</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES			
CAPITAL ASSETS			
Land	\$ 5,570,225	\$ -	\$ 5,570,225
Land improvements	630,028	58,112	688,140
Buildings	10,535,914	3,280,010	13,815,924
Infrastructure	9,625,533	-	9,625,533
Furniture and equipment	6,553,625	498,266	7,051,891
Construction in progress	-	-	-
TOTAL CAPITAL ASSETS	<u>32,915,325</u>	<u>3,836,388</u>	<u>36,751,713</u>
ACCUMULATED DEPRECIATION			
Land improvements	(520,233)	(19,548)	(539,781)
Buildings	(2,203,974)	(420,869)	(2,624,843)
Infrastructure	(3,526,073)	(541,302)	(4,067,375)
Furniture and equipment	(4,782,948)	(378,483)	(5,161,431)
TOTAL ACCUMULATED DEPRECIATION	<u>(11,033,228)</u>	<u>(1,360,202)</u>	<u>(12,393,430)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 21,882,097</u>	<u>\$ 2,476,186</u>	<u>\$ 24,358,283</u>

Long-Term Debt

As of December 31, 2018, Newtown Township's outstanding debt portfolio consisted of \$12,049,859 in notes and bonds. During 2018, the Township made principal payments of \$670,000 on the Series of 2016 General Obligation Bonds and Series A&B of 2016 General Obligation Notes.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

State statutes limits the amount of general obligation debt a governmental entity may issue to 250 percent of its average borrowing base (average revenues over the past three years). The Township's current allowable debt borrowing base is approximately \$29,041,524. As of December 31, 2018, the Township's borrowing level is only at 41% capacity. This is a favorable position.

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, 2018

	Principal Outstanding January 1, 2018	Maturities	Additions (Refinancing)	Principal Outstanding December 31, 2018
General Obligation Bonds Series of 2016	\$ 9,400,000	\$ (170,000)	\$ -	\$ 9,230,000
General Obligation Notes Series A&B of 2016	3,256,000	(500,000)	-	2,756,000
Less deferred amounts Issuance premium	<u>66,645</u>	<u>(2,786)</u>	<u>-</u>	<u>63,859</u>
	<u>\$ 12,722,645</u>	<u>\$ (672,786)</u>	<u>\$ -</u>	<u>\$ 12,049,859</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 raised the general levy millage rate from 2.923 mills to 2.927 mills in 2018. In addition, the hydrant millage went from .048 mills to .038 and street light millage from .075 to .081. Overall, there was no net effect on the overall 3.046 millage rate from 2017 to 2018.
- The Township expects to see an increase in real estate tax assessment that will in turn increase the amount of real estate taxes collected. Large projects such as the BPG apartments, AmeriHealth headquarters, Liseter and new office buildings and parking garage in Ellis Preserve are all contributing factors.
- All these factors were considered in preparing the Townships budget for the 2019 fiscal year.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

REQUESTS FOR INFORMATION

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

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

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

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

TOWNSHIP OF NEWTOWN
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary	Component Units	
	Governmental Activities	Newtown Library	Municipal Authority
ASSETS			
Cash and cash equivalents	\$ 11,261,272	\$ 181,206	\$ 35,379,341
Investments	-	-	3,982,080
Taxes receivable	211,185	-	-
Accounts receivable	210,040	-	864,543
Due from component units	509,492	-	-
Prepaid items	26,530	-	-
Capital assets			
Property, plant and equipment, Municipal Authority	-	-	5,841,136
Property, plant and equipment, Newtown Library	-	87,797	-
Nondepreciable capital assets	5,570,225	-	-
Depreciable capital assets	18,788,058	-	-
TOTAL ASSETS	36,576,802	269,003	46,067,100
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,294,127	-	-
LIABILITIES			
Accounts payable and accrued expenses	340,153	163	124,224
Accrued payroll	55,468	-	-
Accrued interest	21,115	-	242,197
Escrow deposits	1,145,341	-	512,694
Unearned revenue	470,689	-	-
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	679,787	-	-
Portion due or payable after one year			
Bonds and notes payable	11,370,072	-	35,669,741
Compensated absences	497,992	-	-
Net pension liability	1,396,048	-	-
Net OPEB liability	3,377,897	-	-
Due to Newtown Township	-	-	509,492
TOTAL LIABILITIES	19,354,562	163	37,058,348
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	541,495	-	-
NET POSITION			
Net investment in capital assets	12,810,642	87,797	4,905,122
Restricted	203,848	27,513	-
Unrestricted	4,960,382	153,530	4,103,630
TOTAL NET POSITION	\$ 17,974,872	\$ 268,840	\$ 9,008,752

See accompanying notes to the basic financial statements.

TOWNSHIP OF NEWTOWN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,146,627	\$ 42,165	\$ 72,386	\$ -
Public safety	4,638,422	1,520,095	140,698	-
Public works	2,729,841	17,590	408,191	-
Library	227,392	-	-	-
Culture and recreation	167,125	-	25,685	-
Insurance	100,956	-	-	-
Interest on long-term debt	301,996	-	-	-
Pension and OPEB, unallocated	762,412	-	229,535	-
Depreciation, unallocated	1,360,202	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 11,434,973	\$ 1,579,850	\$ 876,495	\$ -
COMPONENT UNITS				
Newtown Library	\$ 386,882	\$ 5,660	\$ 387,546	\$ -
Municipal Authority	2,849,054	3,020,908	-	-
TOTAL COMPONENT UNITS	\$ 3,235,936	\$ 3,026,568	\$ 387,546	\$ -
GENERAL REVENUES				
Taxes				
Real property tax				
Real estate transfer taxes				
Local services tax				
Cable TV franchise fees				
Investment income				
Miscellaneous				
TOTAL GENERAL REVENUES AND TRANSFERS				
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.

Net (Expense) Revenue and Changes in Net Position

Primary Government	Component Units	
Governmental Activities	Newtown Library	Municipal Authority
\$ (1,032,076)	\$ -	\$ -
(2,977,629)	-	-
(2,304,060)	-	-
(227,392)	-	-
(141,440)	-	-
(100,956)	-	-
(301,996)	-	-
(532,877)	-	-
<u>(1,360,202)</u>	<u>-</u>	<u>-</u>
\$ (8,978,628)	\$ -	\$ -
-	6,324	-
<u>-</u>	<u>-</u>	<u>171,854</u>
-	6,324	171,854
5,596,951	-	-
1,227,592	-	-
672,642	-	-
354,265	-	-
155,543	340	144,746
605,272	-	-
<u>8,612,265</u>	<u>340</u>	<u>144,746</u>
(366,363)	6,664	316,600
<u>18,341,235</u>	<u>262,176</u>	<u>8,692,152</u>
\$ <u><u>17,974,872</u></u>	\$ <u><u>268,840</u></u>	\$ <u><u>9,008,752</u></u>

TOWNSHIP OF NEWTOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Bond Fund</u>
ASSETS			
Cash and cash equivalents	\$ 4,852,496	\$ 4,607,408	\$ 502,218
Investments	-	-	-
Taxes receivable	211,185	-	-
Accounts receivable	149,704	17,590	-
Due from other funds	4,824	3,200	-
Due from component units	509,492	-	-
Prepaid items	26,530	-	-
	<u>5,754,231</u>	<u>4,628,198</u>	<u>502,218</u>
TOTAL ASSETS	\$ 5,754,231	\$ 4,628,198	\$ 502,218
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 193,609	\$ 101,335	\$ 22,428
Accrued payroll	55,468	-	-
Escrow deposits	1,145,341	-	-
Unearned revenues	74,426	-	-
Due to other funds	8,024	-	-
	<u>1,476,868</u>	<u>101,335</u>	<u>22,428</u>
TOTAL LIABILITIES	1,476,868	101,335	22,428
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues, property taxes	<u>108,907</u>	-	-
FUND BALANCES			
Nonspendable	26,530	-	-
Restricted	-	-	479,790
Committed to	-	1,162,000	-
Assigned	-	3,364,863	-
Unassigned	4,141,926	-	-
	<u>4,168,456</u>	<u>4,526,863</u>	<u>479,790</u>
TOTAL FUND BALANCES	4,168,456	4,526,863	479,790
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,754,231	\$ 4,628,198	\$ 502,218

See accompanying notes to the basic financial statements.

Stormwater Fund	Other Governmental Funds	Total Governmental Funds
\$ 715,702	\$ 583,448	\$ 11,261,272
-	-	-
-	-	211,185
-	42,746	210,040
-	1,206	9,230
-	-	509,492
-	-	26,530
<u>\$ 715,702</u>	<u>\$ 627,400</u>	<u>\$ 12,227,749</u>
\$ -	\$ 22,781	\$ 340,153
-	-	55,468
-	-	1,145,341
396,263	-	470,689
-	1,206	9,230
<u>396,263</u>	<u>23,987</u>	<u>2,020,881</u>
-	-	108,907
-	-	26,530
-	203,848	683,638
-	-	1,162,000
319,439	400,369	4,084,671
-	(804)	4,141,122
<u>319,439</u>	<u>603,413</u>	<u>10,097,961</u>
<u>\$ 715,702</u>	<u>\$ 627,400</u>	<u>\$ 12,227,749</u>

TOWNSHIP OF NEWTOWN

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2018

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 10,097,961
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	24,358,283
Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Deferred inflows and outflows related to pension activities	752,632
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Accrued interest	(21,115)
Bonds and notes payable	(12,049,859)
Net pension liability	(1,396,048)
Net OPEB liability	(3,377,897)
Compensated absences	(497,992)
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>108,907</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 17,974,872</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, 2018

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Bond Fund</u>
REVENUES			
Real estate taxes	\$ 5,374,871	\$ -	\$ -
Transfer taxes	1,227,592	-	-
Local services tax	672,642	-	-
Licenses and permits	1,414,572	-	-
Fines and forfeits	46,878	-	-
Interest income, rents and royalties	73,593	21,342	36,228
Intergovernmental revenues	207,169	-	-
Act 205 Pension	229,535	-	-
Charges for services	100,810	17,590	-
Franchise fee - cable TV	354,265	-	-
Refunds of prior year expenditures	238,011	-	-
Contributions	-	-	-
Miscellaneous	343,014	-	-
TOTAL REVENUES	<u>10,282,952</u>	<u>38,932</u>	<u>36,228</u>
EXPENDITURES			
Current			
General government	1,067,607	32,949	3,429,781
Public safety	4,521,883	766	-
Highways and streets	1,344,305	657,713	14,697
Library	227,392	-	-
Culture and recreation	143,307	-	-
Insurance	100,956	-	-
Pension	660,405	-	-
Debt service (principal and interest)	658,726	-	-
TOTAL EXPENDITURES	<u>8,724,581</u>	<u>691,428</u>	<u>3,444,478</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,558,371</u>	<u>(652,496)</u>	<u>(3,408,250)</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	3,500,206	-
Interfund transfers out	(3,501,867)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,501,867)</u>	<u>3,500,206</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,943,496)	2,847,710	(3,408,250)
FUND BALANCES AT BEGINNING OF YEAR	<u>6,111,952</u>	<u>1,679,153</u>	<u>3,888,040</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,168,456</u>	<u>\$ 4,526,863</u>	<u>\$ 479,790</u>

See accompanying notes to the basic financial statements.

Stormwater Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 129,302	\$ 5,504,173
-	-	1,227,592
-	-	672,642
-	-	1,414,572
-	-	46,878
6,281	18,099	155,543
-	408,191	615,360
-	-	229,535
-	-	118,400
-	-	354,265
-	-	238,011
-	31,600	31,600
-	24,247	367,261
<u>6,281</u>	<u>611,439</u>	<u>10,975,832</u>
-	-	4,530,337
-	89,910	4,612,559
15,988	1,010,354	3,043,057
-	-	227,392
-	23,818	167,125
-	-	100,956
-	-	660,405
-	316,338	975,064
<u>15,988</u>	<u>1,440,420</u>	<u>14,316,895</u>
<u>(9,707)</u>	<u>(828,981)</u>	<u>(3,341,063)</u>
-	11,584	3,511,790
<u>-</u>	<u>(9,923)</u>	<u>(3,511,790)</u>
<u>-</u>	<u>1,661</u>	<u>-</u>
(9,707)	(827,320)	(3,341,063)
<u>329,146</u>	<u>1,430,733</u>	<u>13,439,024</u>
<u>\$ 319,439</u>	<u>\$ 603,413</u>	<u>\$ 10,097,961</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, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (3,341,063)
<p>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 capital outlays (\$3,836,388) exceeds depreciation (\$1,360,202) in the current period.</p>	2,476,186
<p>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.</p>	92,778
<p>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.</p>	672,786
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	282
<p>The net change in the liability for compensated absences is reported in the government-wide statements but not in the Governmental Funds statements.</p>	(165,325)
<p>The net change in the liability for the net pension liability and related deferred outflows of resources and deferred inflows of resources are reported in the government-wide statements but not in the Governmental Funds statements.</p>	65,207
<p>The net change in the liability for the total OPEB liability is reported in the government-wide statements but not in the Governmental Funds statements.</p>	<u>(167,214)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (366,363)</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF NEWTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Pension Trust Funds	
	Police Pension Fund	Municipal Pension Fund
ASSETS		
Cash	\$ 103,382	\$ 46,107
Investments	11,352,027	2,639,450
Prepaid pension payments	42,048	16,188
Employee contributions receivable	<u>3,534</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 11,500,991</u>	<u>\$ 2,701,745</u>
NET POSITION		
Assets held in trust for pension benefits	<u>\$ 11,500,991</u>	<u>\$ 2,701,745</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, 2018

	Pension Trust Funds	
	Police Pension Fund	Municipal Pension Fund
ADDITIONS		
Contributions		
Employer	\$ 479,681	\$ 180,724
Employee	94,444	-
TOTAL CONTRIBUTIONS	<u>574,125</u>	<u>180,724</u>
Investment income		
Realized and unrealized losses on investments	(1,019,413)	(259,989)
Interest and dividends	287,510	67,731
TOTAL INVESTMENT INCOME	<u>(731,903)</u>	<u>(192,258)</u>
Less investment expense	<u>(61,598)</u>	<u>(14,513)</u>
NET INVESTMENT EARNINGS	<u>(793,501)</u>	<u>(206,771)</u>
TOTAL ADDITIONS	<u>(219,376)</u>	<u>(26,047)</u>
DEDUCTIONS		
Benefit payments	546,847	191,213
Administrative expenses	12,262	6,503
TOTAL DEDUCTIONS	<u>559,109</u>	<u>197,716</u>
CHANGE IN NET POSITION	(778,485)	(223,763)
NET POSITION - BEGINNING	<u>12,279,476</u>	<u>2,925,508</u>
NET POSITION - ENDING	<u>\$ 11,500,991</u>	<u>\$ 2,701,745</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. Blended component units are, in substance, part of the Township's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the Township.

Discretely Presented Component Units:

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

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The Township reports the following major government funds:

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

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

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

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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, 2018 for the Governmental Activities. For the Newtown Township Municipal Authority, the allowance for uncollectibles was \$19,291 at December 31, 2018.

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, 2018

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 one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes of assumptions and the difference between projected and actual investment earnings on pension plan investments.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two items which qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide and proprietary fund statement of net position and is the result of the difference between expected and actual experience of the pension plan.

Compensated Absences

It is the Township's policy not to permit employees to accumulate earned but not used vacation beyond the current year. Township employees are credited with vacation at rates which vary with length of service or job classification. Vacation must be used in the year it was earned. If separation of service occurs in the year earned, the unused balance of the amount earned is paid at separation. The Township had no accrued vacation liability at December 31, 2018.

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

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

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

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

Government-Wide Net Position

Government-wide net position is divided into three components:

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

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

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

Governmental Fund Balances

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

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

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

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

Assigned - Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

NOTE B - BUDGETARY INFORMATION

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

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

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE C - DEPOSITS AND INVESTMENTS

Deposits

At year end, the total carrying amount of the Township's checking, savings and money market deposits was \$11,410,761, and the corresponding bank balance was \$11,715,680. 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.

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, 2018, the carrying amounts of the Township's bank deposits were \$11,410,761, and the corresponding bank balances were \$11,715,680, of which \$250,000 was covered by Federal Depository Insurance. Pension fund deposits of \$149,489 were uninsured and uncollateralized. Of the remaining \$11,316,191, \$10,437,561 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 \$878,630 was held in state investment pools that are 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, 2018, the Township had the following investments:

	Fair Value Level 1	Investment Maturities Less Than One Year
PENSION ACTIVITIES		
Exchange traded funds	\$ 13,710,900	\$ 13,710,900
Mutual funds	280,577	280,577
TOTAL INVESTMENTS	<u>\$ 13,991,477</u>	<u>\$ 13,991,477</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 \$13,710,900 and mutual funds of \$280,577 are valued using quoted market prices (Level 1 inputs).

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

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

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There were no investments that exceeded 5% of the total investments reported in the Governmental or Fiduciary Funds that would be considered a concentration of credit risk.

COMPONENT UNIT – NEWTOWN PUBLIC LIBRARY

Deposits and investments consist of the following:

Cash in checking and money market accounts	\$ 181,672
BALANCE PER BANK AND FINANCIAL INSTITUTIONS	181,672
Outstanding checks and reconciling items	<u>(466)</u>
CARRYING AMOUNTS ON STATEMENT OF NET POSITION	<u>\$ 181,206</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, 2018, none of the Library’s bank balance of \$181,672 was exposed to custodial credit risk.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, \$250,000 of the total bank balance of \$35,389,670 was insured by the Federal Depository Insurance Corporation. The remaining bank balance of \$35,139,670 was exposed to credit risk because it was uninsured, although these funds are collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name. This includes collateralization of securities on a pooled basis in accordance with Act No. 72 of the PA General Assembly. Under such Act, financial institutions have the responsibility to maintain sufficient assets in a pooled asset account to collateralize adequately all public deposits, including any interest accrued thereon, in excess of applicable deposit insurance coverage.

Investments

As of December 31, 2018, the Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less Than One Year</u>	<u>1 to 5 Years</u>
U.S. Treasury Series	\$ <u>3,982,080</u>	\$ <u>1,131,010</u>	\$ <u>2,851,070</u>

Fair Value Measurement - The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments in U.S. Treasury Series of \$3,982,080 are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Authority's investment policy does not address this type of risk.

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D - TAXES RECEIVABLE

	<u>General Fund</u>
Real estate taxes	\$ 143,066
Transfer taxes	<u>68,119</u>
TOTAL TAXES RECEIVABLE	\$ <u>211,185</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 \$108,907 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>

NOTE F - ACCOUNTS RECEIVABLE

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Municipal Authority</u>
Fees	\$ 1,537	\$ -	\$ -	\$ 883,834
Franchise fee - cable TV receivable	90,854	-	-	-
Grant receivable	30,805	-	42,055	-
Road program reimbursement	-	17,590	-	-
Miscellaneous	26,508	-	691	-
	<u>149,704</u>	<u>17,590</u>	<u>42,746</u>	<u>883,834</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,291)</u>
ACCOUNTS RECEIVABLE, net	\$ <u>149,704</u>	\$ <u>17,590</u>	\$ <u>42,746</u>	\$ <u>864,543</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 Revenue 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	\$ 3,501,867	\$ -
Capital Project Funds	-	3,500,206
Street Light Fund	9,923	11,584
	<u>\$ 3,511,790</u>	<u>\$ 3,511,790</u>

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

NOTE H - CAPITAL ASSETS

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2018</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 5,570,225	\$ -	\$ -	\$ 5,570,225
Capital assets being depreciated				
Land improvements	630,028	58,112	-	688,140
Buildings	10,535,914	3,280,010	-	13,815,924
Infrastructure	9,625,533	-	-	9,625,533
Furniture and equipment	6,553,625	498,266	-	7,051,891
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>27,345,100</u>	<u>3,836,388</u>	<u>-</u>	<u>31,181,488</u>
Accumulated depreciation				
Land improvements	(520,233)	(19,548)	-	(539,781)
Buildings	(2,203,974)	(420,869)	-	(2,624,843)
Infrastructure	(3,526,073)	(541,302)	-	(4,067,375)
Furniture and equipment	(4,782,948)	(378,483)	-	(5,161,431)
TOTAL ACCUMULATED DEPRECIATION	<u>(11,033,228)</u>	<u>(1,360,202)</u>	<u>-</u>	<u>(12,393,430)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>16,311,872</u>	<u>2,476,186</u>	<u>-</u>	<u>18,788,058</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 21,882,097</u>	<u>\$ 2,476,186</u>	<u>\$ -</u>	<u>\$ 24,358,283</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE H - CAPITAL ASSETS (Continued)

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
COMPONENT UNIT ACTIVITIES				
LIBRARY				
Capital assets				
Furniture and equipment	\$ 234,546	\$ 1,734	\$ (1,734)	\$ 234,546
Book collection	383,611	36,120	-	419,731
TOTAL CAPITAL ASSETS	<u>618,157</u>	<u>37,854</u>	<u>(1,734)</u>	<u>654,277</u>
Accumulated depreciation				
Furniture and equipment	(227,525)	(2,367)	-	(229,892)
Book collection	(305,387)	(3,120)	-	(308,507)
TOTAL ACCUMULATED DEPRECIATION	<u>(532,912)</u>	<u>(33,568)</u>	<u>-</u>	<u>(566,480)</u>
COMPONENT UNIT ACTIVITIES CAPITAL ASSETS, net	<u>\$ 85,245</u>	<u>\$ 4,286</u>	<u>\$ (1,734)</u>	<u>\$ 87,797</u>
COMPONENT UNIT ACTIVITIES				
Municipal Authority				
Capital assets not being depreciated				
Land	\$ 1,234,825	\$ -	\$ -	\$ 1,234,825
Construction in progress	1,086,314	690,087	-	1,776,401
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>2,321,139</u>	<u>690,087</u>	<u>-</u>	<u>3,011,226</u>
Capital assets being depreciated				
Land improvements	7,195,511	-	-	7,195,511
Accumulated depreciation				
Land improvements	(4,257,653)	(107,948)	-	(4,365,601)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>2,937,858</u>	<u>(107,948)</u>	<u>-</u>	<u>2,829,910</u>
COMPONENT UNIT ACTIVITIES CAPITAL ASSETS, net	<u>\$ 5,258,997</u>	<u>\$ 582,139</u>	<u>\$ -</u>	<u>\$ 5,841,136</u>

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

Governmental activities - unallocated	\$ 1,360,202
Component unit - Newtown Public Library	33,568
Component unit - Newtown Township Municipal Authority	<u>107,948</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 1,501,718</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - LONG-TERM DEBT

	Principal Outstanding January 1, 2018	Additions	Reductions	Principal Outstanding December 31, 2018	Due Within One Year
General Obligation Bonds Series of 2016	\$ 9,400,000	\$ -	\$ (170,000)	\$ 9,230,000	\$ 170,000
General Obligation Notes Series A&B of 2016	3,256,000	-	(500,000)	2,756,000	507,000
	<u>12,656,000</u>	<u>-</u>	<u>(670,000)</u>	<u>11,986,000</u>	<u>677,000</u>
Deferred amounts					
Issuance premium	66,645	-	(2,786)	63,859	2,787
Compensated absences	332,667	165,325	-	497,992	-
Net pension liability	-	1,396,048	-	1,396,048	-
Total OPEB liability	<u>3,210,683</u>	<u>167,214</u>	<u>-</u>	<u>3,377,897</u>	<u>-</u>
LONG-TERM DEBT	<u>\$ 16,265,995</u>	<u>\$ 1,728,587</u>	<u>\$ (672,786)</u>	<u>\$ 17,321,796</u>	<u>\$ 679,787</u>

Outstanding
Principal

General Obligation Bonds, Series of 2016. Original principal amount of \$9,565,000, maturing through December 1, 2041, bearing interest from 1.75% to 3%. Interest is payable semi-annually on June 1 and December 1.

\$ 9,230,000

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

2,756,000

\$ 11,986,000

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - LONG-TERM DEBT (Continued)

The annual requirements to amortize all debts outstanding as of December 31, 2018 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 677,000	\$ 290,310	\$ 967,310
2020	689,000	279,822	968,822
2021	700,000	267,070	967,070
2022	397,000	258,651	655,651
2023	405,000	251,274	656,274
2024 to 2028	2,133,000	1,144,099	3,277,099
2029 to 2033	2,375,000	903,721	3,278,721
2034 to 2038	2,755,000	531,000	3,286,000
2039 to 2041	1,855,000	112,350	1,967,350
	<u>\$ 11,986,000</u>	<u>\$ 4,038,297</u>	<u>\$ 16,024,297</u>

The Township financed the General Obligation Bonds, Series A and B of 2016 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, 2018, DeVal would have received a payment of approximately \$111 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, 2018

NOTE I - LONG-TERM DEBT (Continued)

Component Unit Activities - Municipal Authority

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
BONDS PAYABLE					
Guaranteed Sewer Revenue					
Bond, Series of 2018	\$ -	\$ 33,520,000	\$ -	\$ 33,520,000	\$ -
Series of 2012	-	-	-	-	-
Bond premiums	-	2,161,751	(12,010)	2,149,741	-
	<u>-</u>	<u>2,161,751</u>	<u>(12,010)</u>	<u>2,149,741</u>	<u>-</u>
TOTAL BONDS PAYABLE	\$ -	\$ 35,681,751	\$ (12,010)	\$ 35,669,741	\$ -

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>
2019	\$ -	\$ 1,210,984
2020	-	1,472,819
2021	670,000	1,472,819
2022	695,000	1,446,019
2023	720,000	1,425,169
2024 to 2028	4,040,000	6,671,645
2029 to 2033	4,915,000	5,795,645
2034 to 2038	5,930,000	4,788,564
2039 to 2043	7,270,000	3,446,250
2043 to 2048	9,280,000	1,437,000
	<u>\$ 33,520,000</u>	<u>\$ 29,166,914</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, 2018

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, 2017 actuarial evaluation (updated through roll forward procedures through the measurement date of December 31, 2018):

	<u>Police</u>	<u>Non-Uniform</u>
Inactive plan members currently receiving benefits	13	12
Inactive plan member entitled to but not yet receiving benefits	-	4
Active plan members	<u>19</u>	<u>17</u>
	<u>32</u>	<u>33</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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	70%	5.78%
Fixed income	27%	1.35%
Cash	3%	-0.31%
	<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, 2018

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, 2018, 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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -6.64% for the police pension plan, and -6.69% for the non-uniform pension plan. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

	<u>Total Police Pension Liability</u>	<u>Police Plan Fiduciary Net Position</u>	<u>Net Police Pension Liability (Asset)</u>
Balance, January 1, 2018	\$ 12,196,837	\$ 12,279,476	\$ (82,639)
Changes for the year			
Service cost	319,402	-	319,402
Interest	856,997	-	856,997
Benefit payments	(546,847)	(546,847)	-
Contributions			
State aid	-	149,900	(149,900)
Employer	-	329,781	(329,781)
Member	-	94,444	(94,444)
Net investment income	-	(793,501)	793,501
Administrative expense	-	(12,262)	12,262
Net changes	<u>629,552</u>	<u>(778,485)</u>	<u>1,408,037</u>
Balance, December 31, 2018	<u>\$ 12,826,389</u>	<u>\$ 11,500,991</u>	<u>\$ 1,325,398</u>

Plan fiduciary net position as a percentage of the total pension liability related to the police pension at December 31, 2018 was 89.7%.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net pension liability (assets)	\$ <u>2,834,582</u>	\$ <u>1,325,398</u>	\$ <u>58,157</u>

For the year ended December 31, 2018, the Township recognized pension expense of \$431,619 related to the police pension. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to the police pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (456,791)
Changes in assumptions	136,119	-
Net difference between projected and actual investment earnings	<u>869,477</u>	<u>-</u>
	<u>\$ 1,005,596</u>	<u>\$ (456,791)</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>	
2019	\$ 190,567
2020	34,263
2021	55,042
2022	271,345
2023	(2,412)
Thereafter	<u>-</u>
	<u>\$ 548,805</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Police Pension)

The total pension liability as of December 31, 2018 was determined by rolling forward the System's total pension liability as of the January 1, 2017 actuarial valuation to December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the police 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.

	Total Non-Uniform Pension Liability	Non-Uniform Plan Fiduciary Net Position	Net Non-Uniform Pension Liability (Asset)
	<u> </u>	<u> </u>	<u> </u>
Balance, January 1, 2018	\$ 2,645,006	\$ 2,925,508	\$ (280,502)
Changes for the year			
Service cost	106,157	-	106,157
Interest	212,445	-	212,445
Differences between expected and actual experience	-	-	-
Changes of assumption	-	-	-
Benefit payments	(191,213)	(191,213)	-
Contributions			
State aid	-	79,635	(79,635)
Employer	-	101,089	(101,089)
Net investment income	-	(206,771)	206,771
Administrative expense	-	(6,503)	6,503
Net changes	<u>127,389</u>	<u>(223,763)</u>	<u>351,152</u>
Balance, December 31, 2018	<u>\$ 2,772,395</u>	<u>\$ 2,701,745</u>	<u>\$ 70,650</u>

Plan fiduciary net position as a percentage of the total pension liability related to the non-uniform pension at December 31, 2018 was 97.5%.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net pension liability (assets)	\$ <u>334,523</u>	\$ <u>70,650</u>	\$ <u>(157,733)</u>

For the year ended December 31, 2018, the Township recognized pension expense of \$171,142 related to the non-uniform pension. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to the non-uniform pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (84,704)
Changes in assumptions	29,013	-
Net difference between projected and actual investment earnings	<u>259,518</u>	<u>-</u>
	<u>\$ 288,531</u>	<u>\$ (84,704)</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>	
2019	\$ 74,708
2020	32,349
2021	36,433
2022	76,998
2023	(7,403)
Thereafter	<u>(9,258)</u>
	<u>\$ 203,827</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Non-Uniform Pension)

The total pension liability (asset) as of December 31, 2018 was determined by rolling forward the System's total pension liability as of the January 1, 2017 actuarial valuation to December 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

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

Discount Rate - The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the non-uniform pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Rate of Return – For the year ended December 31, 2018, the annual money-weighted rate of return on the non-uniform pension plan investments, net of pension plan investment expense, was -6.69%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE K - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

Newtown Township's Other Post-Employment Benefits offered to police employees and retirees is a single-employer defined benefit plan for benefits other than pension which is controlled by the provisions of a collectively bargained agreement between the Township of Newtown and the Fraternal Order of Police, Delaware County Lodge No. 27 on behalf of the Police Officers of Newtown Township most recently revised on January 1, 2015.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Membership

At January 1, 2017, plan membership consisted of the following:

Inactive plan members of beneficiaries currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	<u>17</u>
	<u><u>20</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, which the Township pays. Prescription drug, 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, 2017. Update procedures were then used to roll forward to the Township's fiscal year ending December 31, 2018, 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, 2018

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Healthcare Cost Trend Rate – Medical costs are assumed to increase by 7.5% during 2018 reduced by 0.25% per year to an ultimate level of 5% per year. Prescription drug costs are assumed to increase by 9% during 2018 reduced by 0.25% per year to an ultimate level of 5% per year.

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

Termination – None assumed.

Disability – Non assumed.

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

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

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

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2017	\$ 3,210,683
Changes for the year	
Service cost	167,922
Interest cost	124,353
Benefit payments	(125,061)
Net changes	<u>167,214</u>
Balance at December 31, 2018	<u>\$ 3,377,897</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current discount rate:

	1% Decrease (2.75%)	Discount Rate (3.75%)	1% Increase (4.75%)
Total OPEB liability	\$ <u>3,673,199</u>	\$ <u>3,377,897</u>	\$ <u>3,110,809</u>

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

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

	1% Decrease	Current Rate	1% Increase
Total OPEB liability	\$ <u>2,928,929</u>	\$ <u>3,377,897</u>	\$ <u>3,896,499</u>

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

For the year ended December 31, 2018, the Plan recognized OPEB expense of \$292,275. At December 31, 2018, the Plan had no deferred outflows of resources or deferred inflows of resources related to pensions from any sources.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE L - FUND BALANCES

	General Fund	Capital Reserve Fund	Bond Fund	Stormw ater Fund	Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Nonspendable					
Prepaid expenses	\$ 26,530	\$ -	\$ -	\$ -	\$ -
Restricted					
Building improvements	-	-	479,790	-	-
Hydrant Fund	-	-	-	-	73,907
Street Light Fund	-	-	-	-	63,221
Liquid Fuels Fund	-	-	-	-	66,720
TOTAL	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
RESTRICTED	<u> </u>	<u> </u>	<u>479,790</u>	<u> </u>	<u>203,848</u>
Committed					
Greer Park Playground equipment	-	75,000	-	-	-
Gable Field improvements	-	25,000	-	-	-
Emerald Ash Borer treatments	-	12,000	-	-	-
Ash tree removal	-	100,000	-	-	-
Dam repairs	-	950,000	-	-	-
TOTAL	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
COMMITTED	<u> </u>	<u>1,162,000</u>	<u> </u>	<u> </u>	<u> </u>
Assigned					
Paper Mill House and Bartram Bridge signs	-	14,000	-	-	-
Survey of Township prosperities	-	10,000	-	-	-
Property acquisition	-	250,000	-	-	-
Capital projects	-	3,090,863	-	-	-
War On Drugs Fund	-	-	-	-	41,326
Police Donation Fund	-	-	-	-	64,411
Open Space Fund	-	-	-	-	294,632
Storm w ater maintenance	-	-	-	319,439	-
TOTAL	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSIGNED	<u> </u>	<u>3,364,863</u>	<u> </u>	<u>319,439</u>	<u>400,369</u>
Unassigned	<u>4,141,926</u>	<u> </u>	<u> </u>	<u> </u>	<u>(804)</u>
TOTAL FUND BALANCE	<u>\$ 4,168,456</u>	<u>\$ 4,526,863</u>	<u>\$ 479,790</u>	<u>\$ 319,439</u>	<u>\$ 603,413</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE M - RELATED-PARTY TRANSACTIONS

COMPONENT UNIT – NEWTOWN MUNICIPAL AUTHORITY

At December 31, 2018, the Authority had a balance due to the primary government (Township of Newtown) of \$508,492.

The balance of \$508,492 due to the Township as of December 31, 2018 resulted from the advances from the Township to the Authority during the years 2011-2014 to fund their engineering costs and debt service payments. In addition, 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 \$135,000 for the year ended December 31, 2018, which were paid in full during 2018.

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 2018, the contributions from Newtown Township totaled \$191,000. 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 - SUBSEQUENT EVENTS

The Township has evaluated subsequent events through June 19, 2019, which represents the date the financial statements were available to be issued

NOTE O - PRIOR PERIOD RESTATEMENT

PRIMARY GOVERNMENT

The Township implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefit (OPEB) plans. GASB Statement No. 75 states that the Township must record any unfunded liability of their OPEB plans.

For the government-wide governmental activities, the Township has treated the beginning of year net OPEB liability of \$3,210,683 as having been recognized in the period incurred. As part of the implementation, the previously recognized obligation for other postemployment benefits under GASB 45 in the amount of \$860,464 will be reversed. The Township has adjusted beginning net position for the governmental activities from \$20,691,454 to \$18,341,235.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE O - PRIOR PERIOD RESTATEMENT (Continued)

COMPONENT UNIT – NEWTOWN PUBLIC LIBRARY

In the prior year, the Library maintained a separate Fiduciary Fund, the Private Purpose Trust funds, to report funds donated to the Library that were restricted in regards to how those funds were to be spent. It was determined that these funds do not meet the criteria required to be report as fiduciary activity. These restricted donations will not be presented in the General Fund as restricted fund balance and the governmental activities as restricted net position. The Fiduciary Fund has been eliminated.

The Library has treated the beginning of year restricted donations of \$28,173 previously recognized in the Fiduciary Fund as having been recognized in the General Fund and governmental activities in the period incurred. The Library has adjusted beginning General Fund balance from \$148,758 to \$176,931. The Library has adjusted beginning governmental activity net position from \$234,003 to \$262,176.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF NEWTOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Real estate taxes	\$ 5,215,138	\$ 5,215,138	\$ 5,374,871	\$ 159,733
Transfer taxes	925,000	925,000	1,227,592	302,592
Local services tax	665,000	665,000	672,642	7,642
Licenses and permits	1,034,365	1,123,392	1,414,572	291,180
Fines and forfeits	46,900	46,900	46,878	(22)
Interest income, rents and royalties	10,000	10,000	73,593	63,593
Intergovernmental	206,073	206,073	207,169	1,096
Act 205 Pension	206,000	206,000	229,535	23,535
Charges for services	67,735	67,735	100,810	33,075
Franchise fee - cable TV	345,000	345,000	354,265	9,265
Refunds of prior year expenditures	-	-	238,011	238,011
Miscellaneous	149,438	293,651	343,014	49,363
TOTAL REVENUES	<u>8,870,649</u>	<u>9,103,889</u>	<u>10,282,952</u>	<u>1,179,063</u>
EXPENDITURES				
General government	961,161	1,072,953	1,067,607	(5,346)
Public safety	4,539,136	4,845,174	4,521,883	(323,291)
Highways and streets	1,556,547	1,636,092	1,344,305	(291,787)
Library	235,038	235,038	227,392	(7,646)
Culture and recreation	142,449	154,308	143,307	(11,001)
Insurance	100,002	100,002	100,956	954
Pension	660,405	660,405	660,405	-
Debt service (principal and interest)	658,339	658,339	658,726	387
TOTAL EXPENDITURES	<u>8,853,077</u>	<u>9,362,311</u>	<u>8,724,581</u>	<u>(637,730)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>17,572</u>	<u>(258,422)</u>	<u>1,558,371</u>	<u>1,816,793</u>
OTHER FINANCING USES				
Transfers out	(344,922)	(344,922)	(3,501,867)	(3,156,945)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(344,922)</u>	<u>(344,922)</u>	<u>(3,501,867)</u>	<u>(3,156,945)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (327,350)</u>	<u>\$ (603,344)</u>	<u>(1,943,496)</u>	<u>\$ (1,340,152)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>6,111,952</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 4,168,456</u>	

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

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	\$ 319,402	\$ 304,192	\$ 296,180	\$ 282,076	\$ 238,778
Interest	856,997	812,056	789,649	744,037	713,989
Changes for experience	-	(399,427)	-	(435,683)	-
Changes of assumptions	-	36,008	-	257,339	-
Benefit payments	<u>(546,847)</u>	<u>(432,042)</u>	<u>(388,609)</u>	<u>(388,609)</u>	<u>(387,718)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	629,552	320,787	697,220	459,160	565,049
Total pension liability, beginning	<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>
TOTAL PENSION LIABILITY, ENDING (a)	<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>
PLAN FIDUCIARY NET POSITION					
Contributions					
State Aid	\$ 149,900	\$ 156,001	\$ 166,147	\$ 133,308	\$ 131,671
Employer	329,781	542,685	224,129	202,680	190,982
Member	94,444	89,570	83,861	84,372	81,214
Net investment income	(793,501)	1,738,673	808,973	(72,710)	623,859
Benefit payments, including refunds of member contributions	(546,847)	(432,042)	(388,609)	(388,609)	(387,718)
Administrative expense	<u>(12,262)</u>	<u>(68,991)</u>	<u>(58,220)</u>	<u>(59,787)</u>	<u>(4,800)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(778,485)	2,025,896	836,281	(100,746)	635,208
Plan fiduciary net position, beginning	<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>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<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>
NET PENSION LIABILITY, ENDING (a)-(b)	<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>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>89.67%</u>	<u>100.68%</u>	<u>86.34%</u>	<u>84.24%</u>	<u>88.79%</u>
COVERED-EMPLOYEE PAYROLL	<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>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>70.81%</u>	<u>-4.82%</u>	<u>97.02%</u>	<u>108.60%</u>	<u>80.46%</u>

NOTES TO SCHEDULES

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.

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

TOWNSHIP OF NEWTOWN
SCHEDULES OF POLICE PENSION PLAN
CONTRIBUTIONS
LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 479,681	\$ 395,676	\$ 390,276	\$ 355,988	\$ 322,653
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>479,681</u>	<u>698,807</u>	<u>390,276</u>	<u>355,988</u>	<u>322,653</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ (303,131)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<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>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>25.63%</u>	<u>40.74%</u>	<u>23.34%</u>	<u>21.95%</u>	<u>21.61%</u>

NOTES TO SCHEDULES

Valuation date:

January 1, 2017

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	5 years
Asset valuation method	Section 210(a) of Act 44
Inflation	2.25%
Salary increases	5.0% annual increase
Investment rate of return	7.0%
Retirement age	50
Mortality	Blue Collar RP-2000 Mortality Table

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

TOWNSHIP OF NEWTOWN
SCHEDULES OF POLICE PENSION PLAN
INVESTMENT RETURNS
LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-6.64%</u>	<u>16.37%</u>	<u>7.82%</u>	<u>-1.29%</u>	<u>7.13%</u>

NOTE TO SCHEDULES

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY					
Service cost	\$ 106,157	\$ 101,102	\$ 75,017	\$ 71,445	\$ 76,536
Interest	212,445	202,444	197,289	188,778	181,519
Changes for experience	-	(70,408)	-	(102,640)	-
Changes of assumptions	-	9,330	-	71,826	-
Benefit payments	<u>(191,213)</u>	<u>(175,973)</u>	<u>(169,789)</u>	<u>(145,030)</u>	<u>(117,776)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	127,389	66,495	102,517	84,379	140,279
Total pension liability, beginning	<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>
TOTAL PENSION LIABILITY, ENDING (a)	<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>
PLAN FIDUCIARY NET POSITION					
Contributions					
State Aid	\$ 79,635	\$ 73,412	\$ 39,461	\$ 13,329	\$ 11,416
Employer	101,089	223,366	39,461	47,050	50,345
Member	-	-	-	-	-
Net investment income	(206,771)	406,483	192,444	(15,429)	164,004
Benefit payments, including refunds of member contributions	(191,213)	(175,973)	(169,789)	(145,030)	(117,776)
Administrative expense	<u>(6,503)</u>	<u>(24,943)</u>	<u>(18,332)</u>	<u>(23,125)</u>	<u>(4,600)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(223,763)	502,345	83,245	(123,205)	103,389
Plan fiduciary net position, beginning	<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>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<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>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 70,650</u>	<u>\$ (280,502)</u>	<u>\$ 155,348</u>	<u>\$ 136,076</u>	<u>\$ (71,508)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>97.45%</u>	<u>110.60%</u>	<u>93.98%</u>	<u>94.50%</u>	<u>102.99%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,022,920</u>	<u>\$ 877,178</u>	<u>\$ 719,300</u>	<u>\$ 714,542</u>	<u>\$ 726,888</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>6.91%</u>	<u>-31.98%</u>	<u>21.60%</u>	<u>19.04%</u>	<u>-9.84%</u>

NOTES TO SCHEDULES

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

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

TOWNSHIP OF NEWTOWN
SCHEDULES OF NON-UNIFORM PENSION PLAN
CONTRIBUTIONS
LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 135,724	\$ 96,778	\$ 78,922	\$ 60,379	\$ 84,990
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>180,724</u>	<u>296,778</u>	<u>78,922</u>	<u>60,379</u>	<u>84,990</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (45,000)</u>	<u>\$ (200,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,022,920</u>	<u>\$ 877,178</u>	<u>\$ 719,300</u>	<u>\$ 714,542</u>	<u>\$ 726,886</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>17.67%</u>	<u>33.83%</u>	<u>10.97%</u>	<u>8.45%</u>	<u>11.69%</u>

NOTES TO SCHEDULES

Valuation date:

January 1, 2017

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	N/A
Asset valuation method	Smoothing per section 210(a) of Act 44
Inflation	2.25%
Salary increases	5.0% annual increase
Investment rate of return	8.0%
Retirement age	65
Mortality	Blue Collar RP-2000 Mortality Table

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

TOWNSHIP OF NEWTOWN
SCHEDULES OF NON-UNIFORM PENSION PLAN
INVESTMENT RETURNS
LAST FIVE FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-6.69%</u>	<u>16.48%</u>	<u>7.80%</u>	<u>-1.23%</u>	<u>7.17%</u>

NOTE TO SCHEDULES

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TOWNSHIP OF NEWTOWN

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

	<u>2018</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 167,922
Interest	124,353
Benefit payments	<u>(125,061)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	167,214
Total OPEB liability, beginning	<u>3,210,683</u>
 TOTAL OPEB LIABILITY, ENDING (a)	 <u>\$ 3,377,897</u>
 COVERED-EMPLOYEE PAYROLL	 <u>\$ 1,898,240</u>
 NET OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	 <u>177.95%</u>

NOTE TO SCHEDULE

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