

TOWNSHIP OF NEWTOWN

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2019



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Newtown as of and for the year ended December 31, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For the year ended December 31, 2019, the Township of Newtown adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note N to the financial statements, subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has resulted in economic uncertainties which have the potential to have a significant impact on all Township operations. 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 1, 2020

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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, 2019. 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 \$20,772,370 (representing its net position for governmental activities). Of this amount, \$8,030,410 or 39% is unrestricted and available to meet the government's ongoing obligations to citizens and creditors.
- Total revenues of the Township's 2019 governmental activities were \$13,702,730 and expenditures totaled \$10,905,232. This compares to 2018 activity of \$11,068,610 in revenue and \$11,434,973 in expenditures.
- Overall liabilities decreased \$5,141 since 2018. Current liabilities increased \$160,269, long-term liabilities decreased \$959,286 and deferred inflow of resources increased \$793,876. More detail can be found on page 20, Statement of Net Position.

Highlights for Fund Financial Statements (Modified Accrual):

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

- The Township's governmental funds reported a consolidated fund balance of \$13,370,286 as of December 31, 2019. As of December 31, 2018, governmental funds reported a fund balance of \$10,097,961.
- At December 31, 2019, the General Fund reported a fund balance of \$6,018,703 compared to a December 31, 2018 balance of \$4,168,456.

USING THIS ANNUAL REPORT

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

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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, 2019

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, 2019

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 \$20,772,370. The following table presents condensed comparative financial information for the net position of the Township for calendar years 2019 and 2018.

Township of Newtown Schedule of Net Position

	2019	2018
ASSETS		
Current and other assets	\$ 16,833,531	\$ 12,218,519
Capital assets, net of depreciation	23,468,122	24,358,283
Deferred outflows of resources	361,633	1,294,127
	<u>40,663,286</u>	<u>37,870,929</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 40,663,286	\$ 37,870,929
LIABILITIES		
Current liabilities	\$ 2,193,035	\$ 2,032,766
Long-term liabilities	16,362,510	17,321,796
Deferred inflows of resources	1,335,371	541,495
	<u>19,890,916</u>	<u>19,896,057</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	19,890,916	19,896,057
NET POSITION		
Net investment in capital assets	12,415,975	12,810,642
Restricted	325,985	203,848
Unrestricted	8,030,410	4,960,382
	<u>20,772,370</u>	<u>17,974,872</u>
TOTAL NET POSITION	20,772,370	17,974,872
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 40,663,286	\$ 37,870,929

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

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

The unrestricted net position amounted to \$8,030,410, which may be used to meet the Township's ongoing obligations to citizens and creditors. The Township also reported net position of \$12,415,975, 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 2019 Statement of Net Position to 2018. There was an increase in total net position for governmental activities of \$2,797,498.

The following comparison illustrates revenues and expenses of governmental activities and business-type activities for fiscal years 2019 and 2018 in a detailed format:

Township of Newtown			
Changes in Net Position			
		<u>2019</u>	<u>2018</u>
REVENUES			
Program revenues			
Charges for services		\$ 4,090,036	\$ 1,579,850
Operating grants and contributions		1,242,445	876,495
General revenues			
Property taxes		5,499,979	5,596,951
Public utility and realty transfer taxes		1,395,950	1,227,592
Business privilege and mercantile taxes		681,040	672,642
Franchise fee - cable TV		360,086	354,265
Other revenues		433,194	760,815
TOTAL REVENUES		<u>13,702,730</u>	<u>11,068,610</u>
EXPENSES			
General government		1,253,920	1,146,627
Public safety		4,748,815	4,638,422
Public works		1,520,428	2,729,841
Library		233,206	227,392
Culture and recreation		237,484	167,125
Interest on long-term debt		288,207	301,996
Pension, OPEB and insurance		1,320,205	863,368
Unallocated depreciation expense		1,302,967	1,360,202
TOTAL EXPENSES		<u>10,905,232</u>	<u>11,434,973</u>
CHANGE IN NET POSITION		<u>\$ 2,797,498</u>	<u>\$ (366,363)</u>

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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, 2019

Governmental Activities - Changes in Net Position

Revenue from Newtown Township's governmental activities in 2019 totaled \$13,702,730, an increase of \$2,634,120. Sources of revenue were primarily from property taxes, realty transfer taxes, public safety related charges and operating grants and contributions. Overall, revenues increased from 2018 by 19%. Taxes comprise the largest source of Township revenues (56%), amounting to \$7,576,969 in 2019. Property taxes represent \$5,499,976 (41% of revenue) with business and deed transfer taxes accounting for the balance. The increase in governmental revenues over the prior year was primarily the result charges for service, primarily for the AmeriHealth building was received in 2019.

Expenses of all governmental activities this year totaled \$10,905,232, a decrease of \$529,741 from 2018. As the statement of activities indicates, public safety is the largest program with expenses of \$4,748,815 or 44% of governmental expenses. Public works expenses totaled \$1,520,428 or 14% of expenses. Public works saw a significant decrease of \$1,209,413 because there was no 2019 Road Program. Pension, OPEB and insurance is the third biggest expenditure category in 2019. Pension, OPEB and insurance saw an increase of \$456,837 in comparison to 2018. The increase comes from an increased OPEB expense associated with expenses and a one-time adjustment due to the Township switching health care plans in 2017. The OPEB actuarial valuation used to calculate this based off a 1/1/2017 valuation. See page 66 for more details.

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 51% of total cost of services in 2019. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Governmental Activities				
General government	\$ 1,253,920	\$ 1,128,772	\$ 1,146,627	\$ 1,032,076
Public safety	4,748,815	586,036	4,638,422	2,977,629
Public works	1,520,428	888,841	2,729,841	2,304,060
Library	233,206	233,206	227,392	227,392
Culture and recreation	237,484	85,662	167,125	141,440
Interest on long-term debt	288,207	288,207	301,996	301,996
Pension, OPEB and insurance	1,320,205	1,059,060	863,368	633,833
Unallocated depreciation	1,302,967	1,302,967	1,360,202	1,360,202
	<u>\$ 10,905,232</u>	<u>\$ 5,572,751</u>	<u>\$ 11,434,973</u>	<u>\$ 8,978,628</u>

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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 \$13,730,286. The Township's general fund unassigned fund balance was \$5,914,232 as of December 31, 2019, which equals 44% of 2019 total revenues and 55% of total expenditures, excluding operating transfers.

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

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Revenue			
Real estate and transfer taxes	\$ 6,832,751	\$ 6,602,463	\$ 230,288
Local service taxes	681,040	672,642	8,398
Licenses, permits and fines	4,036,566	1,461,450	2,575,116
Intergovernmental	197,018	207,169	(10,151)
Changes for services	52,930	100,810	(47,880)
Franchise fee - cable TV	360,086	354,265	5,821
Act 205 Pension	261,145	229,535	31,610
Other revenues	<u>352,488</u>	<u>654,618</u>	<u>(302,130)</u>
TOTAL REVENUES	<u>\$ 12,774,024</u>	<u>\$ 10,282,952</u>	<u>\$ 2,491,072</u>

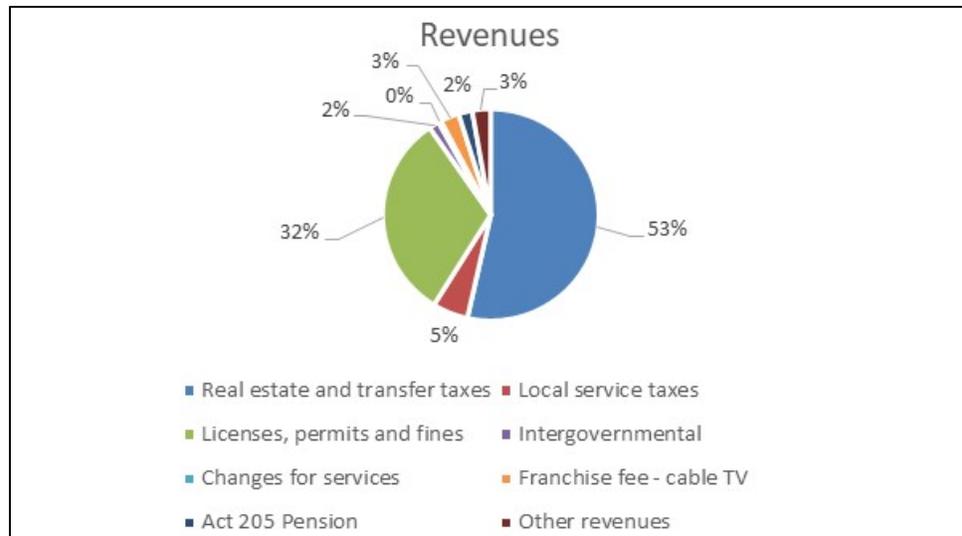
TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

Revenues and other financing sources for 2019 totaled \$12,774,024. This was an increase over the previous year of \$2,491,072 or 24%. The major factors contributing to this increase were as follows:

- Licenses, Permits and Fines increased \$2,575,116 compared to 2018. This was primarily the result of an increase in building permit revenues in 2019 related to one large project.



TOWNSHIP OF NEWTOWN

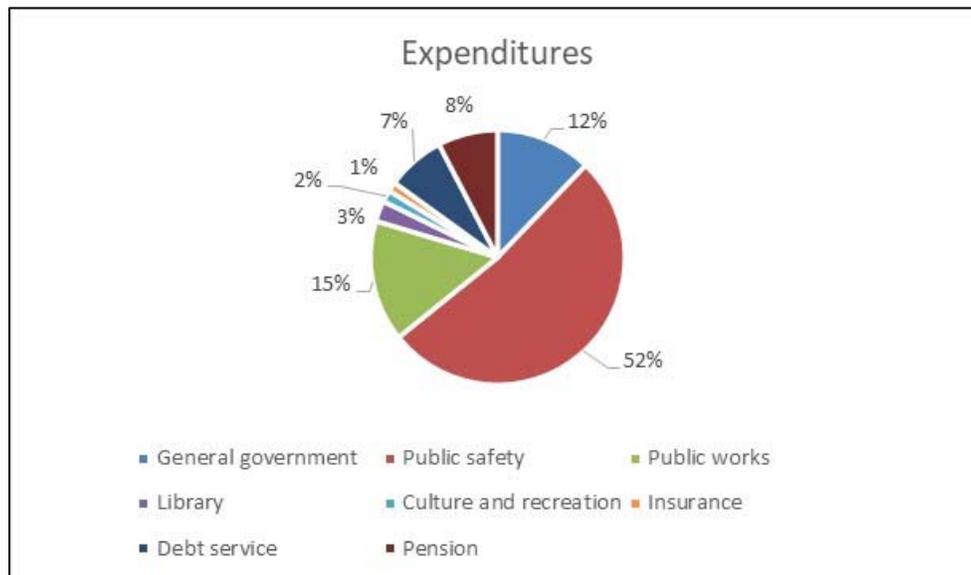
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

	2019	2018	Increase (Decrease)
Expenditures			
General government	\$ 1,076,904	\$ 1,067,607	\$ 9,297
Public safety	4,612,039	4,521,883	90,156
Public works	1,366,295	1,344,305	21,990
Library	233,206	227,392	5,814
Culture and recreation	133,209	143,307	(10,098)
Insurance	107,471	100,956	6,515
Debt service	676,077	658,726	17,351
Pension	655,878	660,405	(4,527)
TOTAL EXPENDITURES	<u>8,861,079</u>	<u>8,724,581</u>	<u>136,498</u>
Other financing sources			
Operating transfers out	<u>2,062,698</u>	<u>3,501,867</u>	<u>(1,439,169)</u>
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ 10,923,777</u>	<u>\$ 12,226,448</u>	<u>\$ (1,302,671)</u>

Total expenditures and other financing uses were \$10,923,777 in 2019. This represents a decrease of \$1,302,671 or 11% over the previous year. Key drivers contributing to these changes were:

- Operating Transfers decreased by \$1,439,169. This was primarily due to a Board of Supervisors decision to transfer \$2,062,698 to the Capital Fund. These additional transfers were added to help fund in capital projects as well as build Capital Fund Balance.



TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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 32% or \$3,068,566. The key contributing factors were:

- Real Estate Taxes revenues finished \$14,031 under budget due to a larger percent of residents paying their real estate taxes during the discount period.
- Transfer Taxes came in \$469,950 above budget. The primary reason for the surplus was the sale of newly constructed homes and a large commercial building.
- New construction coupled with the increased collection of licenses and registrations, led to an increase of \$2,596,022 in the licenses and permits category. The permit revenue associated with the AmeriHealth building was the largest contributing factor.
- Investment earnings gained \$43,997 more than anticipated due to better interest rates than originally expected in 2019.
- Miscellaneous revenues experienced a deficit of \$55,785. This deficit is directly correlated with the School Resource Officer. In 2019, Newtown Township entered an agreement with Marple Newtown School District to supply a School Resource Officer. The School Resources Officers time would then be reimbursed the Marple Newtown School District. The School Resource Officer was not hired until September of 2019 but reimbursement was budgeted for the entire 2019 leading to the \$55,785 deficit.
- Refund of Prior Year Expenditures is over budget by \$16,421 due to a refund for legal bill paid in 2018.
- Pension contributions from the State were greater than expected in 2019, resulting in an end result of \$31,645 increase over budget.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

Expenditures

Actual Expenditures ended the year \$904,210 below budget or 10%. Contributing to this favorable position were several factors:

- **General Government** - Overall, general government services was \$48,710 under budget. The majority of these savings are seen in two major categories, \$26,528 in building repairs and maintenance as well as \$13,805 in legal fees associated with an anticipated zoning codification that was moved to a future year.
- **Public Safety** - Public safety saw a savings of \$449,258. Of these savings, salaries, medical benefits, and social security totaled \$345,460 or 77% of total savings. A large portion of these saving were due to hiring additional public safety staff later in 2019 than expected. Overall operating expenses saw savings in its planning consultant line item, with additional savings of \$23,392 and electrical inspector line item with another \$42,663 in savings. The remaining \$37,743 can be attributed to smaller miscellaneous savings such as computer processing, vehicles repairs and office expenses.
- **Highway and Streets** - Overall, highway and streets was \$413,804 under budget for the year, in which the street program saw the biggest savings of \$200,000. In previous years, the Township expended the Road Program contribution from this department. In 2019 this expense was moved to a "Transfer to Other Fund" department but still budgeted in Highway and streets. The second largest savings can be credited to salaries and benefits for Public Works Staff. The Public Works Department was operating with a reduced staffing in 2019 saving \$50,500. Coming in third with savings is the Public Works building maintenance line item. Due to the new Public Works building, maintenance saw approximately \$31,000 in savings. The fourth biggest area of savings was snow removal related expenses totaling \$21,000. Signal repairs and maintenance also contributed \$19,180 further in savings. In addition, leaf disposal costs save \$15,150. The remaining \$77,000 in savings is spread throughout the highway and streets categories such as gasoline, diesel, construction materials and tools.
- **Culture and Recreation** - In 2019, culture and recreation was \$21,240 under budget. Of this \$21,240 all of the savings were operating expense saving associated with park maintenance.
- **Pension** - Pension related expenditures were \$31,645 over budget. Due to a larger pension contribution from the State, the Board of Supervisors decided to add the additional dollars into the Non-Uniform pension plan.

TOWNSHIP OF NEWTOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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, 2019 is \$23,468,112 net of accumulated depreciation. Major capital assets acquired, and improvements made during the year out of the operating budget were:

- \$8,000 - Township Building and Public Works Garage construction and renovations.
- \$384,623- Police and Public Works vehicles and related equipment.
- \$20,183- Traffic signal installations and improvements.

Schedule of Capital Assets For the Year Ended December 31, 2019

	Beginning Balance	Increase/ (Decrease)	Ending Balance
GOVERNMENTAL ACTIVITIES			
CAPITAL ASSETS			
Land	\$ 5,570,225	\$ -	\$ 5,570,225
Land improvements	688,140	-	688,140
Buildings	13,815,924	8,000	13,823,924
Infrastructure	9,625,533	20,183	9,645,716
Furniture and equipment	7,051,891	384,623	7,436,514
TOTAL CAPITAL ASSETS	<u>36,751,713</u>	<u>412,806</u>	<u>37,164,519</u>
ACCUMULATED DEPRECIATION			
Land improvements	(539,781)	(16,622)	(556,403)
Buildings	(2,624,843)	(421,305)	(3,046,148)
Infrastructure	(4,067,375)	(528,309)	(4,595,684)
Furniture and equipment	(5,161,431)	(336,731)	(5,498,162)
TOTAL ACCUMULATED DEPRECIATION	<u>(12,393,430)</u>	<u>(1,302,967)</u>	<u>(13,696,397)</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 24,358,283</u>	<u>\$ (890,161)</u>	<u>\$ 23,468,122</u>

Long-Term Debt

As of December 31, 2019, Newtown Township's outstanding debt portfolio consisted of \$11,370,072 in notes and bonds. During 2019, the Township made principal payments of \$677,000 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, 2019

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 \$27,501,801. As of December 31, 2019, the Township's borrowing level is only at 42% 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, 2019**

	Principal Outstanding January 1, 2019	<u>Maturities</u>	<u>Additions (Refinancing)</u>	Principal Outstanding December 31, 2019
General Obligation Bonds Series of 2016	\$ 9,230,000	\$ (170,000)	\$ -	\$ 9,060,000
General Obligation Notes Series A&B of 2016	2,756,000	(507,000)	-	2,249,000
Less deferred amounts Issuance premium	<u>63,859</u>	<u>(2,787)</u>	<u>-</u>	<u>61,072</u>
	<u>\$ 12,049,859</u>	<u>\$ (679,787)</u>	<u>\$ -</u>	<u>\$ 11,370,072</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 2.927 mills to 3.015 mills in 2019. In addition, the hydrant millage remained unchanged at .038 mills and street light millage also remained unchanged at from .081 mills. Overall, there was a net effect taking the overall millage rate from 3.046 in 2018 to 3.134 in 2019
- The Township expects to see an increase in real estate tax assessment that will in turn increase the amount of real estate taxes collected. Large projects such as the BPG Townhomes, AmeriHealth headquarters, Liseter neighborhood and new office buildings 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, 2019

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, 2019

	Primary	Component Units	
	Governmental Activities	Newtown Library	Municipal Authority
ASSETS			
Cash and cash equivalents	\$ 14,743,086	\$ 188,292	\$ 24,880,016
Investments	-	-	2,877,967
Taxes receivable	428,851	-	-
Accounts receivable	176,662	-	955,120
Due from component units	509,492	-	-
Prepaid items	104,471	-	14,271
Net pension asset	870,969		
Capital assets			
Property, plant and equipment, Municipal Authority	-	-	21,627,303
Property, plant and equipment, Newtown Library	-	88,507	-
Nondepreciable capital assets	5,570,225	-	-
Depreciable capital assets	17,897,897	-	-
TOTAL ASSETS	40,301,653	276,799	50,354,677
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	109,193	-	-
Deferred outflows related to OPEB	252,440	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	361,633	-	-
LIABILITIES			
Accounts payable and accrued expenses	232,318	1,952	2,102,794
Accrued payroll	70,733	18,970	-
Accrued interest	20,690	-	490,940
Escrow deposits	1,320,316	-	585,754
Unearned revenue	548,978	-	-
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	691,787	-	-
Portion due or payable after one year			
Bonds and notes payable	10,678,285	-	35,597,683
Compensated absences	537,237	-	-
Net OPEB liability	4,455,201	-	-
Due to Newtown Township	-	-	509,492
TOTAL LIABILITIES	18,555,545	20,922	39,286,663
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,335,371	-	-
NET POSITION			
Net investment in capital assets	12,415,975	88,507	2,354,774
Restricted	325,985	27,513	-
Unrestricted	8,030,410	139,857	8,713,240
TOTAL NET POSITION	\$ 20,772,370	\$ 255,877	\$ 11,068,014

See accompanying notes to the basic financial statements.

TOWNSHIP OF NEWTOWN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,253,920	\$ 73,429	\$ 51,719	\$ -
Public safety	4,748,815	4,016,607	146,172	-
Public works	1,520,428	-	631,587	-
Library	233,206	-	-	-
Culture and recreation	237,484	-	151,822	-
Insurance	107,471	-	-	-
Interest on long-term debt	288,207	-	-	-
Pension and OPEB, unallocated	1,212,734	-	261,145	-
Depreciation, unallocated	1,302,967	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 10,905,232	\$ 4,090,036	\$ 1,242,445	\$ -
COMPONENT UNITS				
Newtown Library	\$ 453,063	\$ 6,299	\$ 430,957	\$ -
Municipal Authority	3,656,289	5,058,840	-	-
TOTAL COMPONENT UNITS	\$ 4,109,352	\$ 5,065,139	\$ 430,957	\$ -
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				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Primary</u>	<u>Component Units</u>	
<u>Government</u>	<u>Newtown</u>	<u>Municipal</u>
<u>Governmental</u>	<u>Library</u>	<u>Authority</u>
<u>Activities</u>		
\$ (1,128,772)	\$ -	\$ -
(586,036)	-	-
(888,841)	-	-
(233,206)	-	-
(85,662)	-	-
(107,471)	-	-
(288,207)	-	-
(951,589)	-	-
<u>(1,302,967)</u>	<u>-</u>	<u>-</u>
(5,572,751)	-	-
-	(15,807)	-
<u>-</u>	<u>-</u>	<u>1,402,551</u>
-	(15,807)	1,402,551
5,499,979	-	-
1,395,950	-	-
681,040	-	-
360,086	-	-
166,928	2,844	656,711
266,266	-	-
<u>8,370,249</u>	<u>2,844</u>	<u>656,711</u>
2,797,498	(12,963)	2,059,262
<u>17,974,872</u>	<u>268,840</u>	<u>9,008,752</u>
<u>\$ 20,772,370</u>	<u>\$ 255,877</u>	<u>\$ 11,068,014</u>

TOWNSHIP OF NEWTOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Bond Fund</u>
ASSETS			
Cash and cash equivalents	\$ 6,619,902	\$ 6,290,050	\$ 317,925
Taxes receivable	428,851	-	-
Accounts receivable	112,233	17,955	-
Due from other funds	4,824	3,200	-
Due from component units	509,492	-	-
Prepaid items	104,471	-	-
	<u>7,779,773</u>	<u>6,311,205</u>	<u>317,925</u>
TOTAL ASSETS	\$ 7,779,773	\$ 6,311,205	\$ 317,925
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 201,160	\$ 4,022	\$ 2,500
Accrued payroll	70,733	-	-
Escrow deposits	1,320,316	-	-
Unearned revenues	100,906	-	-
Due to other funds	8,024	-	-
	<u>1,701,139</u>	<u>4,022</u>	<u>2,500</u>
TOTAL LIABILITIES	1,701,139	4,022	2,500
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues, property taxes	59,931	-	-
FUND BALANCES			
Nonspendable	104,471	-	-
Restricted	-	-	315,425
Committed to	-	1,112,000	-
Assigned	-	5,195,183	-
Unassigned	5,914,232	-	-
	<u>6,018,703</u>	<u>6,307,183</u>	<u>315,425</u>
TOTAL FUND BALANCES	6,018,703	6,307,183	315,425
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,779,773	\$ 6,311,205	\$ 317,925

See accompanying notes to the basic financial statements.

Stormwater Fund	Other Governmental Funds	Total Governmental Funds
\$ 757,091	\$ 758,118	\$ 14,743,086
-	-	428,851
-	46,474	176,662
-	1,206	9,230
-	-	509,492
-	-	104,471
<u>\$ 757,091</u>	<u>\$ 805,798</u>	<u>\$ 15,971,792</u>
\$ -	\$ 24,636	\$ 232,318
-	-	70,733
-	-	1,320,316
447,148	924	548,978
-	1,206	9,230
<u>447,148</u>	<u>26,766</u>	<u>2,181,575</u>
-	-	59,931
-	-	104,471
-	325,985	641,410
-	-	1,112,000
309,943	454,253	5,959,379
-	(1,206)	5,913,026
<u>309,943</u>	<u>779,032</u>	<u>13,730,286</u>
<u>\$ 757,091</u>	<u>\$ 805,798</u>	<u>\$ 15,971,792</u>

TOWNSHIP OF NEWTOWN

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

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 13,730,286
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,468,122
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	(973,738)
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	(20,690)
Bonds and notes payable	(11,370,072)
Net pension (liability) asset	870,969
Net OPEB liability	(4,455,201)
Compensated absences	(537,237)
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>59,931</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>20,772,370</u></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, 2019

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Bond Fund</u>
REVENUES			
Real estate taxes	\$ 5,436,801	\$ -	\$ -
Transfer taxes	1,395,950	-	-
Local services tax	681,040	-	-
Licenses and permits	3,988,807	-	-
Fines and forfeits	47,759	-	-
Interest income, rents and royalties	88,497	51,285	8,931
Intergovernmental revenues	197,018	-	-
Act 205 Pension	261,145	-	-
Charges for services	52,930	-	-
Franchise fee - cable TV	360,086	-	-
Refunds of prior year expenditures	16,421	-	-
Contributions	-	214,330	-
Miscellaneous	247,570	-	-
TOTAL REVENUES	<u>12,774,024</u>	<u>265,615</u>	<u>8,931</u>
EXPENDITURES			
Current			
General government	1,076,904	13,962	173,296
Public safety	4,612,039	128,555	-
Highways and streets	1,366,295	373,970	-
Library	233,206	-	-
Culture and recreation	133,209	29,845	-
Insurance	107,471	-	-
Pension	676,077	-	-
Debt service (principal and interest)	655,878	-	-
TOTAL EXPENDITURES	<u>8,861,079</u>	<u>546,332</u>	<u>173,296</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>3,912,945</u>	<u>(280,717)</u>	<u>(164,365)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	-	-
Interfund transfers in	-	2,061,037	-
Interfund transfers out	(2,062,698)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,062,698)</u>	<u>2,061,037</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,850,247	1,780,320	(164,365)
FUND BALANCES AT BEGINNING OF YEAR	<u>4,168,456</u>	<u>4,526,863</u>	<u>479,790</u>
FUND BALANCES AT END OF YEAR	<u>\$ 6,018,703</u>	<u>\$ 6,307,183</u>	<u>\$ 315,425</u>

See accompanying notes to the basic financial statements.

Stormwater Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 112,154	\$ 5,548,955
-	-	1,395,950
-	-	681,040
-	-	3,988,807
-	-	47,759
7,608	10,607	166,928
-	417,257	614,275
-	-	261,145
-	-	52,930
-	-	360,086
-	-	16,421
-	153,235	367,565
-	-	247,570
<u>7,608</u>	<u>693,253</u>	<u>13,749,431</u>
-	-	1,264,162
-	99,247	4,839,841
17,104	18,017	1,775,386
-	-	233,206
-	91,765	254,819
-	-	107,471
-	-	676,077
-	312,541	968,419
<u>17,104</u>	<u>521,570</u>	<u>10,119,381</u>
<u>(9,496)</u>	<u>171,683</u>	<u>3,630,050</u>
-	2,275	2,275
-	11,584	2,072,621
<u>-</u>	<u>(9,923)</u>	<u>(2,072,621)</u>
<u>-</u>	<u>3,936</u>	<u>2,275</u>
(9,496)	175,619	3,632,325
<u>319,439</u>	<u>603,413</u>	<u>10,097,961</u>
<u>\$ 309,943</u>	<u>\$ 779,032</u>	<u>\$ 13,730,286</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, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,632,325
<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 depreciation (\$1,302,967) exceeds capital outlays (\$412,806) in the current period.</p>	(890,161)
<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>	(48,976)
<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>	679,787
<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>	425
<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>	(39,245)
<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>	288,207
<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>(824,864)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,797,498</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF NEWTOWN
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	Pension Trust Funds	
	Police Pension Fund	Municipal Pension Fund
ASSETS		
Cash	\$ 507,143	\$ 116,902
Investments	13,405,126	3,144,015
Prepaid pension payments	40,014	15,633
Employee contributions receivable	<u>3,988</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 13,956,271</u>	<u>\$ 3,276,550</u>
NET POSITION		
Assets held in trust for pension benefits	<u>\$ 13,956,271</u>	<u>\$ 3,276,550</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, 2019

	Pension Trust Funds	
	Police Pension Fund	Municipal Pension Fund
ADDITIONS		
Contributions		
Employer	\$ 458,224	\$ 217,853
Employee	102,278	-
TOTAL CONTRIBUTIONS	<u>560,502</u>	<u>217,853</u>
Investment income		
Realized and unrealized losses on investments	2,153,578	503,081
Interest and dividends	311,581	72,458
TOTAL INVESTMENT INCOME	<u>2,465,159</u>	<u>575,539</u>
Less investment expense	<u>(62,574)</u>	<u>(14,608)</u>
NET INVESTMENT EARNINGS	<u>2,402,585</u>	<u>560,931</u>
TOTAL ADDITIONS	<u>2,963,087</u>	<u>778,784</u>
DEDUCTIONS		
Benefit payments	489,636	193,149
Administrative expenses	18,171	10,830
TOTAL DEDUCTIONS	<u>507,807</u>	<u>203,979</u>
CHANGE IN NET POSITION	2,455,280	574,805
NET POSITION - BEGINNING	<u>11,500,991</u>	<u>2,701,745</u>
NET POSITION - ENDING	<u>\$ 13,956,271</u>	<u>\$ 3,276,550</u>

See accompanying notes to the basic financial statements.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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.

Blended Component Units:

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

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

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.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019 for the Governmental Activities. For the Newtown Township Municipal Authority, the allowance for uncollectibles was \$19,291 at December 31, 2019.

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, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Compensated Absences

It is the Township's policy not to permit employees to accumulate earned but not used vacation beyond the current year. Township employees are credited with vacation at rates which vary with length of service or job classification. Vacation must be used in the year it was earned. If separation of service occurs in the year earned, the unused balance of the amount earned is paid at separation. The Township had no accrued vacation liability at December 31, 2019.

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, 2019

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, 2019

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, 2019

NOTE C - DEPOSITS AND INVESTMENTS

Deposits

At year end, the total carrying amount of the Township’s checking, savings and money market deposits was \$15,367,131, and the corresponding bank balance was \$15,726,547. 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, 2019, the carrying amounts of the Township's bank deposits were \$15,367,131, and the corresponding bank balances were \$15,726,547, of which \$250,000 was covered by Federal Depository Insurance. Pension fund deposits of \$624,045 were uninsured and uncollateralized. Of the remaining \$14,852,502, \$14,047,451 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 \$805,051 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, 2019, the Township had the following investments:

	Fair Value Level 1	Investment Maturities Less Than One Year
PENSION ACTIVITIES		
Exchange traded funds	\$ 16,549,141	\$ 16,549,141

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 \$16,549,141 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	\$ 190,791
BALANCE PER BANK AND FINANCIAL INSTITUTIONS	190,791
Outstanding checks and reconciling items	<u>(2,499)</u>
CARRYING AMOUNTS ON STATEMENT OF NET POSITION	<u>\$ 188,292</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, 2019, none of the Library's bank balance of \$190,791 was exposed to custodial credit risk.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019, \$250,000 of the total bank balance of \$24,921,911 was insured by the Federal Depository Insurance Corporation. The remaining bank balance of \$24,671,911 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, 2019, 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>2,877,967</u>	\$ <u>1,418,893</u>	\$ <u>1,459,074</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 \$2,877,967 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, 2019

NOTE D - TAXES RECEIVABLE

	<u>General Fund</u>
Real estate taxes	\$ 80,241
Transfer taxes	<u>348,610</u>
TOTAL TAXES RECEIVABLE	\$ <u>428,851</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 \$59,931 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	\$ -	\$ -	\$ -	\$ 974,411
Franchise fee - cable TV receivable	90,950	-	-	-
Grant receivable	-	-	46,143	-
Road program reimbursement	-	17,955	-	-
Miscellaneous	21,283	-	331	-
	<u>112,233</u>	<u>17,955</u>	<u>46,474</u>	<u>974,411</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,291)</u>
ACCOUNTS RECEIVABLE, net	\$ <u>112,233</u>	\$ <u>17,955</u>	\$ <u>46,474</u>	\$ <u>955,120</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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	<u>3,200</u>	<u>-</u>
	<u>\$ 9,230</u>	<u>\$ 9,230</u>

Interfund transfers were as follows:

	<u>Transfer to Other Funds</u>	<u>Transfer from Other Funds</u>
General Fund	\$ 2,062,698	\$ -
Capital Project Funds	-	2,061,037
Street Light Fund	<u>9,923</u>	<u>11,584</u>
	<u>\$ 2,072,621</u>	<u>\$ 2,072,621</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, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 5,570,225	\$ -	\$ -	\$ 5,570,225
Capital assets being depreciated				
Land improvements	688,140	-	-	688,140
Buildings	13,815,924	8,000	-	13,823,924
Infrastructure	9,625,533	20,183	-	9,645,716
Furniture and equipment	<u>7,051,891</u>	<u>384,623</u>	<u>-</u>	<u>7,436,514</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>31,181,488</u>	<u>412,806</u>	<u>-</u>	<u>31,594,294</u>
Accumulated depreciation				
Land improvements	(539,781)	(16,622)	-	(556,403)
Buildings	(2,624,843)	(421,305)	-	(3,046,148)
Infrastructure	(4,067,375)	(528,309)	-	(4,595,684)
Furniture and equipment	<u>(5,161,431)</u>	<u>(336,731)</u>	<u>-</u>	<u>(5,498,162)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(12,393,430)</u>	<u>(1,302,967)</u>	<u>-</u>	<u>(13,696,397)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>18,788,058</u>	<u>(890,161)</u>	<u>-</u>	<u>17,897,897</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 24,358,283</u>	<u>\$ (890,161)</u>	<u>\$ -</u>	<u>\$ 23,468,122</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE H - CAPITAL ASSETS (Continued)

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
COMPONENT UNIT ACTIVITIES				
LIBRARY				
Capital assets				
Furniture and equipment	\$ 234,546	\$ -	\$ -	\$ 234,546
Book collection	419,731	35,937	(107,701)	347,967
TOTAL CAPITAL ASSETS	<u>654,277</u>	<u>35,937</u>	<u>(107,701)</u>	<u>582,513</u>
Accumulated depreciation				
Furniture and equipment	(229,892)	(2,338)	-	(232,230)
Book collection	(336,588)	(32,889)	107,701	(261,776)
TOTAL ACCUMULATED DEPRECIATION	<u>(566,480)</u>	<u>(35,227)</u>	<u>107,701</u>	<u>(494,006)</u>
COMPONENT UNIT ACTIVITIES CAPITAL ASSETS, net	<u>\$ 87,797</u>	<u>\$ 710</u>	<u>\$ -</u>	<u>\$ 88,507</u>
COMPONENT UNIT ACTIVITIES				
MUNICIPAL AUTHORITY				
Capital assets not being depreciated				
Land	\$ 1,234,825	\$ -	\$ -	\$ 1,234,825
Construction in progress	1,776,401	15,894,114	-	17,670,515
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>3,011,226</u>	<u>15,894,114</u>	<u>-</u>	<u>18,905,340</u>
Capital assets being depreciated				
Land improvements	7,195,511	-	-	7,195,511
Accumulated depreciation				
Land improvements	(4,365,601)	(107,947)	-	(4,473,548)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>2,829,910</u>	<u>(107,947)</u>	<u>-</u>	<u>2,721,963</u>
COMPONENT UNIT ACTIVITIES CAPITAL ASSETS, net	<u>\$ 5,841,136</u>	<u>\$ 15,786,167</u>	<u>\$ -</u>	<u>\$ 21,627,303</u>

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

Governmental activities - unallocated	\$ 1,302,967
Component unit - Newtown Public Library	35,227
Component unit - Newtown Township Municipal Authority	<u>107,947</u>
TOTAL DEPRECIATION EXPENSE	<u>\$ 1,446,141</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE I - LONG-TERM DEBT

	Principal Outstanding January 1, 2019	Additions	Reductions	Principal Outstanding December 31, 2019	Due Within One Year
General Obligation Bonds Series of 2016	\$ 9,230,000	\$ -	\$ (170,000)	\$ 9,060,000	\$ 175,000
General Obligation Notes Series A&B of 2016	2,756,000	-	(507,000)	2,249,000	514,000
	<u>11,986,000</u>	<u>-</u>	<u>(677,000)</u>	<u>11,309,000</u>	<u>689,000</u>
Deferred amounts					
Issuance premium	63,859	-	(2,787)	61,072	2,787
Compensated absences	497,992	39,245	-	537,237	-
Net pension liability	1,396,048	-	(1,396,048)	-	-
Total OPEB liability	3,377,897	1,077,304	-	4,455,201	-
	<u>3,377,897</u>	<u>1,077,304</u>	<u>-</u>	<u>4,455,201</u>	<u>-</u>
LONG-TERM DEBT	<u>\$ 17,321,796</u>	<u>\$ 1,116,549</u>	<u>\$ (2,075,835)</u>	<u>\$ 16,362,510</u>	<u>\$ 691,787</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.

\$ 9,060,000

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.

2,249,000

\$ 11,309,000

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE I - LONG-TERM DEBT (Continued)

The annual requirements to amortize all debts outstanding as of December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	414,000	243,736	657,736
2025 to 2029	2,169,000	1,105,169	3,274,169
2030 to 2034	2,445,000	837,215	3,282,215
2035 to 2039	2,835,000	448,350	3,283,350
2040 to 2041	1,255,000	56,700	1,311,700
	<u>\$ 11,309,000</u>	<u>\$ 3,747,987</u>	<u>\$ 15,056,987</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, 2019, DeVal would have received a payment of approximately \$123 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, 2019

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	<u>2,149,741</u>	<u>-</u>	<u>(72,058)</u>	<u>2,077,683</u>	<u>-</u>
TOTAL BONDS PAYABLE	<u>\$ 35,669,741</u>	<u>\$ -</u>	<u>\$ (72,058)</u>	<u>\$ 35,597,683</u>	<u>\$ -</u>

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

Annual debt service requirements to maturity are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ -	\$ 1,472,819
2021	670,000	1,472,819
2022	695,000	1,446,019
2023	720,000	1,425,169
2024	745,000	1,396,369
2025 to 2029	4,205,000	6,510,045
2030 to 2034	5,110,000	5,599,045
2035 to 2039	6,140,000	4,577,895
2040 to 2044	7,635,000	3,082,750
2045 to 2048	<u>7,600,000</u>	<u>973,000</u>
	<u>\$ 33,520,000</u>	<u>\$ 27,955,930</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, 2019

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

Plan Membership

The following table provides information concerning types of covered employees and benefit provisions for each of the Township's plans, from the January 1, 2019 actuarial evaluation (updated through roll forward procedures through the measurement date of December 31, 2019):

	<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>20</u>	<u>19</u>
	<u>33</u>	<u>35</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

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, 2019, 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, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 20.96% for the police pension plan. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

POLICE PENSION PLAN

	<u>Total Police Pension Liability</u>	<u>Police Plan Fiduciary Net Position</u>	<u>Net Police Pension Liability (Asset)</u>
Balance, January 1, 2019	\$ 12,826,389	\$ 11,500,991	\$ 1,325,398
Changes for the year			
Service cost	376,321	-	376,321
Interest	892,647	-	892,647
Differences between expected and actual experience	(205,785)	-	(205,785)
Benefit payments	(489,637)	(489,637)	-
Contributions			
State aid	-	174,097	(174,097)
Employer	-	284,127	(284,127)
Member	-	102,278	(102,278)
Net investment income	-	2,402,586	(2,402,586)
Administrative expense	-	(18,171)	18,171
Net changes	<u>573,546</u>	<u>2,455,280</u>	<u>(1,881,734)</u>
Balance, December 31, 2019	<u>\$ 13,399,935</u>	<u>\$ 13,956,271</u>	<u>\$ (556,336)</u>

Plan fiduciary net position as a percentage of the total pension liability related to the police pension at December 31, 2019 was 104.2%.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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>967,009</u>	\$ <u>(556,336)</u>	\$ <u>(1,839,496)</u>

For the year ended December 31, 2019, the Township recognized pension expense of \$229,877 related to the police pension. At December 31, 2019, 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	\$ -	\$ (508,963)
Changes in assumptions	93,781	-
Net difference between projected and actual investment earnings	<u>-</u>	<u>(689,400)</u>
	<u>\$ 93,781</u>	<u>\$ (1,198,363)</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>	
2020	\$ (312,393)
2021	(291,614)
2022	(75,311)
2023	(349,069)
2024	(25,918)
Thereafter	<u>(50,277)</u>
	<u>\$ (1,104,582)</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Police Pension)

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

- Inflation - 2.25%
- Salary increases - 5.00%
- Investment rate of return - 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.

NON-UNIFORM PENSION PLAN

	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, 2019	\$ 2,772,395	\$ 2,701,745	\$ 70,650
Changes for the year			
Service cost	123,535	-	123,535
Interest	226,555	-	226,555
Differences between expected and actual experience	32,582	-	32,582
Changes of assumption	-	-	-
Benefit payments	(193,150)	(193,150)	-
Contributions			
State aid	-	87,048	(87,048)
Employer	-	130,805	(130,805)
Net investment income	-	560,932	(560,932)
Administrative expense	-	(10,830)	10,830
Net changes	<u>189,522</u>	<u>574,805</u>	<u>(385,283)</u>
Balance, December 31, 2019	<u>\$ 2,961,917</u>	<u>\$ 3,276,550</u>	<u>\$ (314,633)</u>

Plan fiduciary net position as a percentage of the total pension liability related to the non-uniform pension at December 31, 2019, was 110.6%.

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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>(27,903)</u>	\$ <u>(314,633)</u>	\$ <u>(563,031)</u>

For the year ended December 31, 2019, the Township recognized pension expense of \$157,993 related to the non-uniform pension. At December 31, 2019, 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	\$ -	\$ (30,190)
Changes in assumptions	15,412	-
Net difference between projected and actual investment earnings	<u>-</u>	<u>(106,818)</u>
	<u>\$ 15,412</u>	<u>\$ (137,008)</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>	
2020	\$ (32,949)
2021	(28,865)
2022	11,700
2023	(72,701)
2024	(2,982)
Thereafter	<u>4,201</u>
	<u>\$ (121,596)</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE J - DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Non-Uniform Pension)

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

- Inflation - 2.25%
- Salary increases - 5.00%
- Investment rate of return - 8.00% (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, 2019, the annual money-weighted rate of return on the non-uniform pension plan investments, net of pension plan investment expense, was 20.99%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE K - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Membership

At January 1, 2019, plan membership consisted of the following:

Inactive plan members of beneficiaries currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	17
	17
	21

Funding Policy

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

Benefits Provided

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

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

No life insurance benefits are provided.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019. Update procedures were then used to roll forward to the Township's fiscal year ending December 31, 2019, 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, 2019

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

Termination – None assumed.

Disability – None assumed.

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

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

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

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

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

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at December 31, 2018	\$ 3,377,897
Changes for the year	
Service cost	303,107
Interest cost	163,191
Differences between expected and actual experience	275,515
Changes in benefit terms	454,971
Benefit payments	(119,480)
Net changes	<u>1,077,304</u>
Balance at December 31, 2019	<u>\$ 4,455,201</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 <u>(2.75%)</u>	Discount Rate <u>(3.75%)</u>	1% Increase <u>(4.75%)</u>
Total OPEB liability	\$ <u>4,855,109</u>	\$ <u>4,455,201</u>	\$ <u>4,095,262</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 <u></u>	Current Rate <u></u>	1% Increase <u></u>
Total OPEB liability	\$ <u>3,982,897</u>	\$ <u>4,455,201</u>	\$ <u>5,003,722</u>

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

For the year ended December 31, 2019, the Plan recognized OPEB expense of \$944,344. At December 31, 2019, 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 <u></u>	Deferred Inflows of Resources <u></u>
Difference between expected and actual experience	\$ <u>252,440</u>	\$ <u>-</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE K - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

<u>Year Ending December 31,</u>	
2020	\$ 23,075
2021	23,075
2022	23,075
2023	23,075
2024	23,075
Thereafter	<u>137,065</u>
	<u>\$ 252,440</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE L - FUND BALANCES

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Bond Fund</u>	<u>Stormwater Fund</u>	<u>Other Governmental Funds</u>
Nonspendable					
Prepaid expenses	\$ 104,471	\$ -	\$ -	\$ -	\$ -
Restricted					
Building improvements	-	-	315,425	-	-
Hydrant Fund	-	-	-	-	63,719
Street Light Fund	-	-	-	-	86,454
Liquid Fuels Fund	-	-	-	-	175,812
TOTAL RESTRICTED	<u>-</u>	<u>-</u>	<u>315,425</u>	<u>-</u>	<u>325,985</u>
Committed					
Greer Park Playground equipment	-	75,000	-	-	-
Gable Field improvements	-	25,000	-	-	-
Emerald Ash Borer treatments	-	12,000	-	-	-
Ash tree removal	-	50,000	-	-	-
Dam repairs	-	950,000	-	-	-
TOTAL COMMITTED	<u>-</u>	<u>1,112,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned					
Paper Mill House and Bartram Bridge signs	-	14,000	-	-	-
Survey of Township prosperities	-	10,000	-	-	-
Property acquisition	-	250,000	-	-	-
Capital projects	-	4,921,183	-	-	-
War On Drugs Fund	-	-	-	-	34,948
Police Donation Fund	-	-	-	-	61,200
Open Space Fund	-	-	-	-	358,105
Storm water maintenance	-	-	-	309,943	-
TOTAL ASSIGNED	<u>-</u>	<u>5,195,183</u>	<u>-</u>	<u>309,943</u>	<u>454,253</u>
Unassigned	<u>5,914,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,206)</u>
TOTAL FUND BALANCE	<u>\$ 6,018,703</u>	<u>\$ 6,307,183</u>	<u>\$ 315,425</u>	<u>\$ 309,943</u>	<u>\$ 779,032</u>

TOWNSHIP OF NEWTOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE M - RELATED-PARTY TRANSACTIONS

COMPONENT UNIT – NEWTOWN MUNICIPAL AUTHORITY

At December 31, 2019, 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, 2019 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 \$110,000 for the year ended December 31, 2019, which were paid in full during 2019.

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 2019, the contributions from Newtown Township totaled \$201,000. 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

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of Township operations including tax collections and the sewer charges. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. Overall, decreased funding could result in the Township having to curtail or eliminate some non-essential services and furlough employees.

Due to the pandemic, the financial markets have experienced significant market decline since the beginning of the year. These losses, if not regained, will have a significant detrimental impact on the value of the investments held by the Township's pension plans. Decreases in the value of investments held by the Plans may result in a significant impact on the pension liabilities and related deferred inflows and outflows related to the pension plans. At this point, the extent to which COVID-19 will impact our financial condition or results of operations is uncertain and cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF NEWTOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Real estate taxes	\$ 5,450,832	\$ 5,450,832	\$ 5,436,801	\$ (14,031)
Transfer taxes	926,000	926,000	1,395,950	469,950
Local services tax	683,900	683,900	681,040	(2,860)
Licenses and permits	1,163,625	1,392,785	3,988,807	2,596,022
Fines and forfeits	44,000	44,000	47,759	3,759
Interest income, rents and royalties	44,500	44,500	88,497	43,997
Intergovernmental	194,618	194,618	197,018	2,400
Act 205 Pension	229,500	229,500	261,145	31,645
Charges for services	75,968	75,968	52,930	(23,038)
Franchise fee - cable TV	360,000	360,000	360,086	86
Refunds of prior year expenditures	-	-	16,421	16,421
Miscellaneous	262,372	303,355	247,570	(55,785)
TOTAL REVENUES	<u>9,435,315</u>	<u>9,705,458</u>	<u>12,774,024</u>	<u>3,068,566</u>
EXPENDITURES				
General government	1,030,166	1,125,614	1,076,904	(48,710)
Public safety	4,826,771	5,061,297	4,612,039	(449,258)
Highways and streets	1,780,099	1,780,099	1,366,295	(413,804)
Library	231,742	231,742	233,206	1,464
Culture and recreation	154,449	154,449	133,209	(21,240)
Insurance	110,800	110,800	107,471	(3,329)
Pension	644,432	644,432	676,077	31,645
Debt service (principal and interest)	656,856	656,856	655,878	(978)
TOTAL EXPENDITURES	<u>9,435,315</u>	<u>9,765,289</u>	<u>8,861,079</u>	<u>(904,210)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>-</u>	<u>(59,831)</u>	<u>3,912,945</u>	<u>3,972,776</u>
OTHER FINANCING USES				
Transfers out	<u>-</u>	<u>-</u>	<u>(2,062,698)</u>	<u>(2,062,698)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ -</u>	<u>\$ (59,831)</u>	<u>1,850,247</u>	<u>\$ 1,910,078</u>
FUND BALANCE AT BEGINNING OF YEAR				
			<u>4,168,456</u>	
FUND BALANCE AT END OF YEAR				
			<u>\$ 6,018,703</u>	

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

	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ 376,231	\$ 319,402	\$ 304,192	\$ 296,180	\$ 282,076	\$ 238,778
Interest	892,647	856,997	812,056	789,649	744,037	713,989
Changes for experience	(205,785)	-	(399,427)	-	(435,683)	-
Changes of assumptions	-	-	36,008	-	257,339	-
Benefit payments	(489,637)	(546,847)	(432,042)	(388,609)	(388,609)	(387,718)
NET CHANGE IN TOTAL PENSION LIABILITY	573,456	629,552	320,787	697,220	459,160	565,049
Total pension liability, beginning	12,826,389	12,196,837	11,876,050	11,178,830	10,719,670	10,154,621
TOTAL PENSION LIABILITY, ENDING (a)	\$ 13,399,845	\$ 12,826,389	\$ 12,196,837	\$ 11,876,050	\$ 11,178,830	\$ 10,719,670
PLAN FIDUCIARY NET POSITION						
Contributions						
State Aid	\$ 174,097	\$ 149,900	\$ 156,001	\$ 166,147	\$ 133,308	\$ 131,671
Employer	284,127	329,781	542,685	224,129	202,680	190,982
Member	102,278	94,444	89,570	83,861	84,372	81,214
Net investment income	2,402,586	(793,501)	1,738,673	808,973	(72,710)	623,859
Benefit payments, including refunds of member contributions	(489,637)	(546,847)	(432,042)	(388,609)	(388,609)	(387,718)
Administrative expense	(18,171)	(12,262)	(68,991)	(58,220)	(59,787)	(4,800)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,455,280	(778,485)	2,025,896	836,281	(100,746)	635,208
Plan fiduciary net position, beginning	11,500,991	12,279,476	10,253,580	9,417,299	9,518,045	8,882,837
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 13,956,271	\$ 11,500,991	\$ 12,279,476	\$ 10,253,580	\$ 9,417,299	\$ 9,518,045
NET PENSION LIABILITY, ENDING (a)-(b)	\$ (556,426)	\$ 1,325,398	\$ (82,639)	\$ 1,622,470	\$ 1,761,531	\$ 1,201,625
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	104.15%	89.67%	100.68%	86.34%	84.24%	88.79%
COVERED PAYROLL	\$ 1,700,000	\$ 1,871,652	\$ 1,715,480	\$ 1,672,244	\$ 1,622,008	\$ 1,493,418
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	-32.73%	70.81%	-4.82%	97.02%	108.60%	80.46%

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
SCHEDULE OF POLICE PENSION PLAN
CONTRIBUTIONS
LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 458,224	\$ 479,681	\$ 395,676	\$ 390,276	\$ 355,988	\$ 322,653
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>458,224</u>	<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>\$ -</u>	<u>\$ (303,131)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 1,700,000</u>	<u>\$ 1,871,652</u>	<u>\$ 1,715,480</u>	<u>\$ 1,672,244</u>	<u>\$ 1,622,008</u>	<u>\$ 1,493,418</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>26.95%</u>	<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
SCHEDULE OF POLICE PENSION PLAN
INVESTMENT RETURNS
LAST SIX FISCAL YEARS

	<u>2019</u>	<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>20.96%</u>	<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
SCHEDULE OF CHANGES IN THE NET NON-UNIFORM
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS

	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ 123,535	\$ 106,157	\$ 101,102	\$ 75,017	\$ 71,445	\$ 76,536
Interest	226,555	212,445	202,444	197,289	188,778	181,519
Changes for experience	32,582	-	(70,408)	-	(102,640)	-
Changes of assumptions	-	-	9,330	-	71,826	-
Benefit payments	(193,150)	(191,213)	(175,973)	(169,789)	(145,030)	(117,776)
NET CHANGE IN TOTAL PENSION LIABILITY	189,522	127,389	66,495	102,517	84,379	140,279
Total pension liability, beginning	<u>2,772,395</u>	<u>2,645,006</u>	<u>2,578,511</u>	<u>2,475,994</u>	<u>2,391,615</u>	<u>2,251,336</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 2,961,917</u>	<u>\$ 2,772,395</u>	<u>\$ 2,645,006</u>	<u>\$ 2,578,511</u>	<u>\$ 2,475,994</u>	<u>\$ 2,391,615</u>
PLAN FIDUCIARY NET POSITION						
Contributions						
State Aid	\$ 87,048	\$ 79,635	\$ 73,412	\$ 39,461	\$ 13,329	\$ 11,416
Employer	130,805	101,089	223,366	39,461	47,050	50,345
Member	-	-	-	-	-	-
Net investment income	560,932	(206,771)	406,483	192,444	(15,429)	164,004
Benefit payments, including refunds of member contributions	(193,150)	(191,213)	(175,973)	(169,789)	(145,030)	(117,776)
Administrative expense	(10,830)	(6,503)	(24,943)	(18,332)	(23,125)	(4,600)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	574,805	(223,763)	502,345	83,245	(123,205)	103,389
Plan fiduciary net position, beginning	<u>2,701,745</u>	<u>2,925,508</u>	<u>2,423,163</u>	<u>2,339,918</u>	<u>2,463,123</u>	<u>2,359,734</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 3,276,550</u>	<u>\$ 2,701,745</u>	<u>\$ 2,925,508</u>	<u>\$ 2,423,163</u>	<u>\$ 2,339,918</u>	<u>\$ 2,463,123</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ (314,633)</u>	<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>110.62%</u>	<u>97.45%</u>	<u>110.60%</u>	<u>93.98%</u>	<u>94.50%</u>	<u>102.99%</u>
COVERED PAYROLL	<u>\$ 1,080,000</u>	<u>\$ 1,022,920</u>	<u>\$ 877,178</u>	<u>\$ 719,300</u>	<u>\$ 714,542</u>	<u>\$ 726,888</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>-29.13%</u>	<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
SCHEDULE OF NON-UNIFORM PENSION PLAN
CONTRIBUTIONS
LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 142,208	\$ 135,724	\$ 96,778	\$ 78,922	\$ 60,379	\$ 84,990
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>217,853</u>	<u>180,724</u>	<u>296,778</u>	<u>78,922</u>	<u>60,379</u>	<u>84,990</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>(75,645)</u>	\$ <u>(45,000)</u>	\$ <u>(200,000)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED-EMPLOYEE PAYROLL	\$ <u>1,080,000</u>	\$ <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>20.17%</u>	<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
SCHEDULE OF NON-UNIFORM PENSION PLAN
INVESTMENT RETURNS
LAST SIX FISCAL YEARS

	<u>2019</u>	<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>20.99%</u>	<u>-6.69%</u>	<u>16.48%</u>	<u>7.80%</u>	<u>-1.23%</u>	<u>7.17%</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

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

	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 303,107	\$ 167,922
Interest	163,191	124,353
Changes for experience	275,515	-
Changes in benefit terms	454,971	-
Benefit payments	<u>(119,480)</u>	<u>(125,061)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	1,077,304	167,214
Total OPEB liability, beginning	<u>3,377,897</u>	<u>3,210,683</u>
 TOTAL OPEB LIABILITY, ENDING (a)	 <u>\$ 4,455,201</u>	 <u>\$ 3,377,897</u>
 COVERED PAYROLL	 <u>\$ 1,898,240</u>	 <u>\$ 1,898,240</u>
 NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	 <u>234.70%</u>	 <u>177.95%</u>

NOTE TO SCHEDULE

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

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