

**BOROUGH OF NEWTOWN  
BUCKS COUNTY, PENNSYLVANIA**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**YEAR ENDED DECEMBER 31, 2022**



BOROUGH OF NEWTOWN  
BUCKS COUNTY, PENNSYLVANIA

December 31, 2022

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936 Easton Rd., PO Box 754, Warrington, PA 18976 | 130 Almshouse Rd., Suite 201A, Richboro, PA 18954  
215-343-2727 | [www.bbco-cpa.com](http://www.bbco-cpa.com)

## INDEPENDENT AUDITORS' REPORT

Borough Council  
Borough of Newtown, Pennsylvania

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough, as of December 31, 2022, and the respective changes in financial position, and, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter-Change in Accounting Principle***

As discussed in Note 1 to the financial statements, Newtown Borough implemented the provisions of the Governmental Accounting Standards Board Statements No. 87, Leases, for the year ended December 31, 2022, which represents changes in accounting principles. Our opinion is not modified with respect to that matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of changes in net pension liability and related ratios, and pension contributions 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 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Bee, Bergvall and Company, P.C.  
Certified Public Accountants

Warrington, PA  
July 27, 2023

## BOROUGH OF NEWTOWN

### Management's Discussion and Analysis

Year Ended December 31, 2022

As management of the Borough of Newtown, we offer readers of the Borough's financial statements this narrative overview and analysis of the financial activities of the Borough of Newtown for the fiscal year ended December 31, 2022. Please read in conjunction with the Borough's financial statements which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The assets of Newtown Borough exceeded its liabilities at the close of the most recent fiscal year by \$6,441,459 (*net position*). Of this amount, \$2,678,551 (*unrestricted net position*) may be used to meet the Borough's ongoing obligations to citizens and creditors.
- The Borough's total net position increased by \$221,794.
- At the close of the current fiscal year, the Borough's governmental funds reported combined fund balances of \$2,414,738, an increase of \$201,873 (9.1%) in comparison with the prior year. Approximately 63.8% of the fund balance \$1,541,583 is unassigned (general fund balance). In addition, \$1,541,583 represents 66.0% of total general fund expenditures.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Newtown Borough's basic financial statements. The Borough's basic financial statements comprise three components:

1. Governmental-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Borough's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Borough's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the Borough's financial position is improving or deteriorating.

The *statement of activities* presents information showing how the Borough's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

## BOROUGH OF NEWTOWN

### Management's Discussion and Analysis

Year Ended December 31, 2022

Both of the government-wide financial statements distinguish functions of the Borough that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). For the year ended December 31, 2022 the Borough did not engage in any business-type activities.

The governmental activities of the Borough include:

- General Government
- Public Safety
- Highways and Streets
- Culture and Recreation
- Community Development
- Debt Service
- Other

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Newtown Borough, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Borough can be divided into two categories: governmental funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balance of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Newtown Borough maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, and Operating Reserve Fund, which are considered to be major funds.

Data from the other governmental funds (Liquid Fuels, Lighting, Fire Tax, Ambulance, EAC, Grants, Parks & Recreation, Street Improvement, Capital Expense and Capital Traffic/Lighting Projects) are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

## BOROUGH OF NEWTOWN

### Management's Discussion and Analysis

Year Ended December 31, 2022

The Borough adopts an annual appropriated budget for its general fund, special revenue and capital projects funds. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget.

***Fiduciary Funds.*** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide and fund financial statements because the resources of those funds are *not* available to support the Borough's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on pages 27-28 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Borough's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds and are presented immediately following the required supplementary information on pensions.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Newtown Borough, assets exceeded liabilities by \$6,441,459 at the close of the most recent fiscal year. This represents a \$221,794 or 3.6% increase from the previous year.

A significant portion of the Borough's net position (53.1%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Borough uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Borough's investment in its capital assets is reported net of related debt, and net of accumulated depreciation, it should be noted that the resources needed to repay this debt may be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

BOROUGH OF NEWTOWN

Management's Discussion and Analysis

Year Ended December 31, 2022

**THE BOROUGH AS A WHOLE**

The following table reflects the condensed statement of net position:

**Table 1**  
**Statements of Net Position - December 31, 2022**

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Current and Other Assets	\$ 3,738,314	\$ 3,317,876
Capital Assets	<u>3,479,986</u>	<u>3,635,679</u>
Total Assets	<u>7,218,300</u>	<u>6,953,555</u>
Deferred Outflows of Resources	<u>199,750</u>	<u>223,272</u>
Current Liabilities	256,706	275,486
Noncurrent Liabilities	<u>52,506</u>	<u>69,070</u>
Total Liabilities	<u>309,212</u>	<u>344,556</u>
Deferred Inflows of Resources	<u>667,379</u>	<u>612,606</u>
Net Assets		
Net investment in capital assets	3,420,055	3,552,899
Restricted	342,853	293,468
Unrestricted	<u>2,678,551</u>	<u>2,373,298</u>
Total Net Assets	<u>\$ 6,441,459</u>	<u>\$ 6,219,665</u>

An additional portion of the Borough's net position (\$342,853 or 5.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$2,678,551) may be used to meet the Borough's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Borough is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental activities. The Borough's net position increased by \$221,794 or 3.6% during the current fiscal year.

**BOROUGH OF NEWTOWN**

**Management's Discussion and Analysis**

**Year Ended December 31, 2022**

The following chart shows the revenues and expenses of the governmental activities:

**Table 2  
Change in Net Position - 2022**

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Revenues:		
Program revenues:		
Charges for services	\$ 196,127	\$ 207,084
Grants and contributions	264,397	222,686
General revenues:		
Property taxes	1,017,295	810,853
Other taxes	1,347,913	1,570,671
Cable franchise fees	64,983	66,162
Interest and rents	37,336	426
Miscellaneous	13,226	8,371
Total Revenues	<u>2,941,277</u>	<u>2,886,253</u>
Expenses:		
General government	634,392	616,772
Public safety - police	799,511	819,585
Public safety - fire and ambulance	277,740	123,175
Public safety - zoning and inspection	133,298	142,711
Public works	698,226	708,526
Culture and recreation	82,299	75,678
Community development	91,866	12,273
Debt service interest	2,151	1,175
Total Expenses	<u>2,719,483</u>	<u>2,499,895</u>
Change in Net Position	221,794	386,358
Net Position - Beginning of Year	<u>6,219,665</u>	<u>5,833,307</u>
Net Position - End of Year	<u>\$ 6,441,459</u>	<u>\$ 6,219,665</u>

## BOROUGH OF NEWTOWN

### Management's Discussion and Analysis

Year Ended December 31, 2022

#### **Revenue Overview**

For the fiscal year ended December 31, 2022, revenues for governmental activities totaled \$2,941,277 an increase of \$55,024 or approximately 1.9% from 2021. The real estate tax millages were: general millage at 12.75 mills, lighting at .75 mills, fire tax at 1.375 mills, street improvement at 2.125 mills, and ambulance tax at .25 mills. Sources of revenue for the fiscal year 2022 are comprised of the following items:

“Earned Income Tax” is the largest Borough revenue source totaling \$1,251,689 (43% of total revenues) in 2022. Next is real estate taxes at \$776,286 (26%), grants and contributions \$264,397 (9%), followed by real estate transfer tax \$241,009 (8%). Other revenues include charges for services generating \$196,127 and the Local Services tax generating \$96,224.

#### **Expense Overview**

For the 2022 fiscal year, expenses for government activities totaled \$2,719,483, an increase of \$219,588 over 2021 expenses. The largest areas of expense in 2022 were, in order, Public Safety, Public Works, and General Government.

The change in net position reflects the difference between total revenues and total expenses. For governmental activities in fiscal 2022, revenues \$2,941,277 were more than expenses \$2,719,483 by \$221,794 resulting in an increase in net position by that amount. The year ended with a total Net Position of \$6,441,459.

#### **FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

As noted earlier, the Borough uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds.** The focus of the Borough’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Borough’s financing requirements. In particular, *Restricted, Committed, Assigned and Unassigned Fund Balances* may serve as a useful measure of a Borough’s net resources available for spending at the end of the fiscal year. However, the *Restricted, Committed* and the *Assigned* are ear-marked for specific purposes.

As of the end of the current fiscal year, the Borough’s governmental funds reported combined ending fund balances of \$2,414,738, an increase of \$201,873 or (9.1%) in comparison with the prior year. Of the total, \$1,541,583 constitutes *unassigned fund balance*. The remainder of fund balance is *restricted* (\$337,762), *or assigned* (\$535,393) to indicate that it is not available for new spending because it has already been reserved for other Borough capital projects, purchases and contractual obligations, repayment of debt service, or taxes levied and collected for specific purposes, per Borough Code.

The **General Fund** is the Borough’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund total fund balance increased by \$134,036. The Borough’s total expenses (net of transfers) were under budget by \$70,475.

## BOROUGH OF NEWTOWN

### Management's Discussion and Analysis

Year Ended December 31, 2022

The **Operating Reserve Fund** is used to account for revenues and expenditures for the Borough's financial reserves. At the end of 2022 the balance in this fund was \$487,208. During 2022 this fund received the second installment of \$117,971 American Rescue Plan Act allocation.

2022 capital projects included:

- \$75,122 for the purchase and outfitting of a Police Vehicle

### **Special Revenue Funds**

Special Revenues Funds are comprised of the following minor funds:

#### Liquid Fuels Fund

This fund is used to account for revenues and expenditures of Commonwealth Liquid Fuels Grant funds. At the end of 2022 the balance in this fund was \$67,246.

#### Lighting Fund

This fund accounts for revenues and expenditures for the Borough's streetlights. Real estate taxes, refunds of prior year expenses, and interest totaling \$36,713 were collected by the Borough for keeping the Borough's streetlights in operation. The total tax millage assigned to streetlights is .75 mills.

#### Fire Tax Fund

This fund accounts for revenues and expenditures for Borough volunteer fire protection. Real estate taxes, Commonwealth foreign fire insurance distributions, and interest totaling \$90,227 were collected by the Borough for payment of workers' compensation insurance for the Borough's volunteer fire company, and foreign fire insurance distribution to Newtown Firemans' Relief Association. The total tax millage assigned to the fire Association is 1.375 mills.

#### Ambulance Fund

This fund accounts for revenues and expenditures for Borough's ambulance service. Real estate taxes and interest totaling \$11,114 were collected by the Borough for transfer to the Newtown Ambulance Squad. The total tax millage assigned to the ambulance squad is 0.25 mills.

#### Grants Fund

This fund accounts for revenues and expenditures for special grants. During 2022 \$13,245 was expended on grant projects.

#### EAC (Environmental Advisory Committee) Fund

This fund accounts for revenues and expenditures associated with the Borough's recycling efforts.

#### Parks & Recreation Fund

This fund accounts for revenues and expenses associated with the Borough's park and recreation facilities and programs.

### **Capital Projects Funds**

Capital Projects Funds are comprised of the following minor funds:

## BOROUGH OF NEWTOWN

### Management's Discussion and Analysis

#### Year Ended December 31, 2022

The **Street Improvement Fund** is used to account for revenues and expenditures for the construction of specific road projects by the Borough. At the end of 2022 the balance in this fund was \$88,737. During 2022 a transfer of \$81,577 was received from the general fund.

In 2022, capital projects included:

- Paid from Street Improvement Fund 2022 paving project, \$197,820. The Borough received a reimbursement of \$38,592 from Newtown Artesian Water Company for this project.

#### Capital Expense Fund

This fund accounts for revenues and expenditures associated with the Borough's capital projects. Transfers from the general fund totaling \$58,137 were received by this fund for capital purchases.

In 2022, capital projects and purchases included:

- Purchase of police equipment, \$2,862
- Purchase of office equipment \$13,707
- Purchase of park equipment \$5,780
- Purchase of building improvements, \$10,525.

#### Capital Traffic/Lighting Project Fund

This fund accounts for revenues and expenditures associated with the Borough's capital traffic lighting projects. Transfers from the Lighting fund totaling \$11,295 were received by this fund for debt service on the 2017 8-year capital lease.

In 2022, expenditures included:

- Debt service for LED streetlight replacement capital lease, \$11,296.

**Fiduciary Funds.** As mentioned earlier, fiduciary funds are resources held for the benefit of parties outside the government. These include:

#### Police Pension Trust Fund

This fund is used to account for resources required to be held in trust for the members and beneficiaries of the Borough's defined benefit pension plan - the Police Pension Fund. The Borough may be eligible for Act 205 assistance in the form of state aid. The plan is administered by Pennsylvania Municipal Retirement System (PMRS). For 2022, the Borough has elected not to report the fund statements in this fund due to non-receipt of 2022 activity reports from PMRS.

#### Non-Uniform Pension Trust Fund

This fund is used to account for resources required to be held in trust for the members and beneficiaries of the Borough's defined benefit pension plan (cash balance plan) - the Non-Uniform Pension Fund. The Borough may be eligible for Act 205 assistance in the form of state aid. The plan is administered by Pennsylvania Municipal Retirement System (PMRS). For 2022 the Borough has elected not to report the fund statements for this fund due to non-receipt of 2022 activity reports from PMRS.

#### Custodial Funds

These funds are used to account for subdivision/land development, and all other types of escrows held by the Borough in a custodial capacity.

## BOROUGH OF NEWTOWN

### Management's Discussion and Analysis

Year Ended December 31, 2022

#### **General Fund Budgetary Highlights**

***Final budget compared to actual results.*** 2022 budget amendments included adding a line item for paid fire services by Newtown Township Emergency Services Department and an increase in pay for the Chief of Police. Budget variances are discussed as follows:

#### **REVENUES:**

The process of estimating revenues has always been on a conservative approach, especially since Earned Income Tax Revenue has consistently changed year over year. Total Revenues in the General Fund were \$413,270 over budget.

#### Tax Revenues

- Real Estate Property Taxes - were under budget by \$14,323.
- Real Estate Transfer Taxes - were over budget by \$121,009.
- Local Service Taxes - were over budget by \$22,688
- Earned Income Taxes (EIT) - were over budget by \$197,173, and increased by \$28,141 from 2021.

#### Fees, Licenses and Permits

- Were over budget by \$494.

#### Fines and Forfeitures

- Were under budget by \$12,551 due to reduced enforcement of parking ordinances.

#### Charges for Services

- Were over budget by \$24,957.

#### Other Revenues

- Intergovernmental Revenues - This includes Pension State Aid of \$62,200 for the Borough's Police and Non-Uniform Pension Plans.
- Miscellaneous Revenues - This includes \$53,530 refunds of prior year expenditures, and \$6,750 of reimbursements for police services.

#### **EXPENSES:**

Expenses overall came in at \$2,336,322 (2.9%) under a budget of \$2,406,797.

#### General Government

- In total came in over budget by \$38,748.

#### Public Safety

- In total came in under budget by \$20,396.
- Police - Overall the Police Department came in \$6,494 over budget.
- Code and Zoning - Overall Code and Zoning Services came in \$34,032 under budget.

## BOROUGH OF NEWTOWN

### Management's Discussion and Analysis

Year Ended December 31, 2022

#### **EXPENSES (Continued):**

##### Public Works

- In total came in under budget by \$24,675.
- Snow removal came in under budget by \$41,129.

##### Culture and Recreation

- In total came in under budget by \$6,174.

##### Unallocated Insurance and Employee Benefits

- In total came in over budget by \$4,931.

#### **ITEMS OF GENERAL INTEREST**

##### **Water**

Residents and businesses of the Borough are served by Newtown Artesian Water Company. The Borough has no financial or management control of the water company.

##### **Waste Water**

Residents and businesses of the Borough are served by the Newtown, Bucks County, Joint Municipal Authority. The Borough has no financial or management control of the sewer authority.

##### **Fire and Ambulance**

Residents and businesses of the Borough are served by the volunteer Newtown Fire Association, Inc. There are mutual aid agreements and central dispatching throughout the area. Newtown Ambulance Squad provides ambulance services. The Borough collects and distributes a 1.375 mill fire tax and a .25 mill ambulance tax. The Borough has no other financial or management control of the volunteer fire company or ambulance service.

##### **Public Facilities**

The Borough owns Linton Memorial Park, the Brian S. Gregg Memorial Park, Pickering Field, Newtown Common, Patriots Park, and various municipal parking lots. The Borough municipal building, located at 23 North State Street, was purchased in 1854 and completed in 1858 and is on the National Register of Historic Places. The Newtown Borough Police Department is leased from the Newtown Fire Association, Inc. and is located at 22 Liberty Street.

#### **PENSION PLANS**

##### **Police Pension Plan**

Full-time, uniformed employees are members of the Police Pension Plan. The Police Pension Plan is a defined benefit plan. This type of plan is based on the average of the last three years of the employee's salary of active service. Vesting is twelve years. Police officers contribute a mandatory five percent of their salaries. The Borough may be eligible for Act 205 assistance in the form of State Aid if certain qualifications for full-time employees are met. The Plan is administered by the Pennsylvania Municipal Retirement System (PMRS).

## BOROUGH OF NEWTOWN

### Management's Discussion and Analysis

Year Ended December 31, 2022

#### **PENSION PLANS (Continued)**

##### **Non-Uniform Pension Plan**

Permanent, full-time, non-uniformed employees are members of the Non-Uniform Pension Plan. The Non-Uniform Pension Plan is a cash balance plan. This type of plan is based on an eight percent contribution of the employee's annual salary by the Borough to the participant's account and related returns on investments. Vesting is ten years. The Borough may be eligible for Act 205 assistance in the form of State Aid if certain qualifications for full-time employees are met. The plan is administered by the Pennsylvania Municipal Retirement System (PMRS).

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

The Borough's investment in capital assets for its governmental activities as of December 31, 2022, amounts to \$3,479,986 (*net of accumulated depreciation*). This investment in capital assets includes: land, building and infrastructure improvements, equipment and furniture.

**Table 3**  
**Changes in Capital Assets – Governmental Funds**

	Beginning Balance <u>1/1/22</u>	Net Additions (Deletions) <u>2022</u>	Ending Balance <u>12/31/22</u>
<b>Non-Depreciable Assets</b>			
Land	\$ 14,219	\$ -	\$ 14,219
<b>Other Capital Assets</b>			
Land improvements	349,643	(190)	349,453
Buildings and improvements	883,207	4,416	887,623
Equipment and furniture	317,850	5,431	323,281
Vehicles	164,402	47,175	211,577
Infrastructure	6,081,179	17,284	6,098,463
Less: accumulated depreciation on capital assets	(4,223,482)	(216,229)	(4,439,711)
Leased assets	67,898	-	67,898
Less: accumulated amortization	<u>(19,237)</u>	<u>(13,580)</u>	<u>(32,817)</u>
<b>Totals</b>	<u>\$ 3,635,679</u>	<u>\$ (155,693)</u>	<u>\$ 3,479,986</u>

#### **Outstanding Debt as of December 31, 2022**

During 2017 the Borough obtained an eight-year fixed, 2.95% capital lease of \$77,423 from Univest Bank and Trust. The lease proceeds were used to upgrade the Borough's streetlights to LED. As of December 31, 2022, \$23,691 was outstanding.

Year of <u>Issue</u>	Amount of <u>Original Issue</u>	Interest <u>Rate</u>	Final <u>Maturity</u>	Balance <u>1/1/22</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/22</u>
2017	77,423	2.95%	2025	34,119	-	(10,428)	<u>23,691</u>
							<u>\$ 23,691</u>

More information and schedules of payment can be found on pages 43 and 44. The debt principal and interest are being funded by the capital traffic/lighting fund.

BOROUGH OF NEWTOWN

Management's Discussion and Analysis

Year Ended December 31, 2022

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETED PROJECTS**

Scheduled Capital Expenditures of \$97,093 for 2023 funded by General Fund include:

• 407.210-Office Equipment-Records Management-Scanning/Shredding	\$10,000
• 407.410-Police Department Accreditation (50% 2023 and balance 2024)	\$17,000
• 407.410-Police Headquarters-Inside chimney repair-calcification	\$ 1,255
• 430.732-Highways-3) Sets of 6) inserts in existing combo/trash recycling bins	\$ 2,000
• 430.732-Highways-2) Large 22-gallon black pole-type receptacles	\$ 600
• 430.732-Highways-5) Sentinels-Walk Friendly Newtown Committee	\$ 1,750
• 430.732-Highways-2) Solar powered speed boards-Walk Friendly Newtown & PD	\$ 7,000
• 454.000-Recreation Board-Popcorn machine for Recreation Board Events	\$ 400
• 454.000-Recreation Board-T Shirts and gear (board members and sale)	\$ 1,800
• 454.000-Recreation Board-Frame structure, 2) new swings, and Zero-G ADA -Brian S. Gregg Memorial Park	\$ 5,353
• 454.000-Recreation Board-Install swing and remove set (estimate)	\$ 4,000
• 454.000-Recreation Board-Gaga pit – Linton Memorial Park	\$ 2,500
• 454.025-Patriots Park-Maintenance-Paint metal roof	\$ 6,000
• 454.025-Patriots Park-Maintenance-Building repairs and painting	\$ 5,000
• 495.150-Borough Hall-Building Improvements-Paint Borough Hall rear -ramp to back of building	\$11,000
• 495.150-Borough Hall-Building Improvements-Repairs to entrance landing and side of stucco	\$12,000
• 495.150-Borough Hall-Adjacent Municipal Parking Lot-Chain link fence	\$ 8,000
• 495.150-Borough Hall-Garage-Drywall repairs/replacement	\$ 1,435

Scheduled Capital Purchases of \$17,955 for 2023 funded by Operating Reserve Fund  
Utilizing American Rescue Plan Act Funds due to COVID-19 Coronavirus include:

• 407.410-Police Equipment-4) Bodycams	\$ 7,555
• 407.410-Police Equipment-4) AED (Defibrillators)	\$ 6,400
• 407.410-Police Equipment-Update communications in current police vehicles	\$ 2,800
• 407.410-Police Equipment-1) Additional communications for new 2023 vehicle	\$ 1,200

## BOROUGH OF NEWTOWN

### Management's Discussion and Analysis

Year Ended December 31, 2022

**2023 Street Improvement Program will include the following budget of \$91,300 with levied Street Improvement Funds.** The Borough will reconstruct the following streets in conjunction with Newtown Artesian Water's water main replacement for maximum savings to the Borough, water company and property owners. The water company will reimburse the Borough for half of the road reconstruction, excluding ADA ramps:

- N. Elm Avenue - Washington Avenue to 202 N. Elm Avenue

**Other 2023 Street Improvements include:**

- S. Congress Street - Washington Avenue to East Centre Avenue

Early 2023, it was determined that base repairs on N. State Street, in the proximity of 231 N. State Street, were necessary and crack sealing on S. Norwood Avenue and Penn Street. **The revised, estimated total street improvements cost is \$213,880 with a reimbursement of \$54,075 from Newtown Artesian Water Company and \$44,570 reimbursement from property owners. This is a net estimate cost of \$115,235 to the Borough.**

**The Borough will continue to use State Liquid Fuels Funds in 2023 to pay for the matching portion of the Green Light-Go grant awarded for a new traffic signal at Lincoln and Washington Avenues.**

**The 2022 Drainage Project on private property was postponed until 2023 - 210 S. Chancellor Street** was evaluated to achieve MS4 (Municipal Stormwater) required credits. **The Borough passed Resolution #05-11-21 to obtain a DCED Watershed Grant.** The grant applied for \$102,000 of funding and awarded a \$75,000 grant. This grant, along with the balance of an existing MS4 Grant, will help offsets costs to the Borough. It was confirmed the Borough could use allocated ARPA Funds (American Rescue Plan Act) due to COVID-19 Coronavirus since no federal funds are appropriated in the DCED (State) Grant.

With continued conservative spending, it is imperative that the Borough's Operating Reserve sustain its fund balance. This will allow for future funding of possible grant opportunities and any other unforeseen situations that may arise.

### **Requests for Information**

This financial report is designed to provide a general overview of Newtown Borough's finances for all those with an interest in the Borough's finances. Questions concerning the information provided in this report or requests for additional financial information can be addressed by Liaison of the Budget and Finance Committee at 215-968-2109 or at <https://www.boroughofnewtown.com/right-to-know-legislation>.

BOROUGH OF NEWTOWN

GOVERNMENT-WIDE STATEMENT OF NET POSITION

December 31, 2022

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 2,221,898
Taxes receivable	608,151
Accounts receivable	99,130
Prepaid expenses	<u>23,171</u>
Total Current Assets	<u>2,952,350</u>
Noncurrent Assets	
Capital Assets	
Land	14,219
Land improvements	349,453
Buildings and improvements	887,623
Equipment and furniture	323,281
Vehicles	211,577
Infrastructure	6,098,463
Accumulated depreciation	<u>(4,439,711)</u>
Net Capital Assets Subject to Depreciation	<u>3,444,905</u>
Right of use asset	67,898
Accumulated amortization	<u>(32,817)</u>
Net Capital Assets Subject to Amortization	<u>35,081</u>
Net Pension Asset	<u>785,964</u>
Total Noncurrent Assets	<u>4,265,950</u>
 TOTAL ASSETS	 <u><u>\$ 7,218,300</u></u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources for pension	<u>\$ 199,750</u>
Total deferred outflows of resources	<u><u>\$ 199,750</u></u>

LIABILITIES

Current Liabilities	
Accounts payable	\$ 11,461
Accrued expenses	58,694
Accrued payroll	23,399
Unearned revenues	138,698
Current portion of long-term liabilities	24,454
Compensated absences, current	-
Total Current Liabilities	<u>256,706</u>
Noncurrent Liabilities	
Capital lease payable, long-term	12,939
lease liability	22,538
Compensated absences, net of current maturity	<u>17,029</u>
TOTAL LIABILITIES	<u>309,212</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources for pension	<u>667,379</u>
Total deferred inflows of resources	<u>667,379</u>

NET POSITION

Net investment in capital assets	3,420,055
Restricted	342,853
Unrestricted	<u>2,678,551</u>
TOTAL NET POSITION	<u>\$ 6,441,459</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF NEWTOWN

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
	<u>Expenses</u>				<u>Total</u>
GOVERNMENTAL ACTIVITIES					
General government & administration	\$ 634,392	\$ 46,210	\$ 22,601	\$ -	\$ (565,581)
Public safety - police	799,511	33,149	51,339	96,502	(618,521)
Public safety - fire & ambulance	277,740	-	27,581	-	(250,159)
Public safety - code & zoning	133,298	116,527	-	-	(16,771)
Public works	698,226	241	66,374	-	(631,611)
Culture & recreation	82,299	-	-	-	(82,299)
Community development	91,866	-	-	-	(91,866)
Interest on long-term debt	<u>2,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,151)</u>
Total Governmental Activities	<u>2,719,483</u>	<u>196,127</u>	<u>167,895</u>	<u>96,502</u>	<u>(2,258,959)</u>
General Revenues					
Real estate taxes					776,286
Real estate transfer taxes					241,009
Earned income taxes					1,251,689
Local services taxes					96,224
Cable franchise fees					64,983
Interest and rents					37,336
Miscellaneous					72,066
Gain (loss) on sale of capital assets					<u>(58,840)</u>
Total General Revenues					<u>2,480,753</u>
Change in Net Position					221,794
Net Position - Beginning					6,219,665
Net Position - Ending					<u>\$ 6,441,459</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF NEWTOWN

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2022

	<u>General</u>	<u>Operating Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,254,746	\$ 628,356	\$ 338,796	\$ 2,221,898
Taxes receivable	603,038	-	5,113	608,151
Accounts receivable	59,407	-	39,723	99,130
Prepaid expense	12,995	-	10,176	23,171
Total Assets	<u>\$ 1,930,186</u>	<u>\$ 628,356</u>	<u>\$ 393,808</u>	<u>\$ 2,952,350</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 6,885	\$ 2,450	\$ 2,126	\$ 11,461
Accrued expenses	55,999	-	2,695	58,694
Accrued payroll	23,399	-	-	23,399
Unearned revenues	-	138,698	-	138,698
Total Liabilities	<u>86,283</u>	<u>141,148</u>	<u>4,821</u>	<u>232,252</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue for:				
Real estate taxes	8,626	-	3,040	11,666
Earned income taxes	293,694	-	-	293,694
Total Deferred Inflows of Resources	<u>302,320</u>	<u>-</u>	<u>3,040</u>	<u>305,360</u>
<u>FUND BALANCES</u>				
Restricted:				
Highways & streets	-	-	155,983	155,983
Street lighting	-	-	18,296	18,296
Local fire company	-	-	97,512	97,512
Ambulance	-	-	117	117
Grant projects	-	-	65,854	65,854
Assigned:				
Reserves	-	487,208	-	487,208
Parks & recreation	-	-	2,645	2,645
Capital projects	-	-	45,540	45,540
Unassigned	<u>1,541,583</u>	<u>-</u>	<u>-</u>	<u>1,541,583</u>
Total Fund Balances	<u>1,541,583</u>	<u>487,208</u>	<u>385,947</u>	<u>2,414,738</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,930,186</u>	<u>\$ 628,356</u>	<u>\$ 393,808</u>	<u>\$ 2,952,350</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF NEWTOWN

RECONCILIATION OF THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE  
STATEMENT OF GOVERNMENT-WIDE NET POSITION

December 31, 2022

TOTAL GOVERNMENTAL FUND BALANCES	\$ 2,414,738
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Capital assets used in governmental activities are not financial resources and, therefore, are reported in the funds.

Cost of capital assets	\$ 7,884,616	
Accumulated depreciation	(4,439,711)	
Cost of right of use asset	67,898	
Accumulated amortization	<u>(32,817)</u>	3,479,986

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.

Real estate tax receivable	11,666	
Earned income tax receivable	293,694	
Net pension asset	<u>785,964</u>	1,091,324

Deferred inflows and outflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Net difference between projected and actual earnings on pension plan investments	(570,287)	
Change in assumptions	70,893	
Pension contributions made after the measurement date	62,389	
Differences between expected and actual experience on pension plan liability	<u>(30,624)</u>	(467,629)

Long term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Those liabilities consist of the following:

Notes payable	(23,691)	
Lease Liability	(36,240)	
Compensated absences	<u>(17,029)</u>	<u>(76,960)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>6,441,459</u>
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The notes to the financial statements are an integral part of this statement.

BOROUGH OF NEWTOWN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2022

	General Fund	Operating Reserve Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Real estate taxes	\$ 571,377	\$ -	\$ 199,815	\$ 771,192
Transfer tax	241,009	-	-	241,009
Earned income tax	1,297,173	-	-	1,297,173
Local service tax	97,688	-	-	97,688
Licenses and permits	72,294	-	-	72,294
Fines and forfeitures	33,149	-	-	33,149
Interest and rents	20,779	9,519	7,038	37,336
Intergovernmental revenues	69,307	96,502	93,955	259,764
Charges for service	155,667	-	-	155,667
Miscellaneous revenue	56,930	-	19,769	76,699
Total Revenues	<u>2,615,373</u>	<u>106,021</u>	<u>320,577</u>	<u>3,041,971</u>
Expenditures				
Current:				
General government	377,612	-	37,010	414,622
Public safety	1,285,988	-	129,242	1,415,230
Public works (sanitation & streets)	366,445	-	227,336	593,781
Culture and recreation	50,216	-	10,526	60,742
Community development	3,500	75,121	13,245	91,866
Miscellaneous	237,974	-	-	237,974
Debt Service				
Principal	13,304	-	10,428	23,732
Interest	1,283	-	868	2,151
Total Expenditures	<u>2,336,322</u>	<u>75,121</u>	<u>428,655</u>	<u>2,840,098</u>
Excess of Revenues over (under) Expenditures	<u>279,051</u>	<u>30,900</u>	<u>(108,078)</u>	<u>201,873</u>
Other Financing Sources (Uses)				
Transfer in	-	-	156,310	156,310
Transfer out	(145,015)	-	(11,295)	(156,310)
Total Other Financing Sources (Uses)	<u>(145,015)</u>	<u>-</u>	<u>145,015</u>	<u>-</u>
Net Change in Fund Balance	134,036	30,900	36,937	201,873
Fund Balance - Beginning	1,407,547	456,308	349,010	2,212,865
Fund Balance - Ending	<u>\$ 1,541,583</u>	<u>\$ 487,208</u>	<u>\$ 385,947</u>	<u>\$ 2,414,738</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF NEWTOWN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	201,873
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 293,042		
Repaving of non fully depreciated roads	(58,840)		
Depreciation expense	(376,315)		
Amortization expense	<u>(13,580)</u>		(155,693)

Because some taxes and other receivables will not be collected for several months after the Borough's year end, they are not considered as "available" revenues in the governmental funds, but are considered revenues in the statement of activities. These taxes and other receivables are net of corresponding amounts due as of the end of the prior year.

(41,854)

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 assets. 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.

Repayment of debt	<u>22,849</u>		22,849
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net pension liability and deferred items	202,506		
Compensated absences	<u>(7,887)</u>		<u>194,619</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>221,794</u>
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The notes to the financial statements are an integral part of this statement.

BOROUGH OF NEWTOWN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2022

	GENERAL FUND			
	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Real estate taxes	\$ 585,700	\$ 585,700	\$ 571,377	\$ (14,323)
Transfer tax	120,000	120,000	241,009	121,009
Earned income tax	1,100,000	1,100,000	1,297,173	197,173
Local service tax	75,000	75,000	97,688	22,688
Licenses and permits	71,800	71,800	72,294	494
Fines and forfeitures	45,700	45,700	33,149	(12,551)
Interest and rents	1	1	20,779	20,778
Intergovernmental revenues	60,580	60,580	69,307	8,727
Charges for service	130,710	130,710	155,667	24,957
Miscellaneous income	12,612	12,612	56,930	44,318
Total Revenues	<u>2,202,103</u>	<u>2,202,103</u>	<u>2,615,373</u>	<u>413,270</u>
Expenditures				
Current:				
General government	396,360	416,360	377,612	38,748
Public safety	1,153,384	1,306,384	1,285,988	20,396
Public works	391,120	391,120	366,445	24,675
Culture and recreation	56,390	56,390	50,216	6,174
Community development	3,500	3,500	3,500	-
Miscellaneous	233,043	233,043	237,974	(4,931)
Debt Service				
Principal	-	-	13,304	(13,304)
Interest	-	-	1,283	(1,283)
Total Expenditures	<u>2,233,797</u>	<u>2,406,797</u>	<u>2,336,322</u>	<u>70,475</u>
Excess of Revenues over (under) Expenditures	<u>(31,694)</u>	<u>(204,694)</u>	<u>279,051</u>	<u>483,745</u>
Other Financing Sources (Uses)				
Transfers out	<u>(42,300)</u>	<u>(42,300)</u>	<u>(145,015)</u>	<u>(102,715)</u>
Total Other Financing Sources (Uses)	<u>(42,300)</u>	<u>(42,300)</u>	<u>(145,015)</u>	<u>(102,715)</u>
Net Change in Fund Balance	(73,994)	(246,994)	134,036	381,030
Fund Balance - Beginning			<u>1,407,547</u>	
Fund Balance - Ending			<u>\$ 1,541,583</u>	

The notes to the financial statements are an integral part of this statement.

BOROUGH OF NEWTOWN

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

December 31, 2022

	Custodial <u>Funds</u>
<u>ASSETS</u>	
Cash	\$     42,522
Total Assets	<u>\$     42,522</u>
 <u>LIABILITIES</u>	
Accounts payable	\$       5,577
Accrued expenses	<u>      2,996</u>
Total Liabilities	<u>\$       8,573</u>
 <u>NET POSITION</u>	
Net Position - Restricted for:	
Custodial Funds	\$     33,949
Total Net Position	<u>\$     33,949</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF NEWTOWN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

December 31, 2022

	<u>Custodial Funds</u>
Additions	
Contributions	
Escrow receipts	\$ 71,442
Total Contributions	<u>71,442</u>
Investment Income	
Interest income	<u>1,006</u>
Total Investment Income	<u>1,006</u>
Total Additions	<u>72,448</u>
Deductions	
Escrow disbursements	<u>134,362</u>
Total Deductions	<u>134,362</u>
Change in Net Position	(61,914)
Net Position - Restricted	
Custodial Funds - January 1	<u>95,863</u>
Custodial Funds - December 31	<u>\$ 33,949</u>

The notes to the financial statements are an integral part of this statement.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**I. Summary of significant accounting policies**

**A. *Reporting entity***

The Borough of Newtown is a municipal corporation existing and operating under the Borough code of the Commonwealth of Pennsylvania. The Borough Council (the “Council”) is the basic level of government which has financial accountability and control over all activities related to municipal functions in the Borough of Newtown. The Council is not included in any other governmental “reporting entity” as defined by the Government Accounting Standards Board, since Council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and have primary accountability for fiscal matters.

In evaluating the Borough (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Borough have been addressed. Financial accountability is present if the Borough appoints a voting majority of a component unit’s governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough. Based on these criteria, there are no organizations or agencies which should be included in the Borough’s reporting entity.

**B. *Government-wide and fund 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 nonfiduciary activities of the Borough. All fiduciary activities are reported only in the fiduciary fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. For the year ended December 31, 2022 the Borough has no *business-type activities* (*Enterprise Funds*).

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**I. Summary of significant accounting policies (Continued)**

***B. Government-wide and fund financial statements (continued)***

Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services which report fees and other charges to users of the Borough's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental 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 a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

***Fund Financial Statements***

Fund financial statements are provided for governmental 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 funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate column in the fund financial statements.

***C. Measurement focus, basis of accounting, and financial statement presentation***

The government-wide statements report using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using the same focus and basis of accounting although internal activity is not eliminated in these statements and any agency funds reported have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues, net of any uncollectible amounts, are recognized in the year for which they are levied while grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**I. Summary of significant accounting policies (Continued)**

***C. Measurement focus, basis of accounting, and financial statement presentation  
(continued)***

Governmental fund financial statements reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Borough considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Property taxes levied but collected beyond 60 days after year-end are recorded as deferred revenue to be recognized as revenue when the taxes are collected. 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.

Property 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

***Basis of Presentation - Fund Accounting and Measurement Focus***

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following is a description of the fund types used by the Borough in the accompanying basic financial statements.

The government reports the following major governmental funds:

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

The *Operating Reserve Fund* is used to account for future operational contingencies of the Borough.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**I. Summary of significant accounting policies (Continued)**

***C. Measurement focus, basis of accounting, and financial statement presentation  
(continued)***

Trust and Custodial Funds - are used to account for assets held by the Borough in a trustee or agent capacity for individuals and/or other funds.

*Custodial Funds* - These funds are used to account for subdivision/land development, and all other types of escrows held by the Borough in a custodial capacity.

Major revenue sources susceptible to accrual include: property taxes, earned income taxes, interest earnings, special assessments, levies, intergovernmental revenues and charges for services. In general, other revenues are recognized when cash is received. In applying the susceptible to accrual concept to intergovernmental revenues, there are essentially two types of revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Borough; therefore, revenues are recognized based upon the expenditures incurred. In the other, monies are virtually unrestricted and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

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

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net assets or equity***

***1. Deposits and investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

With the exception of Pension Trust Funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Government to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository.

The Commonwealth also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the Company are authorized investments, as noted above.

The law provides that the government's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent.

***2. Receivables and payables***

At December 31, 2022, all tax and trade receivables were deemed to be fully collectible.

Property taxes are levied as of March 1 on property values assessed as of the same date. Taxes are billed March 1 and payable under the following terms: a 2% discount March 1 through April 30; face amount May 1 through July 1; and a 10% penalty after July 1. Any unpaid taxes are attached as an enforceable lien on such property as of January 15 of the following year. The Borough employs an elected tax collector to collect the property tax levied. Property taxes collected within sixty days subsequent to December 31, 2022 are recognized as revenue for the year ending December 31, 2022.

***3. Use of estimates***

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net assets or equity (continued)***

***4. Right to use Assets***

The Borough has recorded the right to use lease assets as a result of implementing GASB 87. The right to use assets are initially recorded at an amount equal to the initial measurement of the related lease liability. The right to use asset is amortized on a straight-line basis over the life of the related lease.

***5. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental-activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of two years. 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. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	15-20
Buildings and improvements	50
Roads and traffic lights	20-40
Machinery, equipment, vehicles	3-20

***6. Accrued Salaries and Wages***

Accrued salaries and wages are recorded based on wages earned in the current year, paid in the next year, including related employee benefits.

***7. Compensated absences***

The Borough allows employees to carry over certain paid time off. Uniformed and non-uniformed full-time employees are entitled to a maximum of 96 hours of sick leave per year. Sick time can be carried over and accumulated from year to year. However, upon resignation, retirement, or termination, the employee is not paid for unused sick time.

BOROUGH OF NEWTOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net assets or equity (continued)***

***7. Compensated absences (continued)***

Employees can earn up to four weeks of vacation depending on the length of continuous service. Upon retirement or termination, accumulated vacation leave is paid at 100% of the respective employee's pay rate.

The Borough is liable to its employees in the amount of \$17,029 for vacation pay at December 31, 2022.

***8. 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 assets. If bond premiums or discounts exist, they are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of any applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types would recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Any 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 debt service expenditures.

***9. Deferred outflows/inflows of resources***

In addition to assets, the statement of financial 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 so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement 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 government has the following items that qualify for reporting in these categories.

BOROUGH OF NEWTOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net assets or equity (continued)***

***9. Deferred outflows/inflows of resources (continued)***

1. *Change in assumptions* is reported in the government-wide statement of net position. A net difference results from an actuarial change in pension assumptions. This amount is deferred and amortized over an eight-year period.
2. *Net difference between expected and actual experience on pension plan liability* is reported in the government-wide statement of net position. A difference results when actual economic or demographic factors differ from expected results. These amounts are deferred and recognized in the period that the amounts become available.
3. *Pension contributions made after the measurement date* is reported in the government-wide statement of net position. The pension measurement date is December 31, 2021. These amounts are deferred and recognized in the next period.
4. *Net difference between projected and actual earnings on pension plan investments* is reported in the government-wide statement of net position. A net difference results from the actual earnings in the plan either exceeding or falling short of projected earnings. These amounts are deferred and recognized in the period that the amounts become available.
5. *Unavailable revenue - Real estate taxes* is reported in the governmental funds balance sheet. This amount is deferred and recognized in the period that the amounts become available.
6. *Unavailable revenue - Earned income taxes, Local service taxes and intergovernmental revenue* are reported in the governmental funds balance sheet. This amount is deferred and recognized in the period that the amounts become available.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net assets or equity (continued)***

***10. Net position***

In the government-wide financial statements, net position is classified in the following categories:

**Net investment in capital assets** - This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance of this category:

	<u>Governmental Activities</u>
Net Investment in Capital Assets	
Capital assets not being depreciated	\$ 14,219
Capital assets being depreciated, net of accumulated depreciation	3,430,686
Capital assets being amortized, net of accumulated amortization	35,081
Less: Long-term debt outstanding	<u>(59,931)</u>
Total Net Investment in Capital Assets	<u>\$ 3,420,055</u>

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

Restricted for road projects per Commonwealth allocation - Motor License Fund	\$ 67,246
Restricted for fire protection services - Fire Fund	99,939
Restricted for streetlights - Lighting Fund	18,751
Restricted for road projects - Street Improvement Fund	90,946
Restricted for emergency services - Ambulance Fund	117
Restricted for grant projects - Grants Fund	<u>65,854</u>
Total	<u>\$ 342,853</u>

**Unrestricted net position** - This category represents net position of the entity, not restricted for any project or other purpose.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net assets or equity (continued)***

***11. Fund balance***

Governmental funds report fund balance in classifications based primarily on the extent to which the Borough is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds consists of the following:

**Nonspendable Fund Balance** - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**Restricted Fund Balance** - includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

**Committed Fund Balance** - includes amounts that can only be used for the specific purposes determined by a formal action of the Borough’s highest level of decision-making authority, the Borough Council. Commitments may be changed or lifted only by the Borough taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

**Assigned Fund Balance** - includes amounts intended to be used by the Borough for specific purposes but do not meet the criteria to be classified as committed. Borough Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

**Unassigned Fund Balance** - this residual classification is used for all negative fund balances in Special Revenue, and Capital Projects funds; or any residual amounts in the General Fund.

When both restricted and unrestricted fund balances are available for use, it is the Borough’s policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, assigned fund balances are reduced first, and then unassigned amounts when expenditures incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

BOROUGH OF NEWTOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**I. Summary of significant accounting policies (Continued)**

***D. Assets, liabilities, and net assets or equity (continued)***

***12. New Accounting Pronouncement***

*GASB Codification Section L20, Leases (GASB 87):* GASB 87 substantially changes current accounting procedures regarding lease accounting and offers specific accounting guidance for lessees, lessors and sale-leaseback transactions. GASB 87 establishes a right-of-use (“ROU”) model that requires lessees to record a ROU asset and lease liability in the statement of financial position for all leases with terms longer than 12 months (the standard may optionally be applied to leases with terms of 12 months or less). Leases will be classified as either finance leases or operating leases depending on the characteristics of the lease; consistent with current accounting procedures, the recognition, measurement and presentation of expenses and cash flows arising from the lease will depend on the lease classification. The Borough implemented this standard during the fiscal year ended December 31, 2022.

***13. Subsequent Events***

The Borough has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the statements were available for release. No subsequent events have been recognized.

**II. Stewardship, compliance, and accountability**

***A. Budgetary information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds of the Borough. All annual appropriations lapse at fiscal year-end.

Prior to November, Council approves a preliminary budget for the upcoming fiscal year, reflecting proposed expenditures and the means of financing them. During November, the Borough holds budget hearings for the purpose of receiving oral and written comments from interested parties in regard to the proposed budget for the following year. The operating budget includes proposed expenditures and the means of financing them. The Borough prepares and advertises the proposed budget at least ten days before the budget is adopted. The Board holds public hearings and a final budget must be prepared and adopted no later than December 31 through the passage of an ordinance.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**II. Stewardship, compliance, and accountability**

**A. *Budgetary information - Continued***

Any budget revisions require the approval of Borough Council. The Council authorized the use of unallocated fund balance in 2022.

For the year ended December 31, 2022, expenditures exceeded appropriations in the General Fund in the category of miscellaneous and debt service. These over-expenditures were financed by prior-year reserves.

**III. Detailed notes on all funds**

**A. *Deposits***

*Custodial Credit Risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have formal policy that requires their banking institution to provide a letter stating that they follow the Commonwealth of Pennsylvania Act 72, where all funds in excess of federal depository insurance limits held by the bank are collateralized in public funds are secured on a pooled basis. However, bank deposits rarely exceed FDIC coverage.

As of December 31, 2022, the carrying amount of deposits for the governmental activities was \$20,750 and the bank balance was \$60,868. Of the bank balance, \$60,868 was covered by federal depository insurance. Any balances exceeding depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the government's name.

*Investment Pool* - The Borough has carrying deposits in external investment pools, held with PLGIT Bank with a carrying amount of \$2,201,148. These deposits are considered cash equivalents because of their short maturity dates and are included in the carrying amount of deposits below. These deposits are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The investment in the pool is the same as the value of the pool shares and is reported at amortized cost, which approximates fair value. PLGIT activities are invested directly in a portfolio of securities, which are held by a third-party custodian. All investments in an external investment pool that is not SEC registered are subject to oversight by the Commonwealth of Pennsylvania. The Borough can withdrawal funds from the external investment pool without limitation or fees upon adequate notice. The investment pool was rated AAAM by Standard & Poor's and has average maturities of less than 30 days. The investment pool operates in accordance with appropriate state laws and regulations.

As of December 31, 2022, the carrying amount of externally pooled investments (PLGIT) for fiduciary activities was \$42,522 and the bank balance was \$58,646.

BOROUGH OF NEWTOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**III. Detailed notes on all funds (Continued)**

***A. Deposits (continued)***

At year-end balances were as follows:

GOVERNMENTAL ACTIVITIES	<u>Fair Value</u>	<u>Rating</u>	<u>Maturity</u>
Externally Pooled Investments (PLGIT)	\$ 2,201,148	AAAm	30 days
Total Governmental Activities	<u>\$ 2,201,148</u>		

  

FIDUCIARY ACTIVITIES	<u>Fair Value</u>	<u>Rating</u>	<u>Maturity</u>
Externally Pooled Investments (PLGIT)	<u>\$ 42,522</u>	AAAm	30 days

***B. Receivables and due from other governments***

Receivables as of year-end for the government's individual major funds and non-major funds, are as follows:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:			
Taxes receivable	\$ 603,038	\$ 5,113	\$ 608,151
Other receivables	<u>59,407</u>	<u>39,723</u>	<u>99,130</u>
Total Receivables	<u>\$ 662,445</u>	<u>\$ 44,836</u>	<u>\$ 707,281</u>

***C. Right to Use Leased Asset***

The Borough has recorded one right to use leased assets. The asset is a right to use asset for leased office space for the Police Department from Newtown Fire Association. The related lease is discussed in the leases subsection of the liabilities section of this note. The right to use lease asset is amortized on a straight-line basis over the anticipated term of the related asset.

Right to use asset activity for the Borough for the year ended December 31, 2022, is noted below in capital asset activity

***D. Capital assets***

Capital asset activity for the year ended December 31, 2022 was as follows:

# BOROUGH OF NEWTOWN

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

### II. Detailed notes on all funds (Continued)

#### *D. Capital assets (continued)*

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 14,219	\$ -	\$ -	\$ 14,219
Total capital assets, not being depreciated	14,219	-	-	14,219
Capital assets, being depreciated:				
Land improvements	349,643	5,780	(5,970)	349,453
Building and building improvements	883,207	10,526	(6,110)	887,623
Equipment and furniture	317,850	20,775	(15,344)	323,281
Vehicles	164,402	75,122	(27,947)	211,577
Infrastructure	6,081,179	180,839	(163,555)	6,098,463
Total capital assets being depreciated	7,796,281	293,042	(218,926)	7,870,397
Less accumulated depreciation for:				
Land improvements	140,719	16,507	(5,970)	151,256
Building and building improvements	373,262	21,888	(3,881)	391,269
Equipment and furniture	205,897	31,249	(14,461)	222,685
Vehicles	97,953	22,500	(27,946)	92,507
Infrastructure	3,405,651	284,171	(107,828)	3,581,994
Total accumulated depreciation	4,223,482	376,315	(160,086)	4,439,711
Total capital assets, being depreciated, net	3,572,799	(83,273)	(58,840)	3,430,686
Leased Assets	67,898	-	-	67,898
Less Accumulated Amortization	(19,237)	(13,580)	-	(32,817)
Total Capital Assets Subject to Amortization, Net	48,661	(13,580)	-	35,081
Governmental activities capital assets, net	\$ 3,635,679	\$ (96,853)	\$ (58,840)	\$ 3,479,986

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 19,814
Public safety - police	43,880
Public works	285,284
Culture and recreation	27,337
Total depreciation expense-governmental activities	\$ 376,315

#### *E. Interfund receivables, payables, and transfers*

The Borough uses unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers for the year ended December 31, 2022, consisted of the following amounts:

	Transfer in	Transfer out
General Fund	\$ -	\$ 145,015
Non-major Funds	156,310	11,295
Total	\$ 156,310	\$ 156,310

Interfund transfers are primarily a result of:

- (1) to fund capital projects and acquisitions
- (2) to fund debt service

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**III. Detailed notes on all funds (Continued)**

***F. Long-term debt***

Capital Lease Payable

During 2017 the Borough obtained an eight-year fixed, 2.95% capital lease of \$77,423 from Univest Bank and Trust Co. The lease proceeds were used to upgrade the Borough's streetlights to LED as part of a Guaranteed Savings Agreement with Johnson Controls, Inc. Principal payments of \$77,423, plus monthly interest totaling \$9,180, are to be paid over 92 months, using monies from the capital traffic/lighting fund, with a maturity date of February 15, 2025. The balance outstanding on this capital lease at December 31, 2022 was \$23,691. The undepreciated value of the streetlight upgrades at December 31, 2022 was \$70,773.

Lease

The Borough rents office space from Newtown Fire Association on a month-to-month lease of \$1,216. Since it is anticipated that this lease will be renewed for the next 3 years, the lease agreement qualifies as other than short-term leases under GASB 87 and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of adoption of GASB 87. The lease liability is measured at a discount rate of 2.95% which is the Borough's long-term borrowing rate at the date of GASB 87 implementation. As a result, the Borough recorded a right to use asset and lease liability of \$67,898 at December 31, 2021 (retroactive restatement)

The future minimum lease obligation and the net present value of the minimum lease payments as of December 31, 2022, were as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u>
2023	\$ 13,702	\$ 885	\$ 14,587
2024	14,112	475	14,587
2025	8,426	83	8,509
	<u>\$ 36,240</u>	<u>\$ 1,443</u>	<u>\$ 37,683</u>

Debt Service

Amounts outstanding at December 31, 2022 are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Government-type activities	2.95%	\$ 23,691
		<u>\$ 23,691</u>

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**III. Detailed notes on all funds (Continued)**

***E. Long-term debt (continued)***

Annual debt service requirements to maturity are as follows:

Year Ending December 31	Governmental Activities	
	Principal	Interest
2023	\$ 10,752	\$ 554
2024	11,063	233
2025	1,876	7
Total	<u>\$ 23,691</u>	<u>\$ 794</u>

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Beginning			Ending	Due Within
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
<b>Governmental activities:</b>					
Long-term debt	\$ 34,119	\$ -	\$ (10,428)	\$ 23,691	\$ 10,752
Leases	49,544	-	(13,304)	36,240	13,702
Net Pension liability	-	-	-	-	-
Compensated absences	<u>9,142</u>	<u>7,887</u>	<u>-</u>	<u>17,029</u>	<u>-</u>
Governmental activity					
Long-term liabilities	<u>\$ 92,805</u>	<u>\$ 7,887</u>	<u>\$ (23,732)</u>	<u>\$ 76,960</u>	<u>\$ 24,454</u>

Debt service for the capital lease is funded from the capital traffic/lighting fund. Any liabilities for compensated absences or net pension obligations are generally liquidated by the general fund. The Borough is not obligated in any manner for special assessment debt.

**IV. Other information**

***A. Risk management***

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

***B. Contingent liabilities***

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In the normal course of business, there are various relatively minor claims and suits pending against the Borough, none of which materially affect the financial position of the Borough.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**IV. Other information (Continued)**

***C. Deferred Compensation Plan***

The Borough offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency. Contributions are invested with Nationwide; an outside trustee. Accordingly, the assets and the corresponding liability are not reported in the financial statements.

***D. Employee retirement systems and pension plans***

The Borough sponsors two single employer pension plans, the Police Pension Plan and the Non Uniform Pension Plan. All assets of the plans are held in a trust and are assets of the Pennsylvania Municipal Retirement System (PMRS), and therefore, will be excluded from the Borough's financial statements. The most recent valuation was as of January 1, 2021. Details below are from the valuation.

The following table provides information concerning types of covered employees for the Borough's Plan as of December 31, 2021:

	<u>Police</u>	Non- <u>Uniform</u>
Inactive employees (or their beneficiaries)		
currently receiving benefits	3	4
Inactive employees entitled to benefits		
but not yet receiving them	0	0
Active employees	<u>6</u>	<u>2</u>
	<u>9</u>	<u>6</u>

**PMRS**

Both plans are administered by the Pennsylvania Municipal Retirement System (PMRS), a statewide local government system. PMRS is an agent-multiple employer public employee retirement system with the purpose to administer sound, cost-effective pensions for local government employees. PMRS consists of over 1,000 participating employer plans. Responsibility for the organization and administration of the system is vested in the eleven-member Pennsylvania Municipal Retirement Board - including the State Treasurer and Secretary of the Commonwealth by virtue of statute, and eight other members appointed by the Governor based on their respective organizations. PMRS issues a separate Comprehensive Annual Financial Report ("CAFR"). A copy of the CAFR can be obtained by contacting the PMRS Accounting Office, P.O. Box 1165, Harrisburg, PA 17108-1165.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**IV. Other information (Continued)**

***D. Employee retirement systems and pension plans (continued)***

Plan Descriptions

The Borough of Newtown Police Pension Plan (the plan) is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 772, adopted pursuant to Act 15 of 1974. The plan covers all full-time members of the police department. An employee enters the plan on the day that he or she becomes a full-time police officer. The plan is governed by Borough Council which may amend plan provisions, and which is responsible for the management of plan assets.

The Borough of Newtown Non-Uniform Pension Plan (the plan) is a single-employer defined benefit (cash balance plan) pension plan controlled by the provisions of Ordinance No. 771, adopted pursuant to Act 15 of 1974. The plan covers all full-time non-uniformed employees. An employee enters the plan on the date that he or she becomes a full-time employee. The plan is governed by Borough Council which may amend plan provisions, and which is responsible for the management of plan assets.

Benefits Provided

Police Pension Plan: The police pension plan provides members and their beneficiaries' retirement, and death benefits. All full-time employees are eligible for participation and are fully vested after 12 years of service. The normal retirement date is age 55 and 12 years of service. The basic retirement benefit is a monthly benefit equal to 2.0% for each year of service times the member's final salary. However, in no event shall the annual basic benefit exceed 50% of the member's final salary. In addition to the basic benefit, an annuitant who has 26 or more years of credited service shall receive a yearly service increment in an amount of 2.5% multiplied by the number of credited years in excess of 25. This increment shall not exceed \$100 per month. Benefits and Contribution provisions are established, and may be amended by, Pennsylvania law. Administrative costs of the Plan are financed through investment earnings.

In addition, a Deferred Retirement Option Plan ("DROP") is available to the Borough's full-time police officers who have fulfilled the age and service requirements of the Police Pension Plan. Under the DROP program a participant may elect to defer receipt of normal retirement benefits while continuing employment with the Borough up to a maximum of 36 months.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**IV. Other information (Continued)**

***D. Employee retirement systems and pension plans (continued)***

Non-Uniform Pension Plan: The non-uniform pension plan provides members and their beneficiaries' retirement benefits. All full-time non-uniformed employees are eligible for participation and are fully vested after 10 years of service. The normal retirement date is age 65 and 10 years of service. Early retirement benefit is available at age 55 and 10 years of service.

Measurement Focus and Basis of Accounting

*Basis of Accounting:* Both Pension Plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Employer and member contributions are recognized as when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with terms of the Plans. Other expenses are recognized when the corresponding liabilities are incurred.

The net appreciation/(depreciation) in fair value of investments is recorded as an increase/(decrease) to investment income based on the valuation of investments. The entire expense of plan administration is charged against the earnings of the plans. Investment earnings are reduced for investment management fees, portfolio evaluation, custodial services, and actuarial services, as required by Commonwealth statutes.

*Method Used to Value Investments:* Both Pension Plan investments are reported at fair value. Fair value is based on quoted market values. Securities that are traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Contributions Required and Contributions Made

Member contributions are determined on an annual basis. For the year ended December 31, 2022, the Police member contributions were 5% of covered payroll. Non-Uniform members were not required to contribute to the plan in 2022. Administrative costs and investment costs of the plans are financed through an addition to the Actuarially Determined Employer Contribution.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**IV. Other information (Continued)**

***D. Employee retirement systems and pension plans (continued)***

Contributions Required and Contributions Made (continued)

The Borough is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the Pension Funds. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. The Pension Plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due.

The Borough's annual required contribution is equal to its minimum municipal obligation ("MMO") as calculated in accordance with Pennsylvania law (Act 205 of 1984) less state aid and employee contributions deposited in the pension fund during the year. State law requires that state aid be used first to fund the plan, then employee contributions and finally general Borough funds. The Borough received state aid, which is recognized as revenue and expenses, in the amount of \$62,200 for the pensions for the year ended December 31, 2022.

Investments

For both pension plans the policy in regard to the allocation of invested assets is established by PMRS. The policy is to pursue an investment strategy that reduces risk through the prudent diversification of portfolio across a broad selection of distinct asset classes. The policy for both pension plans discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

*Rate of Return:* For the measurement date December 31, 2021, the annual money-weighted rate of return on plan investments, net of investment expense was 13.34% for both pension plans.

Net Pension Liability

The components of the net pension liability of the Borough for the measurement date of December 31, 2021 were as follows:

	<u>Police</u>	<u>Non-Uniform</u>
Total pension liability	\$ 2,917,117	\$ 430,748
Plan fiduciary net position	<u>(3,613,541)</u>	<u>(520,288)</u>
Net pension liability	<u>\$ (696,424)</u>	<u>\$ (89,540)</u>
Plan fiduciary net position as a percentage of the total pension liability	123.9%	120.8%

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**IV. Other information (Continued)**

***D. Employee retirement systems and pension plans (continued)***

*Actuarial Assumptions:* For both plans the total pension liability for the Valuation date of January 1, 2021 was determined using the following economic assumptions, applied to all periods included in the measurement:

	<u>Police</u>	<u>Non-Uniform</u>
Inflation	2.20%	2.20%
Salary Increases	age related with merit and inflation component	age related with merit and inflation component
Investment Rate of Return	5.25%	5.25%
Postretirement Cost of Living Increase	2.80%	2.80%

Mortality rates for both plans were based on the following:

Males - PUB-2010 General Employees male table

Females - PUB-2010 General Employees female table

For both plans the net pension liability was measured as of December 31, 2021 and the total pension liability was determined by an actuarial valuation as of January 1, 2021.

PMRS has not performed a formal cash flow projection but has applied an alternative method to confirm the sufficiency of the pension plan's projected Net Position. The result would be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The target allocation for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equities - Large Cap	24.5%	4.99%
Domestic Equities - Small Cap	8.0%	5.68%
International Equities - Int'l Developed	14.5%	5.57%
International Equities - Emerging	3.0%	5.71%
Global Equities	5.0%	4.78%
Real Estate	10.0%	4.90%
Timber	5.0%	3.67%
Fixed Income (Core Investment Grade)	24.0%	1.82%
Fixed Income (Opportunistic Credit)	5.0%	5.38%
Cash	<u>1.0%</u>	-1.32%
Total Portfolio	<u>100.0%</u>	

BOROUGH OF NEWTOWN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**IV. Other information (Continued)**

***D. Employee retirement systems and pension plans (continued)***

*Discount Rate:* The discount rate used to measure the total pension liability was 5.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost-plus plan expenses, as well as amortization of the unfunded liability.

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
<b><u>Police Pension Plan</u></b>			
Balance at "measurement date" December 31, 2020	\$ 2,781,864	\$ 3,236,831	\$ (454,967)
Changes for the year:			
Service cost	84,032	-	84,032
Interest	147,953	-	147,953
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	38,264	(38,264)
Contributions - employee	-	29,055	(29,055)
Net investment income	-	414,811	(414,811)
Transfers	-	-	-
Benefit payments, including refunds of employee contributions	(96,732)	(96,732)	-
Administrative expense	-	(180)	180
Other changes	-	(8,508)	8,508
Net Changes	<u>135,253</u>	<u>376,710</u>	<u>(241,457)</u>
Balance at : measurement date December 31, 2021	<u>\$ 2,917,117</u>	<u>\$ 3,613,541</u>	<u>\$ (696,424)</u>

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**IV. Other information (Continued)**

***D. Employee retirement systems and pension plans (continued)***

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
<b><u>Non-Uniform Pension Plan</u></b>			
Balance at "measurement date" December 31, 2020	\$ 418,537	\$ 468,733	\$ (50,196)
Changes for the year:			
Service cost	10,331	-	10,331
Interest	21,599	-	21,599
Change of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Change of assumptions	-	-	-
Contributions - employer	-	10,451	(10,451)
Contributions - employee	-	-	-
Net investment income	-	62,166	(62,166)
Benefit payments, including refunds of employee contributions	(19,719)	(19,719)	-
Administrative expense	-	(120)	120
Other changes	-	(1,223)	1,223
Net Changes	12,211	51,555	(39,344)
Balance at : measurement date December 31, 2021	<u>\$ 430,748</u>	<u>\$ 520,288</u>	<u>\$ (89,540)</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The following presents the net pension liability of participating entities calculated using the discount rate of 5.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25 percent) or 1-percentage-point higher (6.25 percent) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
	<u>(4.25%)</u>	<u>Rate (5.25%)</u>	<u>(6.25%)</u>
Net Pension Liability			
Police	\$ (300,318)	\$ (696,424)	\$ (1,026,145)
Non-Uniform	\$ (27,270)	\$ (89,540)	\$ (149,357)

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**IV. Other information (Continued)**

***D. Employee retirement systems and pension plans (continued)***

*Deferred Outflows and Inflows of Resources:* For the measurement date ended December 31, 2021, the Borough recognized pension expense of (\$130,509) for the Police Pension Plan and (\$10,622) for the Non-Uniform Pension Plan. For the measurement date ended December 31, 2021, the Borough reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Police</u>		
Differences between expected and actual experience	\$ 44,373	\$ 76,688
Changes in assumptions	88,076	20,404
Contributions by employer after measurement date	51,339	-
Net difference between projected and actual earnings on pension plan investments	-	498,511
Total	<u>\$ 183,788</u>	<u>\$ 595,603</u>
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Non-Uniform</u>		
Differences between expected and actual experience	\$ 1,691	\$ -
Changes in assumptions	3,221	-
Contributions by employer after measurement date	11,050	-
Net difference between projected and actual earnings on pension plan investments	-	71,776
Total	<u>\$ 15,962</u>	<u>\$ 71,776</u>

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

<u>Year Ended December 31:</u>	<u>Police</u>	<u>Non-Uniform</u>
2023	\$ (151,405)	\$ (15,281)
2024	(189,802)	(27,077)
2025	(106,581)	(16,391)
2026	(39,246)	(8,115)
2027	23,880	-
Thereafter	-	-
Total	<u>\$ (463,154)</u>	<u>\$ (66,864)</u>

*Payable to the Pension Plans:* For the Measurement Date of December 31, 2021, there were no amounts payable for contributions to either pension plan.

BOROUGH OF NEWTOWN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**IV. Other information (Continued)**

***E. Escrow cash deposits and investments***

The Borough acts in a custodial capacity with respect to monies deposited with it by developers and others. These monies are held by the Borough and used to pay legal, engineering, and other fees incurred on behalf of a specific project. Any unused deposits are returned to the developer upon completion of the project, except for an administrative handling fee. None of the monies received from or expended on behalf of the developers are recorded in the revenues or expenses of the Borough. At December 31, 2022, \$42,522 represents the balance of these monies held in escrow.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

# BOROUGH OF NEWTOWN

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - POLICE PENSION PLAN

	Measurement Year Ending							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>								
Service cost	\$ 84,032	\$ 77,624	\$ 68,506	\$ 60,583	\$ 59,352	\$ 31,969	\$ 46,907	\$ 56,926
Interest	147,953	133,040	127,698	115,179	98,524	100,412	100,820	99,266
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	62,123	-	(81,689)	-	(88,097)	-	(69,090)
Changes of assumptions	-	105,061	-	-	-	52,135	(68,025)	-
Transfers	-	-	-	617,973	-	-	-	-
Benefit payments, including refunds of employee contributions	(96,732)	(103,575)	(103,575)	(247,527)	(48,831)	(96,165)	(48,831)	(48,831)
Net change in total pension liability	135,253	274,273	92,629	464,519	109,045	254	30,871	38,271
Total pension liability - beginning	<u>2,781,864</u>	<u>2,507,591</u>	<u>2,414,962</u>	<u>1,950,443</u>	<u>1,841,398</u>	<u>1,841,144</u>	<u>1,810,273</u>	<u>1,772,002</u>
Total pension liability - ending (a)	<u>\$ 2,917,117</u>	<u>\$ 2,781,864</u>	<u>\$ 2,507,591</u>	<u>\$ 2,414,962</u>	<u>\$ 1,950,443</u>	<u>\$ 1,841,398</u>	<u>\$ 1,841,144</u>	<u>\$ 1,810,273</u>
<b>Plan fiduciary net position</b>								
Contributions - employer	\$ 38,264	\$ 69,819	\$ 65,277	\$ 72,708	\$ 70,189	\$ 79,859	\$ 86,751	\$ 107,962
Contributions - employee	29,055	28,008	24,718	21,686	16,603	15,915	18,460	21,597
Net investment income	414,811	439,868	489,595	(72,796)	288,438	136,529	5,640	69,342
Transfers	-	-	-	617,973	-	-	-	-
Benefit payments, including refunds of employee contributions	(96,732)	(103,575)	(103,575)	(247,527)	(48,831)	(96,165)	(48,831)	(48,831)
Administrative expense	(180)	(180)	(180)	(140)	(140)	(140)	(140)	(160)
Other	(8,508)	(5,977)	(4,512)	(5,318)	(3,951)	(4,168)	(3,271)	(2,781)
Net change in plan fiduciary net position	376,710	427,963	471,323	386,586	322,308	131,830	58,609	147,129
Plan fiduciary net position - beginning	<u>3,236,831</u>	<u>2,808,868</u>	<u>2,337,545</u>	<u>1,950,959</u>	<u>1,628,651</u>	<u>1,496,821</u>	<u>1,438,212</u>	<u>1,291,083</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,613,541</u>	<u>\$ 3,236,831</u>	<u>\$ 2,808,868</u>	<u>\$ 2,337,545</u>	<u>\$ 1,950,959</u>	<u>\$ 1,628,651</u>	<u>\$ 1,496,821</u>	<u>\$ 1,438,212</u>
<b>Borough's net pension liability - ending (a)-(b)</b>	<u>\$ (696,424)</u>	<u>\$ (454,967)</u>	<u>\$ (301,277)</u>	<u>\$ 77,417</u>	<u>\$ (516)</u>	<u>\$ 212,747</u>	<u>\$ 344,323</u>	<u>\$ 372,061</u>
Plan fiduciary net position as a percentage of the total pension liability	123.9%	116.4%	112.0%	96.8%	100.0%	88.4%	81.3%	79.4%
Covered-employee payroll	\$ 581,100	\$ 560,169	\$ 494,368	\$ 433,725	\$ 424,918	\$ 318,293	\$ 369,196	\$ 448,653
Net pension liability as a percentage of covered payroll	-119.8%	-81.2%	-60.9%	17.8%	-0.1%	66.8%	93.3%	82.9%
Annual money-weighted return, net of investment expenses	13.3%	13.8%	20.9%	-4.6%	17.8%	8.2%	-0.3%	5.2%

**Notes to Schedule:**

Change in benefit terms: None since 1/1/2019

Change in assumptions: Effective with the December 31, 2020 measurement date, actuarial assumptions are based on the PMRS Experience Study for the period covering January 1, 2014 through December 31, 2018 issued by the actuary in September 2020

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

BOROUGH OF NEWTOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS - POLICE PENSION PLAN

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Covered Payroll
2013	\$ 95,602	\$ 95,602	\$ -	\$ 426,792	(1) 22.40%
2014	99,738	107,962	(8,224)	448,653	24.06%
2015	86,751	86,751	-	369,196	23.50%
2016	79,839	79,859	(20)	318,293	25.09%
2017	70,189	70,189	-	424,918	16.52%
2018	72,688	72,708	(20)	433,725	16.76%
2019	65,257	65,277	(20)	494,368	13.20%
2020	69,819	69,819	-	560,169	12.46%
2021	39,278	38,264	1,014	583,931	6.55%
2022	38,264	38,264	-	581,100	6.58%

**Notes to Schedule:**

Actuarially determined contribution rates are calculated as of January 1, two years to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation date	1/1/2019
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar based upon the amortization periods in Act 205
Remaining amortization period	Based on the amortization periods in Act 205
Asset valuation method	Based upon the municipal reserves.
Inflation	2.8%
Salary increases	Age related scale with merit and inflation component
COLA increases	2.8% for those eligible for COLA
Investment rate of return	5.25%, net of pension plan investment expense, including inflation
Retirement age	Normal Retirement Age
Mortality Pre-Retirement	Males - RP 2000 Non-Annuitant Male table projected 15 years with Scale AA Females - RP 2000 Non-Annuitant Female table projected 15 years with Scale AA, Setback 5 years
Mortality Post-Retirement	Males - RP 2000 Annuitant Male table projected 5 years with Scale AA Females - RP 2000 Annuitant Female table projected 10 years with Scale AA

Change in benefit terms: None since 1/1/2019

# BOROUGH OF NEWTOWN

## REQUIRED SUPPLEMENTARY INFORMATION

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

	Measurement Year Ending							
	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>								
Service cost	\$ 10,331	\$ 10,567	\$ 9,664	\$ 8,549	\$ 8,523	\$ 8,845	\$ 8,438	\$ 8,251
Interest	21,599	20,300	19,779	20,199	18,103	18,122	16,798	15,850
Changes of benefit terms	-	-	-	3,921	-	-	-	-
Differences between expected and actual experience	-	5,071	-	3,487	-	3,315	1,135	1,027
Changes of assumptions	-	9,661	-	-	-	2,424	1,278	-
Benefit payments, including refunds of employee contributions	(19,719)	(19,719)	(19,719)	(14,665)	(13,471)	(10,317)	(8,048)	(8,048)
Net change in total pension liability	12,211	25,880	9,724	21,491	13,155	22,389	19,601	17,080
Total pension liability - beginning	418,537	392,657	382,933	361,442	348,287	325,898	306,297	289,217
Total pension liability - ending (a)	<u>\$ 430,748</u>	<u>\$ 418,537</u>	<u>\$ 392,657</u>	<u>\$ 382,933</u>	<u>\$ 361,442</u>	<u>\$ 348,287</u>	<u>\$ 325,898</u>	<u>\$ 306,297</u>
<b>Plan fiduciary net position</b>								
Contributions - employer	\$ 10,451	\$ 10,687	\$ 10,558	\$ 7,895	\$ 8,643	\$ 8,965	\$ 8,479	\$ 8,351
Contributions - employee	-	-	-	-	-	-	-	-
Net investment income	62,166	61,700	73,125	(14,523)	57,187	26,864	325	15,804
Benefit payments, including refunds of employee contributions	(19,719)	(19,719)	(19,719)	(14,665)	(13,471)	(10,317)	(8,048)	(8,048)
Administrative expense	(120)	(120)	(120)	(120)	(120)	(100)	(100)	(100)
Other	(1,223)	(885)	(681)	(888)	(818)	(882)	(697)	(605)
Net change in plan fiduciary net position	51,555	51,663	63,163	(22,301)	51,421	24,530	(41)	15,402
Plan fiduciary net position - beginning	468,733	417,070	353,907	376,208	324,787	300,257	300,298	284,896
Plan fiduciary net position - ending (b)	<u>\$ 520,288</u>	<u>\$ 468,733</u>	<u>\$ 417,070</u>	<u>\$ 353,907</u>	<u>\$ 376,208</u>	<u>\$ 324,787</u>	<u>\$ 300,257</u>	<u>\$ 300,298</u>
<b>Borough's net pension liability - ending (a)-(b)</b>	<u>\$ (89,540)</u>	<u>\$ (50,196)</u>	<u>\$ (24,413)</u>	<u>\$ 29,026</u>	<u>\$ (14,766)</u>	<u>\$ 23,500</u>	<u>\$ 25,641</u>	<u>\$ 5,999</u>
Plan fiduciary net position as a percentage of the total pension liability	120.8%	112.0%	106.2%	92.4%	104.1%	93.3%	92.1%	98.0%
Covered-employee payroll	\$ 129,137	\$ 132,082	\$ 120,799	\$ 106,867	\$ 106,542	\$ 110,560	\$ 105,477	\$ 103,140
Net pension liability as a percentage of covered payroll	-69.3%	-38.0%	-20.2%	27.2%	-13.9%	21.3%	24.3%	5.8%
Annual money-weighted return, net of investment expenses	13.3%	13.8%	20.9%	-4.6%	17.8%	8.2%	-0.3%	5.2%

**Notes to Schedule:**

Change in benefit terms: None since 1/1/2019

Change in assumptions: Effective with the December 31, 2020 measurement date, actuarial assumptions are based on the PMRS Experience Study for the period covering January 1, 2014 through December 31, 2018 issued by the actuary in September 2020

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

BOROUGH OF NEWTOWN

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS - NON-UNIFORM PENSION PLAN

Fiscal Year Ended <u>December 31,</u>	Actuarially Determined <u>Contribution</u>	Actual Employer <u>Contribution</u>	Contribution Deficiency ( <u>Excess</u> )	Covered <u>Payroll</u>	Contribution as a Percentage of Covered <u>Payroll</u>
2013	\$ 8,070	\$ 8,070	\$ -	\$ 99,775	(1) 8.09%
2014	8,351	8,351	-	103,140	8.10%
2015	8,538	8,479	59	105,477	8.04%
2016	8,945	8,965	(20)	110,560	8.11%
2017	8,643	8,643	-	106,542	8.11%
2018	8,669	7,895	774	106,867	7.39%
2019	9,784	10,558	(774)	120,799	8.74%
2020	10,687	10,687	-	132,082	8.09%
2021	10,450	10,450	-	129,137	8.09%
2022	11,050	11,050	-	135,126	8.18%

**Notes to Schedule:**

Due to the plan design, there are no Actuarially Determined Contributions for the cash balance pension plans. The Statutorily Required Contribution is a contribution amount based upon the payroll and the contribution rate as outlined under the terms of the cash balance pension plan. As provided by the Pennsylvania Municipal Retirement System, the employer portion of the Statutorily Required contribution was the amount recognized by the pension plan during the year.

Change in benefit terms: None since 1/1/2019

(1) - covered employee payroll taken from 1/1/2011 through 1/1/2013 actuarial valuations

BOROUGH OF NEWTOWN

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2022

	<u>Special Revenue Funds</u>						Total
	<u>Liquid Fuels</u>	<u>Lighting</u>	<u>Fire Tax</u>	<u>Ambulance</u>	<u>Grants</u>	<u>Park &amp; Recreation</u>	<u>Special Revenue</u>
<u>ASSETS</u>							
Cash and cash equivalents	\$ 67,246	\$ 20,650	\$ 86,703	\$ 2	\$ 66,914	\$ 2,707	\$ 244,222
Taxes receivable	-	852	1,563	283	-	-	2,698
Accounts receivable	-	-	-	-	-	-	-
Prepaid expenses	-	-	10,176	-	-	-	10,176
Total Assets	<u>\$ 67,246</u>	<u>\$ 21,502</u>	<u>\$ 98,442</u>	<u>\$ 285</u>	<u>\$ 66,914</u>	<u>\$ 2,707</u>	<u>\$ 257,096</u>
<u>LIABILITIES</u>							
Accounts payable	\$ -	\$ 1,065	\$ -	\$ -	\$ -	\$ 62	\$ 1,127
Accrued expenses	-	1,635	-	-	1,060	-	2,695
Total Liabilities	<u>-</u>	<u>2,700</u>	<u>-</u>	<u>-</u>	<u>1,060</u>	<u>62</u>	<u>3,822</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>							
Unavailable revenue - real estate taxes	-	506	930	168	-	-	1,604
Total deferred inflows of resources	<u>-</u>	<u>506</u>	<u>930</u>	<u>168</u>	<u>-</u>	<u>-</u>	<u>1,604</u>
<u>FUND BALANCES</u>							
Restricted:							
Highways & streets	67,246	-	-	-	-	-	67,246
Street lighting	-	18,296	-	-	-	-	18,296
Local fire company	-	-	97,512	-	-	-	97,512
Ambulance	-	-	-	117	-	-	117
Grant projects	-	-	-	-	65,854	-	65,854
Assigned:							
Parks & recreation	-	-	-	-	-	2,645	2,645
Capital projects	-	-	-	-	-	-	-
Total Fund Balances	<u>67,246</u>	<u>18,296</u>	<u>97,512</u>	<u>117</u>	<u>65,854</u>	<u>2,645</u>	<u>251,670</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 67,246</u>	<u>\$ 21,502</u>	<u>\$ 98,442</u>	<u>\$ 285</u>	<u>\$ 66,914</u>	<u>\$ 2,707</u>	<u>\$ 257,096</u>

**BOROUGH OF NEWTOWN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**December 31, 2022**

	<u>Capital Projects Funds</u>			Total Capital Projects	Total Nonmajor Governmental Funds
	<u>Street Improvement</u>	<u>Capital Expense</u>	<u>Traffic/Lighting Project</u>		
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 49,166	\$ 29,332	\$ 16,076	\$ 94,574	\$ 338,796
Taxes receivable	2,415	-	-	2,415	5,113
Accounts receivable	38,592	-	1,131	39,723	39,723
Prepaid expenses	-	-	-	-	10,176
Total Assets	<u>\$ 90,173</u>	<u>\$ 29,332</u>	<u>\$ 17,207</u>	<u>\$ 136,712</u>	<u>\$ 393,808</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ -	\$ 999	\$ -	\$ 999	\$ 2,126
Accrued expenses	-	-	-	-	2,695
Total Liabilities	<u>-</u>	<u>999</u>	<u>-</u>	<u>999</u>	<u>4,821</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Unavailable revenue	1,436	-	-	1,436	3,040
Total deferred inflows of resources	<u>1,436</u>	<u>-</u>	<u>-</u>	<u>1,436</u>	<u>3,040</u>
<b><u>FUND BALANCES</u></b>					
Restricted:					
Highways & streets	88,737	-	-	88,737	155,983
Street lighting	-	-	-	-	18,296
Local fire company	-	-	-	-	97,512
Ambulance	-	-	-	-	117
Grant projects	-	-	-	-	65,854
Assigned:					
Parks & recreation	-	-	-	-	2,645
Capital projects	-	28,333	17,207	45,540	45,540
Total Fund Balances	<u>88,737</u>	<u>28,333</u>	<u>17,207</u>	<u>134,277</u>	<u>385,947</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 90,173</u>	<u>\$ 29,332</u>	<u>\$ 17,207</u>	<u>\$ 136,712</u>	<u>\$ 393,808</u>

BOROUGH OF NEWTOWN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2022

	<u>Special Revenue Funds</u>						Total Special Revenue
	<u>Liquid Fuels</u>	<u>Lighting</u>	<u>Fire Tax</u>	<u>Ambulance</u>	<u>Grants</u>	<u>Park &amp; Recreation</u>	
Revenues							
Real estate taxes	\$ -	\$ 33,303	\$ 61,055	\$ 11,101	\$ -	\$ -	\$ 105,459
Interest	1,031	377	1,591	13	1,031	-	4,043
Intergovernmental revenues	66,374	-	27,581	-	-	-	93,955
Contributions from private sources	-	-	-	-	-	33	33
Refunds of prior year expenses	-	3,033	-	-	-	-	3,033
Total Revenues	<u>67,405</u>	<u>36,713</u>	<u>90,227</u>	<u>11,114</u>	<u>1,031</u>	<u>33</u>	<u>206,523</u>
Expenditures							
Current							
General government	-	-	-	-	-	-	-
Public safety	-	-	103,765	10,997	-	-	114,762
Public works	23,429	21,148	-	-	-	-	44,577
Parks and recreation	-	-	-	-	-	4,745	4,745
Community development	-	-	-	-	13,245	-	13,245
Miscellaneous	-	-	-	-	-	-	-
Debt Service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total Expenditures	<u>23,429</u>	<u>21,148</u>	<u>103,765</u>	<u>10,997</u>	<u>13,245</u>	<u>4,745</u>	<u>177,329</u>
Excess (Deficiency) of Revenues Over Expenditures	43,976	15,565	(13,538)	117	(12,214)	(4,712)	29,194
Other Financing Sources (Uses)							
Transfers in	-	-	-	-	-	5,301	5,301
Transfers out	-	(11,295)	-	-	-	-	(11,295)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(11,295)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,301</u>	<u>(5,994)</u>
Net Change in Fund Balance	43,976	4,270	(13,538)	117	(12,214)	589	23,200
Fund Balance - Beginning	23,270	14,026	111,050	-	78,068	2,056	228,470
Fund Balance - Ending	<u>\$ 67,246</u>	<u>\$ 18,296</u>	<u>\$ 97,512</u>	<u>\$ 117</u>	<u>\$ 65,854</u>	<u>\$ 2,645</u>	<u>\$ 251,670</u>

BOROUGH OF NEWTOWN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended December 31, 2022

	<u>Capital Projects Funds</u>			<u>Total</u>	
	<u>Street Improvement</u>	<u>Capital Expense</u>	<u>Traffic/Lighting Project</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>
Revenues					
Real estate taxes	\$ 94,356	\$ -	\$ -	\$ 94,356	\$ 199,815
Interest	2,241	461	293	2,995	7,038
Intergovernmental revenues	-	-	-	-	93,955
Contributions from private sources	-	1,200	-	1,200	1,233
Refunds of prior year expenses	15,503	-	-	15,503	18,536
Total Revenues	<u>112,100</u>	<u>1,661</u>	<u>293</u>	<u>114,054</u>	<u>320,577</u>
Expenditures					
Current					
General government	1,216	35,794	-	37,010	37,010
Public safety	-	14,480	-	14,480	129,242
Public works	172,217	3,307	7,235	182,759	227,336
Parks and recreation	-	5,781	-	5,781	10,526
Community development	-	-	-	-	13,245
Miscellaneous	-	-	-	-	-
Debt Service					
Principal	-	-	10,428	10,428	10,428
Interest	-	-	868	868	868
Total Expenditures	<u>173,433</u>	<u>59,362</u>	<u>18,531</u>	<u>251,326</u>	<u>428,655</u>
Excess (Deficiency) of Revenues Over Expenditures	(61,333)	(57,701)	(18,238)	(137,272)	(108,078)
Other Financing Sources (Uses)					
Transfers in	81,577	58,137	11,295	151,009	156,310
Transfers out	-	-	-	-	(11,295)
Total Other Financing Sources (Uses)	<u>81,577</u>	<u>58,137</u>	<u>11,295</u>	<u>151,009</u>	<u>145,015</u>
Net Change in Fund Balance	20,244	436	(6,943)	13,737	36,937
Fund Balance - Beginning	68,493	27,897	24,150	120,540	349,010
Fund Balance - Ending	<u>\$ 88,737</u>	<u>\$ 28,333</u>	<u>\$ 17,207</u>	<u>\$ 134,277</u>	<u>\$ 385,947</u>