

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA
Financial Report
December 31, 2022**

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA
December 31, 2022**

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HILLTOWN TOWNSHIP
BUCKS COUNTY, PENNSYLVANIA
December 31, 2022

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Independent Auditors' Report

To the Board of Supervisors
Hilltown Township
Hilltown, Pennsylvania

Report on Audit of the Financial Statements

Opinions

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

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

Basis 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 Township 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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 Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on pages 4-17 and 57-70 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient 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 Township's basic financial statements. The combining and individual nonmajor fund financial statements and combining custodial funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and combining custodial funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 nonmajor fund financial statements and combining custodial funds financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

DunlapSLK, PC

Chalfont, Pennsylvania
April 10, 2023

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022**

Our discussion and analysis of Hilltown Township's (the Township) financial performance provides an overview of the Township's financial activities for the year ended December 31, 2022. Please read it in conjunction with the Township's financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

The revenue streams have remained strong throughout the year. The Local Services Tax (LST) was slightly reduced, from the effect of some businesses remaining closed and others experiencing a shortage of available staff. The LST is a tax charged for an individual working within the Township.

The Township began construction of the walking path located across from the Township building in 2021. Work has continued through 2022 with a plan to complete the project in 2023. The sections that have already been completed are already being used by Township residents.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on page 18 and 19-20) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund Financial Statements start on page 21. For governmental activities, these statements tell how Township services were financed in the short-term as well as what remains for future spending. Fund Financial Statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's major funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting on the Township as a Whole

The Statement of Net Position and Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer the question of whether the Township is better or worse off because of the year's activities. The statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is like the accounting methods used by most private sector companies. All the current year's revenues and expenses are considered regardless of when each is received or paid. These statements report the Township's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows) provide a measurement of the Township's financial health, or financial position. Over time, increases or decreases in net position are indicators of whether the Township's financial health is improving or deteriorating.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022**

USING THIS REPORT (continued)

Reporting Significant Funds

The Fund Financial Statements begin on page 21 and provide detailed information about the most significant funds, not the Township as a whole. Some funds are required to be established by State Law. However, the Board of Supervisors established many other funds to help it control or manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The Township's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and balances left at year end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be converted to cash. The government fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance Township programs. The relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in a reconciliation at the end of the fund financial statements.

The Township as a Trustee

The Township is a trustee, or fiduciary, for its employee's pensions. It is important to note here that the original pension contracts were issued with the Pennsylvania Municipal Retirement System in the late 1980's. At the end of 2012, these contracts were revised and updated to include current Internal Revenue Code and Pennsylvania regulations. The Police pension contract was again updated in December of 2014 to include the (DROP) Deferred Retirement Option Program, effective January 1, 2015. This change was a result of collective bargaining. Four Officers elected to participate in this program and are now fully retired. One Officer is currently enrolled in the DROP program.

Hilltown Township is also responsible for escrow deposits from developers, businesses, and individuals for legal and engineering fees. The Township is also responsible for escrow deposits for on-lot septic systems. All the Township's fiduciary activities are reported in the separate Statement of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 27-28. These activities are excluded from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022

THE TOWNSHIP AS A WHOLE

The Statement of Net Position provides an overview of the Township's assets, deferred inflows, liabilities, deferred outflows, and net position. Over time, this statement will provide a good indication of the Township's fiscal health.

Table 1
Net Position

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Capital Assets	\$ 25,009,409	\$ 20,949,035	\$ 4,060,374	19.4%
Current and Other Assets	<u>21,875,595</u>	<u>19,868,036</u>	<u>2,007,559</u>	10.1%
Total Assets	<u>46,885,004</u>	<u>40,817,071</u>	<u>6,067,933</u>	14.9%
Deferred Pension Outflows	<u>1,009,860</u>	<u>1,255,212</u>	<u>(245,352)</u>	-19.5%
Long-Term Liabilities	159,509	168,286	(8,777)	-5.2%
Other Liabilities	<u>257,451</u>	<u>207,802</u>	<u>49,649</u>	23.9%
Total Liabilities	<u>416,960</u>	<u>376,088</u>	<u>40,872</u>	10.9%
Deferred Inflows of Resources	<u>4,940,586</u>	<u>3,588,258</u>	<u>1,352,328</u>	37.7%
Net Position				
Invested in Capital Assets, Net of Related Debt	25,009,409	20,949,035	4,060,374	19.4%
Restricted	9,961,623	12,568,497	(2,606,874)	-20.7%
Unrestricted	<u>7,566,286</u>	<u>4,590,405</u>	<u>2,975,881</u>	64.8%
Total Net Position	<u>\$ 42,537,318</u>	<u>\$ 38,107,937</u>	<u>\$ 4,429,381</u>	11.6%

The total net position of the Township shown is approximately \$42.5 million. However, this does not include certain physical assets such as traffic lights, storm sewers and drainage structures acquired or constructed before January 1, 2004. Total liabilities increased by 10.9%. Deferred inflows increased 37.7% due to unspent grant funds, and changes in pension actuarial calculations. Net position shows an increase of 11.6%.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022

THE TOWNSHIP AS A WHOLE (continued)

Table 2
Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Program Revenues				
General Government	\$ 415,218	\$ 418,108	\$ (2,890)	-0.7%
Police	549,304	459,250	90,054	19.6%
Fire	143,636	112,777	30,859	27.4%
Code Enforcement	603,232	605,042	(1,810)	-0.3%
Highway Maintenance	2,028,760	942,888	1,085,872	115.2%
Snow Removal	500	500	-	0.0%
Traffic Signals	5,023	2,787	2,236	80.2%
Street Lighting	57,783	55,326	2,457	4.4%
Parks and Recreation	34,589	45,643	(11,054)	-24.2%
General Revenues				
Real Estate Taxes	2,065,431	2,046,227	19,204	0.9%
Transfer Taxes	654,661	823,101	(168,440)	-20.5%
Earned Income Taxes	3,896,097	3,615,288	280,809	7.8%
Other Taxes	266,898	257,396	9,502	3.7%
Interest and Rents	127,446	119,768	7,678	6.4%
Gain (Loss) on Sale of Capital Assets	(6,213)	82,259	(88,472)	100.0%
Miscellaneous	1,165,996	34,056	1,131,940	3323.8%
Total Revenues (forwarded)	<u>\$ 12,008,361</u>	<u>\$ 9,620,416</u>	<u>\$ 2,387,945</u>	

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022

THE TOWNSHIP AS A WHOLE (continued)

Table 2
Changes in Net Position
(Governmental and Business-Type Activities Combined)

	<u>2022</u>	<u>2021</u>	<u>\$ Change</u>	<u>% Change</u>
Total Revenues (forwarded)	<u>\$ 12,008,361</u>	<u>\$ 9,620,416</u>	<u>\$ 2,387,945</u>	24.8%
Program Expenses				
Legislative	123,298	119,139	4,159	3.5%
Executive	124,885	150,833	(25,948)	-17.2%
Finance and Tax Collection	233,763	218,620	15,143	6.9%
Professional Services	86,273	105,923	(19,650)	-18.6%
General Government	627,798	616,449	11,349	1.8%
Police	3,284,198	3,246,609	37,589	1.2%
Fire	372,945	342,541	30,404	8.9%
Code Enforcement	326,950	408,392	(81,442)	-19.9%
Highway Maintenance	2,072,672	2,278,903	(206,231)	-9.0%
Snow and Ice Removal	89,843	136,310	(46,467)	-34.1%
Traffic Signals	66,374	39,381	26,993	68.5%
Street Lighting	47,894	45,472	2,422	5.3%
Parks and Recreation	116,207	82,155	34,052	41.4%
Conservation and Development	<u>5,880</u>	<u>7,840</u>	<u>(1,960)</u>	-25.0%
Total Expenses	<u>7,578,980</u>	<u>7,798,567</u>	<u>(219,587)</u>	-2.8%
Change in Net Position	<u>\$ 4,429,381</u>	<u>\$ 1,821,849</u>	<u>\$ 2,607,532</u>	143.1%

Total revenue from all sources was approximately \$12 million. Real Estate Taxes continue to be assessed at 8.75 mills and showed a small growth. Transfer taxes decreased by 20.5% . Earned Income Tax (EIT) showed a growth of 7.8%. The Open Space Fund EIT assessment, which was suspended for the years 2015 – 2022, remained suspended for and is scheduled to remain suspended for 2023 as well. Overall revenue increases can be attributed to the dedication of roadways, and insurance rate stabilization funds received in 2022.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022**

THE TOWNSHIP AS A WHOLE (continued)

Figure 1

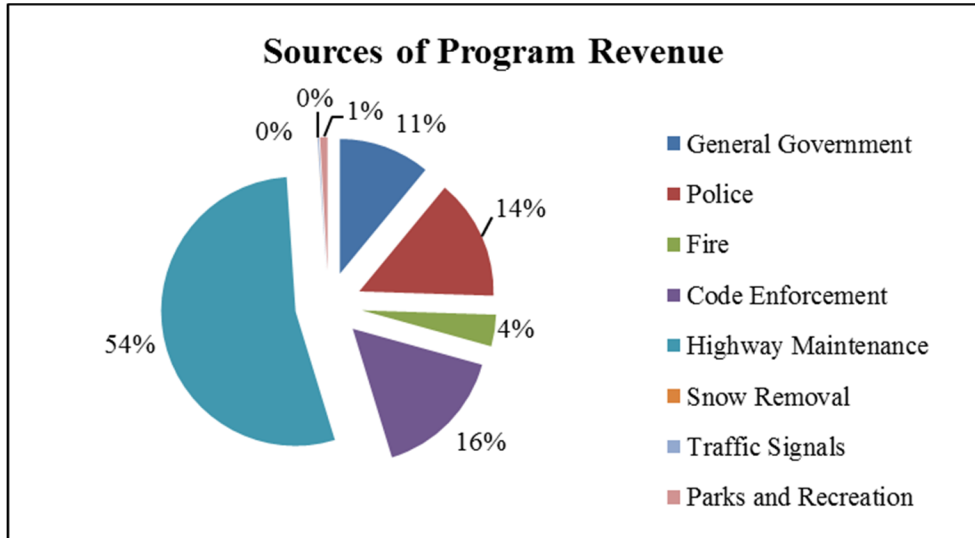
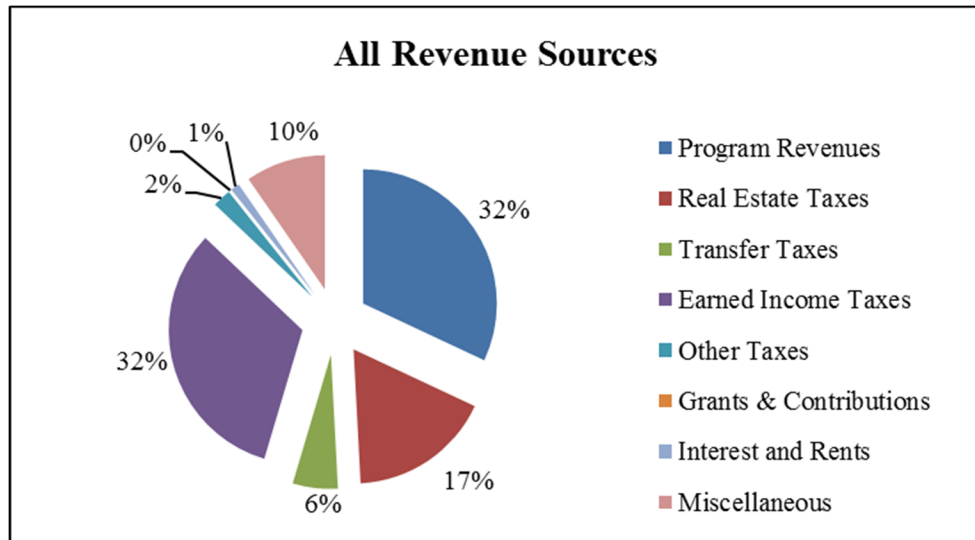


Figure 2



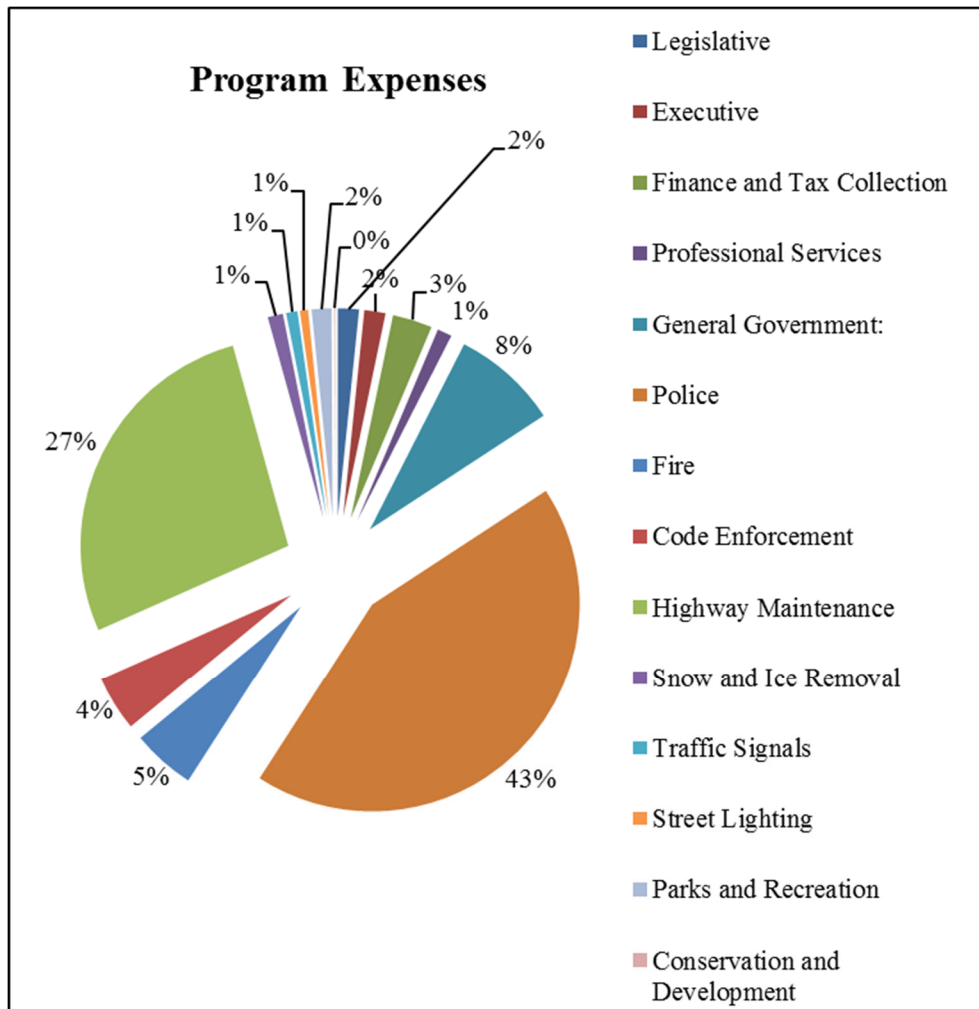
**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022**

THE TOWNSHIP AS A WHOLE (continued)

Expense Overview

Total expenses in all categories were approximately \$7.6 million, which is a decrease from 2021 of 2.8%. Police and Highway Maintenance are the largest category of expenses, accounting for spending of approximately \$5.5 million. Careful budgeting and fiscal prudence aided in containing spending while services remained consistent.

Figure 3



**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022**

ITEMS OF GENERAL INTEREST

Fire

Residents and businesses of the Township are served by the Hilltown Township Volunteer Fire Company, Perkasio Fire Company, Sellersville Fire Company, Dublin Fire Company, Silverdale Fire Company, Souderton Fire Company and Telford Fire Company. There are mutual aid agreements and central dispatching throughout the area. A fire tax of 0.75 mills is assessed and the proceeds of this tax are distributed to the fire companies based on a formula of 50% area covered and 50% assessed valuation. The following disbursements were made in 2022.

Dublin Fire Company	\$ 26,751
Hilltown Township Volunteer Fire Company	37,721
Perkasie Fire Company	4,054
Sellersville Fire Company	8,011
Silverdale Fire Company	38,776
Souderton Fire Company	<u>9,085</u>
Total	<u><u>\$ 124,398</u></u>

In addition, in 2022 for the tenth year, Telford Borough received \$7,049 in payment for worker's Compensation Insurance. Telford Borough calculated that this amount represented the cost of Worker's Compensation Insurance for Telford Fire Company's coverage of Hilltown Township. This billing eliminates any payments to the Telford Fire Company from the Fire Tax. Hilltown Township also paid \$16,874 for Worker's Compensation Insurance for the Hilltown Township Volunteer Fire Company from General Funds.

In addition to the above Hilltown Township also paid \$35,434 for Hilltown Township Volunteer Fire Company's property, equipment, and liability insurance coverage.

The Volunteer Fire Relief Associations also received an allocation from the Commonwealth of Pennsylvania. This allocation is made in accordance with act 205 of 1984 which stipulates that 50% of the allocation is based on the population of the municipality, and 50% is determined by the market value of real estate in the municipality. The Township received a disbursement of \$143,636. These funds are derived from a charge that the Commonwealth of Pennsylvania imposes on Insurance Companies located outside of Pennsylvania who are doing business within the State.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022**

ITEMS OF GENERAL INTEREST (continued)

Fire (continued)

The funds were distributed as follows:

Dublin Fire Company Relief Association	\$ 29,331
Hilltown Township Volunteer Fire Co. Relief Assoc.	41,360
Perkasie Fire Company Relief Association	4,446
Sellersville Fire Company Relief Association	8,783
Silverdale Fire Company Relief Association	42,516
Souderton Fire Company Relief Association	9,961
Telford Fire Company Relief Association	<u>7,239</u>
Total	<u>\$ 143,636</u>

Ambulance Service

The Township is served by four (4) ambulance companies. They are Chal-Brit Ambulance, Grand View Hospital Ambulance, Point Pleasant-Plumsteadville Regional Ambulance and Souderton Ambulance. They are centrally dispatched by Bucks County Emergency Management. The Board of Supervisors, in fiscal year 2010 voted to provide financial assistance to the primary ambulance companies servicing Hilltown Township. That financial assistance was continued in 2022. The disbursements were made as follows:

Point Pleasant-Plumsteadville Regional Ambulance	\$ 5,460
Chal-Brit Regional Ambulance	26,460
Souderton Ambulance	<u>10,080</u>
Total	<u>\$ 42,000</u>

Water

Residents and businesses of the Township are served by Hilltown Township Water and Sewer Authority (HTWSA), Telford Borough Authority (TBA), North Penn Water Authority (NPWA), and primarily on-lot water systems.

Wastewater

Residents and businesses of the Township are primarily served by HTWSA, TBA, and primarily on-lot sewage disposal systems. The Township has no financial or management control of the sewer authorities.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022**

ITEMS OF GENERAL INTEREST (continued)

Public Facilities

The Township owns two parks along with scattered open space parcels. The Township municipal building is 35 years old and houses both the Police Department and the Administrative offices. The Public Works Department is located to the rear of the Township administration building. The facilities are approximately 19 years old and centralize all Township services.

ANAYLSIS OF INDIVIDUAL FUNDS

Special Revenue Funds

Liquid Fuels Fund

In 2022, bids were prepared and circulated for paving projects, ultra-thin bonded wearing course applications, and asphalt seal coat with washed #8 coarse aggregate. When the bids were received it was determined by the Board of Supervisors to reject all bids because of the high prices, primarily driven by the price of oil. Road projects will be bid on again in the spring of 2023 and hopefully have better results.

Several road surfaces were patch paved by the Township's Public Works department to preserve the road surface for future work. These roads included:

Bypass Road to the intersection of Dublin Road
Schwenkmill Road, Red Wing to Blue School
Upper Stump, Middle Road to the New Britain Line
Keystone Rt. 113 and Schultz

Open Space Fund

Collection of the EIT in the Open Space Fund has been suspended since 2015. This suspension continues into 2023.

It should be noted that conservation rights across the Philadelphia Glider Port property located on Route 152 in the Township were purchased on June 27, 2022 using Open Space funds in the amount of \$3,585,077.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022**

ANALYSIS OF INDIVIDUAL FUNDS (continued)

Special Revenue Funds

Streetlight, Fire Tax, and Park and Recreation Funds.

The Streetlight Fund is used to cover the cost of street lighting within the Township developments. The streetlight assessment was reinstated in 2019 and appears on the tax bills where it is applicable. The rates were coordinated with the current PPL bills to reflect current costs. The average increase in the assessment was approximately \$0.15 per bill. These assessments will again be reviewed in late 2023 with the possible elimination of the tax should the fund show excess revenue over costs. It would then be reinstated when the fund drops below covering costs. The Fire Fund and the Park and Recreation Fund had routine and unremarkable results in 2022.

Capital Projects Funds

The Road Equipment Fund is used to purchase on-road equipment for the Public Works Department.

Recreation Capital Fund

The Recreation Capital Fund is used for larger projects involving parks. The Pedestrian Path (located across from the Township building) was begun in 2021, continued in 2022 and will hopefully be completed in 2023.

Operating Reserve Fund

The Operating Reserve Fund was created by the Board of Supervisors to minimize future revenue shortfalls and deficits, provide greater continuity and predictability in the funding of vital government services, minimize the need to increase taxes to balance the budget in times of fiscal distress, provide the capacity to undertake long-range financial planning and develop fiscal resources to meet long-term needs. The fund is combined with the General Fund in the Fund Financial Statements.

Recreation Capital Fund

The Recreation Capital Fund is used for larger projects involving parks. The Pedestrian Path (located across from the Township building) was begun in 2021, continued in 2022 and will hopefully be completed in 2023.

Stormwater Reserve Fund

The Stormwater Reserve Fund is used to complete stormwater projects throughout the Township. Schoolhouse Road is currently closed awaiting repairs to the bridge. These repairs are scheduled to begin in early 2023. Schultz Road bridge is also scheduled for repairs in early 2023. There are numerous projects within the Township just awaiting funding. Funds for this account are collected from individuals and developers when providing funds in lieu of stormwater installations.

The Township has also received American Recovery Plan Funds. These funds can and will be used to repair Stormwater basins, repair bridges, and add additional water and sewer resources that are sorely needed.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022**

ANALYSIS OF INDIVIDUAL FUNDS (continued)

Pension Plans

Full-time employees are also members of the Police or Non-Uniform local pension plans. The pension plans for both groups are managed by the Pennsylvania Municipal Retirement System. The Township is eligible for Act 205 assistance in the form of State Aid which for 2022 was \$253,842. These monies are collected from Insurance Companies located outside of the State but doing business within the State.

The Minimum Municipal Obligation (MMO) was as follows:

Police Pension Plan	\$ 266,007
Non-Uniform Plan	<u>125,145</u>
 Total	 <u><u>\$ 391,152</u></u>

The Minimum Municipal Obligation is calculated based on total payroll information from the prior year. Multiplying rates are set by the actuarial studies performed every other year. Administrative charges are then included. Any actuarial surpluses or deficiencies are then amortized. The Pennsylvania Municipal Retirement System (PMRS) sets this amount based on the actuarial study.

Police Officers of the Township were required to begin contributing to their pension plan because of an arbitration award granted in 2009. They are currently contributing the maximum allowed of 5%.

CAPITAL ASSETS AND TOWNSHIP SERVICES

Discussion of Future Plans

The budget consists of seven operating funds and four capital improvement funds. It is prepared in line-item format in accordance with the Pennsylvania chart of accounts for local government published by the state department of Community and Economic Development (DCED).

An analysis of the 2023 budget will show that the Township is maintaining municipal services in such areas as Police protection, code enforcement, fire protection and public works services at or above present levels. The 2023 budget provides the necessary resources to these important areas to achieve the priorities, goals, and policies of the Board and for the Township to continue to fulfill its obligations to provide for health, safety, and welfare of the community.

Discussions regarding fire protection and ambulance services will begin in 2023. Volunteer fire companies are having difficulty securing volunteers and ambulances are struggling with the same staffing problems. Many municipalities have changed to paid fire fighters and paid EMT's. These discussions will involve the fire companies, ambulance services and the Board of Supervisions to obtain the best possible result.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022**

CAPITAL ASSETS AND TOWNSHIP SERVICES (continued)

Discussion of Future Plans (continued)

The 2023 budget carries forward any projects which were not completed in 2022. The Police Department would like to replace one vehicle with a Tahoe, however, obtaining vehicles is becoming increasingly difficult because of a shortage of supplies. The Public Works Department is also experiencing the same difficulty in obtaining new equipment.

The budget also includes \$100,000 in additional paving monies to supplement the Liquid Fuels Funds used for that purpose. Road projects will again be bid and hopefully receive financially reasonable results.

The Recreation Capital Reserve budget includes continued construction of the walking path.

The Park and Recreation budget includes basic operating costs of the existing parks. The revenues indicated are from the rental of park facilities and advertising revenue from the signs at the baseball field as well as .20 mills of real estate taxes.

The Fire Fund budget continues using .75 mills and uses the same assessment as does the General Fund. The budget covers Hilltown Fire Company's Insurance and fire hydrant rentals and retains \$4,000 for the beginning of 2023. The remainder of the funds are distributed to the seven fire companies using the 50% area and 50% assessment formula.

The Street Light budget calls for an assessment on properties benefiting from streetlights. This is primarily within developments.

The Operating Reserve budget remains the same for 2023. No additional funds can be deposited into this fund at this time.

The State Highway Aid budget (Liquid fuels) indicates a small decrease in revenue as announced by the Pennsylvania Department of Transportation. Depending on conditions this winter, the Public Works Department should have approximately \$570,000 available for paving projects. The hope is pick-up the paving projects that were passed over in 2022 because of the extremely high prices, driven primarily by the high cost of oil.

The Stormwater Reserve budget includes repairs to the Schoolhouse Road Bridge, Schultz Road bridge as well as several stormwater basins throughout the Township.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2022**

ECONOMIC FORCAST

As discussed above, the Township derives its operating revenue from a variety of other sources in addition to real estate taxes. These include Act 511 taxes such as a ½% levy on earned income of residents. A local services tax of \$47.00 per year is also assessed on individuals working in the community, many of whom do not live in the township but take advantage of its services. The Township also receives revenue from a 1% transfer tax on real estate sales, fees from licenses and permits, interest on investments, rents, royalties, grants and charges for use of municipal services.

It is anticipated that in 2023, Earned Income Tax will remain stable. Very limited development is currently proposed for 2023. The Open Space Tax on earned income will remain suspended.

The rates for 2023 remain the same as 2022. The tax rates are as follows:

General purposes	7.30 mills
Fire Protection	0.75 mills
Park and Recreation	0.20 mills
Road Equipment Acquisition	0.50 mills

For the homeowner with an assessed value of \$36,000, the total real estate tax paid to the Township is \$315.

It is important to note that there have been no increases in Real Estate Taxes since 2011 bringing a total of twelve straight years with stable tax rates.

It is with these factors in mind that the 2023 budget indicates some limited growth staying mindful of cost constraints. A priority of all staff is seeking better value and lower costs for the tax dollars spent.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT TEAM

The Management Discussion and Analysis is intended to provide our citizens, taxpayers, and creditors with a general, plain English overview of important financial matters. The Township Manager and treasurer is Lorraine E. Leslie who can be reached at 215-453-6000 extension 212. The Township's Finance Director can be reached by contacting Marianne Egan at 215-453-6000 extension 213. The Township can also be reached by fax at 215-453-1024 or by the internet at www.hilltown.org.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Net Position
December 31, 2022**

Assets

Current Assets	
Cash	\$ 16,628,562
Taxes Receivable	1,413,024
Other Receivables and Prepaid Expenses	117,140
Due from Fiduciary Fund	1,407
Total Current Assets	<u>18,160,133</u>
Noncurrent Assets	
Net Capital Assets	25,009,409
Net Pension Asset	3,715,462
Total Noncurrent Assets	<u>28,724,871</u>
Total Assets	<u><u>46,885,004</u></u>

Deferred Outflows of Resources

Deferred Pension Outflows	<u>1,009,860</u>
---------------------------	------------------

Liabilities

Current Liabilities	
Accounts Payable and Accrued Expenses	123,242
Accrued Wages and Benefits	134,209
Total Current Liabilities	<u>257,451</u>
Noncurrent Liabilities	
Compensated Absences	<u>159,509</u>
Total Liabilities	<u><u>416,960</u></u>

Deferred Inflows of Resources

Unearned Revenue	1,643,666
Deferred Pension Inflows	3,296,920
Total Deferred Inflows of Resources	<u><u>4,940,586</u></u>

Net Position

Invested in Capital Assets, Net of Related Debt	25,009,409
Restricted for	
Land Preservation	1,880,932
Capital Projects	6,725,826
Other Purposes	1,354,865
Unrestricted	<u>7,566,286</u>
Total Net Position	<u><u>\$ 42,537,318</u></u>

See notes to financial statements.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Activities
Year Ended December 31, 2022**

Functions/Programs	Expenses	<u>Program Revenue</u>	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
General Government			
Legislative	\$ 123,298	\$ -	\$ -
Executive	124,885	-	-
Finance and Tax Collection	233,763	-	-
Professional Services	86,273	-	-
General Government	627,798	351,700	63,518
Public Safety			
Police	3,284,198	322,655	226,649
Fire and Ambulance	372,945	-	143,636
Code Enforcement and Planning and Zoning	326,950	595,082	8,150
Highways			
Highway Maintenance	2,072,672	173,750	620,491
Snow and Ice Removal	89,843	500	-
Traffic Signals	66,374	5,023	-
Street Lights	47,894	57,783	-
Parks and Recreation	116,207	5,054	16,110
Conservation and Development	5,880	-	-
Total Governmental Activities	<u>\$ 7,578,980</u>	<u>\$ 1,511,547</u>	<u>\$ 1,078,554</u>

General Revenues

Taxes

 Real Estate Taxes

 Real Estate Transfer Taxes

 Earned Income Taxes

 Other Taxes

Interest Income and Rents

Loss on Sale of Capital Assets

Miscellaneous

 Total General Revenues

Change in Net Assets

Net Position, Beginning of Year

Net Position, End of Year

See notes to financial statements.

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
\$ -	\$ (123,298)
-	(124,885)
-	(233,763)
-	(86,273)
-	(212,580)
-	(2,734,894)
-	(229,309)
-	276,282
1,234,519	(43,912)
-	(89,343)
-	(61,351)
-	9,889
13,425	(81,618)
-	(5,880)
<u>\$ 1,247,944</u>	<u>\$ (3,740,935)</u>

2,065,431
654,661
3,896,097
266,898
127,446
(6,213)
1,165,996
<u>8,170,316</u>
4,429,381
<u>38,107,937</u>
<u>\$ 42,537,318</u>

See notes to financial statements.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2022**

	General Fund	Open Space Fund	Road Equipment Fund
Assets			
Cash	\$ 5,030,547	\$ 1,880,630	\$ 2,254,939
Taxes Receivable	1,406,245	302	2,074
Other Receivables	102,225	-	-
Prepaid Expenses	14,915	-	-
Due from Other Funds	1,407	-	-
	<u>6,555,339</u>	<u>1,880,932</u>	<u>2,257,013</u>
Total Assets	<u>\$ 6,555,339</u>	<u>\$ 1,880,932</u>	<u>\$ 2,257,013</u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable and Accrued Expenses	\$ 63,312	\$ -	\$ 44,388
Accrued Wages and Benefits	134,209	-	-
Due to Other Funds	60,425	-	-
Total Liabilities	<u>257,946</u>	<u>-</u>	<u>44,388</u>
Deferred Inflows of Resources			
Unearned Revenue	-	-	-
Deferred Tax Receipts	640,831	-	1,540
Total Deferred Inflows of Resources	<u>640,831</u>	<u>-</u>	<u>1,540</u>
Fund Balances			
Nonspendable	14,915	-	-
Restricted	-	1,234,269	109,522
Committed	3,625,079	-	-
Assigned	-	646,663	2,101,563
Unassigned	2,016,568	-	-
Total Fund Balances	<u>5,656,562</u>	<u>1,880,932</u>	<u>2,211,085</u>
Total Liabilities and Fund Balances	<u>\$ 6,555,339</u>	<u>\$ 1,880,932</u>	<u>\$ 2,257,013</u>

See notes to financial statements.

<u>Stormwater System Reserve Fund</u>	<u>ARPA Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,883,724	\$ 1,649,363	\$ 2,929,359	\$ 16,628,562
-	-	4,403	1,413,024
-	-	-	102,225
-	-	-	14,915
-	-	60,425	61,832
<u>\$ 2,883,724</u>	<u>\$ 1,649,363</u>	<u>\$ 2,994,187</u>	<u>\$ 18,220,558</u>
\$ 611	\$ -	\$ 14,931	\$ 123,242
-	-	-	134,209
-	-	-	60,425
<u>611</u>	<u>-</u>	<u>14,931</u>	<u>317,876</u>
-	1,643,666	-	1,643,666
-	-	3,356	645,727
-	<u>1,643,666</u>	<u>3,356</u>	<u>2,289,393</u>
-	-	-	14,915
-	-	1,117,850	2,461,641
-	-	-	3,625,079
2,883,113	5,697	1,858,050	7,495,086
-	-	-	2,016,568
<u>2,883,113</u>	<u>5,697</u>	<u>2,975,900</u>	<u>15,613,289</u>
<u>\$ 2,883,724</u>	<u>\$ 1,649,363</u>	<u>\$ 2,994,187</u>	<u>\$ 18,220,558</u>

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2022**

Total Governmental Fund Balances	\$ 15,613,289
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because	
Capital Assets Used in Governmental Activities Are Not Financial Resources, and Therefore Not Reported in Funds, Net of Accumulated Depreciation of \$26,327,218.	25,009,409
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	645,727
Net Pension Asset	3,715,462
Deferred Pension Outflows of Resources Are Not Available in the Current Period	1,009,860
Long-Term Liabilities Are Not Due and Payable in the Current Period, and Therefore Are Not Reported in the Funds.	
Compensated Absences	(159,509)
Deferred Pension Inflows of Resources Are Not Available in the Current Period	<u>(3,296,920)</u>
Net Position of Governmental Activities	<u><u>\$ 42,537,318</u></u>

See notes to financial statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2022

	<u>General Fund</u>	<u>Open Space Fund</u>	<u>Road Equipment Fund</u>
Revenues			
Taxes	\$ 6,495,015	\$ 2,499	\$ 117,618
Intergovernmental Revenues	449,824	-	-
Charges for Services	987,766	-	-
Fines, Licenses and Permits	429,487	-	-
Interest Income and Rents	77,033	14,303	8,877
Miscellaneous	1,260,739	-	-
Total Revenues	<u>9,699,864</u>	<u>16,802</u>	<u>126,495</u>
Expenditures			
General Government	763,415	-	1,920
Public Safety	4,525,828	-	-
Highways	1,763,980	-	6,670
Parks and Recreation	-	-	-
Conservation and Development	5,880	-	-
Capital Expenditures	-	3,615,615	101,550
Miscellaneous Governmental	78,063	-	-
Total Expenditures	<u>7,137,166</u>	<u>3,615,615</u>	<u>110,140</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	2,562,698	(3,598,813)	16,355
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(750,000)</u>	<u>-</u>	<u>100,000</u>
Net Change in Fund Balances	1,812,698	(3,598,813)	116,355
Fund Balances			
Beginning of Year	<u>3,843,864</u>	<u>5,479,745</u>	<u>2,094,730</u>
End of Year	<u>\$ 5,656,562</u>	<u>\$ 1,880,932</u>	<u>\$ 2,211,085</u>

See notes to financial statements.

<u>Stormwater System Reserve Fund</u>	<u>ARPA Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 223,467	\$ 6,838,599
-	17,647	569,525	1,036,996
-	-	62,750	1,050,516
-	-	-	429,487
11,317	4,282	11,634	127,446
11,381	-	121,405	1,393,525
<u>22,698</u>	<u>21,929</u>	<u>988,781</u>	<u>10,876,569</u>
-	-	6,657	771,992
-	-	201,661	4,727,489
32,007	17,647	142,492	1,962,796
-	-	56,741	56,741
-	-	-	5,880
19,421	-	332,375	4,068,961
-	-	-	78,063
<u>51,428</u>	<u>17,647</u>	<u>739,926</u>	<u>11,671,922</u>
(28,730)	4,282	248,855	(795,353)
<u>100,000</u>	<u>-</u>	<u>550,000</u>	<u>-</u>
71,270	4,282	798,855	(795,353)
<u>2,811,843</u>	<u>1,415</u>	<u>2,177,045</u>	<u>16,408,642</u>
<u>\$ 2,883,113</u>	<u>\$ 5,697</u>	<u>\$ 2,975,900</u>	<u>\$ 15,613,289</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Reconciliation of the Net Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2022

Net Change in Fund Balances - Total Governmental Funds \$ (795,353)

Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because

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 as Depreciation Expense. This Is the Amount By Which Depreciation Expense of \$1,095,804 and Net Book Value of Assets Disposed of in the Amount of \$27,143 Were Exceeded by Capital Outlays of \$4,068,961 and Dedicated Infrastructure of \$1,114,360 in the Current Year. 4,060,374

Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported as Revenues in the Funds

Taxes Receivable 44,575

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.

Compensated Absences 8,777

Other Benefits Do Not Require the Use of Current Financial Resources and, Therefore, Are Not Reported as Expenditures in Governmental Funds.

Deferred Pension Outflows (245,352)

Net Pension Asset/Liability 1,893,060

Deferred Pension Inflows (536,700)

Change in Net Position of Governmental Activities \$ 4,429,381

See notes to financial statements.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2022**

Assets

Cash	<u>\$ 2,318,460</u>
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Liabilities

Accounts Payable	8,095
Due to Other Funds	1,407
Total Liabilities	<u>9,502</u>

Net Position

Restricted for Held for Individuals, Organizations and Others	<u>2,308,958</u>
Total Net Position	<u><u>\$ 2,308,958</u></u>

See notes to financial statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Statement of Changes in Fiduciary Net Position
Custodial Funds
Year Ended December 31, 2022

Additions		
Escrow Deposits		\$ 922,575
Investment Income		1,948
		<u> </u>
Total Additions		<u>924,523</u>
Deductions		
Professional Fees		167,162
Escrow Releases		495,837
Administrative		13,475
Total Deductions		<u>676,474</u>
Increase in Net Position		248,049
Net Position		
Beginning of Year		<u>2,060,909</u>
End of Year		<u><u>\$ 2,308,958</u></u>

See notes to financial statements.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hilltown Township (the Township) was incorporated in 1721, in Bucks County, Pennsylvania. The Township is classified as a “Township of the Second Class” under the laws of the Commonwealth of Pennsylvania and provides the following services as authorized by its charter: public safety, highways and streets, culture-recreation, public improvements, planning and zoning, and general and administrative services.

The Township’s statements are prepared in compliance with GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*. Significant aspects of the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and changes in financial position.
- Financial statements prepared using full accrual accounting for all of the Township’s activities, including infrastructure (roads, bridges, etc.).
- A focus on major funds in the fund financial statements.

The Township complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Reporting Entity

Government Accounting Standards Board (GASB) Statement No. 14, as amended by GASB No. 61, requires Hilltown Township to include all component units in its annual financial statements. A component unit is defined as any legally separate entity which is controlled by and is financially accountable to the Township.

The Township has no component units. Although the Township appoints the Hilltown Township Water and Sewer Authority (Authority) board members, there is no financial accountability between the Township and the Authority and, therefore, does not meet the criteria of a component unit.

In addition, the Township provides some financial support to seven fire companies – the Hilltown Township Volunteer Fire Company, and the Dublin, Perkasio, Sellersville, Silverdale, Souderton and Telford Fire Companies. Since there is no fiscal dependency, financial benefit or burden relationship, these organizations have been excluded from the reporting entity. The Township levies and collects real estate taxes designated for allocation among the seven fire companies. Additionally, on occasion the Township donates funds for various capital projects of the fire companies, and pays certain expenses on their behalf. Annual appropriations totaled \$170,435 for the year ended December 31, 2022.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the reporting government as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary funds are also excluded from the government-wide financial statements.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

FUND FINANCIAL STATEMENTS

The accounts of the Township are organized on the basis of funds and account groups, 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/expenses. 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. Funds are organized into two major categories: governmental and fiduciary.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

Fund financial statements report detailed information about the Township. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. A fund is considered major if it is the primary operating fund of the Township or if it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The funds of the financial reporting entity are described below.

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. The Operating Reserve Fund has been combined with the General Fund to conform with the fund definitions set forth in GASB 54 – *Fund Balance Reporting and Governmental Type Definitions*.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds:

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

Governmental Funds (continued)

Special Revenue Funds (continued)

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
Liquid Fuels	Accounts for revenues and expenditures of state liquid fuels grant funds	No
Street Light	Accounts for revenues and expenditures of street light tax funds	No
Fire Tax	Accounts for revenues and expenditures of fire protection tax funds	No
Open Space	Accounts for tax money received for protection of open space	Yes
Park and Recreation	Accounts for tax money received for parks and recreation	No

Capital Projects Funds

Capital projects funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
Capital Projects	Accounts for funds received from developers to be spent for capital projects in the Township	No
Road Equipment	Accounts for tax money received for the purchase of road equipment	Yes
Recreation Capital Reserve	Accounts for funds received from developers in lieu of recreation improvements to be used to construct recreational and park facilities	No
Stormwater System Reserve	Accounts for funds received from developers in lieu of stormwater improvements	Yes
ARPA	Accounts for American Rescue Plan Act grant funds received	Yes

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

Fiduciary Funds

Custodial Funds - Custodial Funds (which include the Developers Escrow and Sewer Maintenance Funds) are used to account for assets held by a third party in the Township's name as an agent for individuals, private organizations, other governments, and/or other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. Fiduciary funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All fiduciary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset is used.

D. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note 7 for details of interfund transactions, including receivables and payables at year end.

E. Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Township is permitted to lien the resident’s property if the resident does not remit payment. Major receivable balances for the governmental activities include real estate taxes, earned income taxes, franchise taxes, grants, and police fines.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as real estate tax, earned income tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Repairs and maintenance are recorded as expenditures, and renewals and betterments are capitalized. All capital assets are valued at historical cost, except for infrastructure acquired before January 1, 2004, which is valued at estimated historical cost less accumulated depreciation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives and the capitalization level by type of asset is shown below.

Classifications	Years
Land/Park Improvements	10-20
Buildings and Improvements	20-40
Equipment	5-10
Vehicles	5-10
Furniture and Fixtures	10
Traffic Lights	20
Infrastructure	40

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

G. Long-Term Debt

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, if applicable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Any debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

The Township had no long-term debt at December 31, 2022.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Compensated Absences

Township uniformed employees accumulate vacation and sick time in accordance with their contract. Uniformed employees can earn up to 240 hours of vacation time depending on their years of service. Uniformed employees may carry over 120 unused vacation hours per year.

Uniformed employees are entitled to up to 96 hours of sick leave per year. Sick time can be carried over, and up to 360 hours can be accumulated from year to year. Upon retirement, resignation or termination, the employee is not paid for accumulated sick time.

Township non-uniformed employees accumulate vacation and sick time in accordance with their contract. Non-uniformed employees can earn up to 184 hours of vacation time depending on their years of service. Non-uniformed employees may carry over 240 hours of vacation per year.

Non-uniformed employees are entitled to up to 96 hours of sick leave per year. Sick time can be carried over, and up to 240 hours of sick leave can be accumulated from year to year. Upon retirement, resignation or termination, non-uniformed employees are not paid for accumulated sick time.

The Township is liable to employees in the amount of \$159,509 for vested vacation pay at December 31, 2022.

I. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

1. **Invested in capital assets, net of related debt** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted net position** - Consists of net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or b) law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** - All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Equity Classifications (continued)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

Nonspendable – includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be kept intact.

Restricted – includes amounts that are restricted for specific purposes by constitutional provisions, enabling legislation, or externally imposed constraints.

Committed – includes amounts that can only be used for specific purposes with constraints that are established by a formal action of the Board of Supervisors (the Board). The constraint can only be changed or removed by another formal action of the Board. The Township's fund balance policy requires passage of a Resolution or an Ordinance by the Board in order to set aside funds as Committed.

Assigned – includes amounts that are constrained by the Township's intent to be used for specific purposes, but are neither restricted nor committed. Assigned balances include all remaining government fund amounts, other than the General Fund, that are not classified as nonspendable, restricted or committed, and are intended for a specific purpose. The intent is expressed by the Board, or an individual to whom the Board has designated authority. The Township's fund balance policy grants this authority to the Township Manager and Finance Director/Treasurer, as well as the Board of Supervisors.

Unassigned – this amount is the residual classification for the General Fund, and any negative fund balances in other governmental funds. Other governmental funds cannot report any positive unassigned amounts.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts, then unassigned amounts.

The Township does not currently have a formal minimum fund balance policy.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Township has one type of this item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until then. The Township has two types of this item that qualifies for reporting in this category in the government-wide financial statements. Additionally, the Township had two types of this item that qualifies for reporting in this category in the fund financial statements as well. Accordingly, these items, *unearned revenue and deferred tax receipts*, are reported in the governmental funds balance sheet. The governmental funds report unearned revenue/deferred tax receipts from several sources: unspent grant funds, property taxes, earned income taxes and local services taxes.

K. Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

L. Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, any interfund transfers between individual governmental funds are eliminated.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. Stewardship, Compliance, and Accountability

The following procedures are used by the Township in establishing budgetary data which is reflected in the financial statements.

1. The Township prepares and advertises a proposed budget at least 20 days before the budget is adopted.
2. Public hearings are conducted to obtain comments from taxpayers regarding the proposed budget.
3. The budget is formally adopted by the Board members prior to December 31.
4. The budget is prepared and adopted using the modified accrual basis of accounting, which is consistent with the basis used by the Township for financial reporting.
5. Amendments may be approved by the Board during the year.

Excess of Expenditures Over Appropriations

The Township has presented budget to actual comparisons for the General and Open Space Funds. For the year ended December 31, 2022, General Fund expenditures exceeded appropriations in four categories by a total of \$402,712. The open Space had one category that was overspent by \$29,615. These excess expenditures were funded by greater than anticipated revenues and fund balance carryforwards.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

2. CASH

Cash as of December 31, 2022, is classified in the accompanying financial statements as follows:

Statement of Net Position	
Cash	\$ 16,628,562
Statement of Fiduciary Net Position	
Cash	<u>2,318,460</u>
Total Cash	<u><u>\$ 18,947,022</u></u>

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. All Township deposits are entirely insured or collateralized under a pooled asset program to secure public deposits, in accordance with Act 72 of the Commonwealth of Pennsylvania. As of December 31, 2022, \$17,957,958 of the Township's bank balance of \$18,207,958 was uninsured, but collateralized by securities held by the bank or by its trust department or agent but not in the Township's name.

3. FIDUCIARY FUNDS - ESCROW FUND

The Escrow Fund is a Custodial Fund in that the Township has custodial capacity of funds deposited with it on behalf of developers and other applicants. At December 31, 2022, the Township had \$2,308,958 in escrow deposits and sewer maintenance deposits.

4. PROPERTY TAXES

Taxes are levied on March 1, based on the assessed value established by the Bucks County Board of Assessments. Real property in the Township was originally assessed at \$237,936,420 for 2022. Property taxes attach as an enforceable lien on property as of January 15 of the following year. The Township receives all tax collections through its tax collector. The Township is legally permitted to levy up to 14 mills of assessed property valuation for general purposes (19 mills with court approval), and 3 mills for fire tax purposes. The Township had the following millage rates for the year ended December 31, 2022: general purposes, 7.30 mills; fire tax purposes, 0.75 mills; park and recreation purposes, 0.2 mills; road equipment, 0.5 mills.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

5. CAPITAL ASSETS

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

	Balance 1/1/22	Additions	Disposals	Balance 12/31/22
Governmental Activities				
Assets Not Being Depreciated				
Land and Conservation Easements	\$ 8,454,832	\$ 3,615,615	\$ -	\$ 12,070,447
Depreciable Assets				
Land/Park Improvements	847,932	-	-	847,932
Buildings and Improvements	3,642,429	229,063	67,009	3,804,483
Equipment	1,815,464	72,701	12,431	1,875,734
Vehicles	2,894,304	103,925	128,838	2,869,391
Furniture and Fixtures	60,414	-	-	60,414
Traffic Lights	123,445	-	-	123,445
Infrastructure	28,522,764	1,162,017 *	-	29,684,781
Total Depreciable Assets	<u>37,906,752</u>	<u>1,567,706</u>	<u>208,278</u>	<u>39,266,180</u>
Less Accumulated Depreciation				
Land/Park Improvements	527,636	32,423	-	560,059
Buildings and Improvements	2,197,536	99,761	50,536	2,246,761
Equipment	1,135,304	127,306	1,761	1,260,849
Vehicles	2,016,644	297,295	128,838	2,185,101
Furniture and Fixtures	60,413	-	-	60,413
Traffic Lights	76,154	6,173	-	82,327
Infrastructure	19,398,862	532,846	-	19,931,708
Total Accumulated Depreciation	<u>25,412,549</u>	<u>1,095,804</u>	<u>181,135</u>	<u>26,327,218</u>
Total Governmental Activities Net Capital Assets	<u>\$ 20,949,035</u>	<u>\$ 4,087,517</u>	<u>\$ 27,143</u>	<u>\$ 25,009,409</u>

* Included dedicated infrastructure in the amount of \$1,114,360.

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	\$ 409,475
Police	110,601
Highway Maintenance	516,262
Park	59,466
	<u>\$ 1,095,804</u>

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

6. FUND BALANCE CLASSIFICATIONS

	General Fund	Open Space Fund	Road Equipment Fund	Stormwater System Reserve Fund	ARPA Fund	Nonmajor Governmental Funds	Total
Nonspendable	\$ 14,915	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,915
Restricted for:							
Open Space Preservation	-	1,234,269	-	-	-	-	1,234,269
Street Light Costs	-	-	-	-	-	60,457	60,457
Fire Protection	-	-	-	-	-	3,263	3,263
Highway Improvements	-	-	-	-	-	966,279	966,279
Public Works Equipment							
Acquisition	-	-	109,522	-	-	-	109,522
Parks and Recreation	-	-	-	-	-	87,851	87,851
	<u>-</u>	<u>1,234,269</u>	<u>109,522</u>	<u>-</u>	<u>-</u>	<u>1,117,850</u>	<u>2,461,641</u>
Committed for:							
General Operations	<u>3,625,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,625,079</u>
Assigned for:							
Open Space Preservation	-	646,663	-	-	-	-	646,663
Capital Acquisition and Construction	-	-	-	-	-	828,870	828,870
Parks and Recreation Improvements	-	-	-	-	-	1,026,332	1,026,332
Fire Protection	-	-	-	-	-	2,848	2,848
Public Works Equipment Acquisition	-	-	2,101,563	-	-	-	2,101,563
Stormwater System Improvements	-	-	-	2,883,113	5,697	-	2,888,810
	<u>-</u>	<u>646,663</u>	<u>2,101,563</u>	<u>2,883,113</u>	<u>5,697</u>	<u>1,858,050</u>	<u>7,495,086</u>
Unassigned	<u>2,016,568</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,016,568</u>
Total Fund Balances	<u>\$5,656,562</u>	<u>\$1,880,932</u>	<u>\$2,211,085</u>	<u>\$2,883,113</u>	<u>\$ 5,697</u>	<u>\$2,975,900</u>	<u>\$ 15,613,289</u>

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

7. INTERFUND TRANSACTIONS

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Due To/From			
Net Funds Advanced for Operating Costs	Street Light	General	\$ 60,425
Interest Income and Admin Fees Payable	General	Escrow	\$ 1,407
Transfers In/Out			
Capital Acquisition/Construction	Road Equipment	General	\$100,000
Capital Acquisition/Construction	Stormwater System	General	\$100,000
Capital Acquisition/Construction	Nonmajor Funds	General	\$550,000

8. DEFINED BENEFIT PENSION PLANS

A. Summary of Significant Accounting Policies

Basis of Accounting

The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions, if required, to the Plan are recognized when due, in accordance with Act 205. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. The Plan' assets with the Pennsylvania Municipal Retirement System (PMRS) are pooled for investment purposes and, therefore, do not represent specific identifiable securities.

B. Plan Descriptions

Plan Administration

The Township contributes to two public employee retirement systems (PERS), one for its police employees and one for its non-uniformed employees, established in 1980 by resolutions 80-16 and 80-15, respectively. The plans were revised in 2012 by Ordinances 2012-2 and 2012-4. The Plan participates in the PMRS, which is an agent multiple-employer public employee retirement system, which consists of over 1,000 participating employer plans. It is the responsibility of PMRS to act as a common investment agent for participating municipal pension plans. PMRS maintains each municipality's plans separately with that municipality's contributions and related employees' contributions and account earnings and activity. Assets are held separately and may only be used for the payment of plan benefits to its members. Management of the plan is vested with PMRS, which consists of an eleven-member Board: the State Treasurer, Secretary of the Commonwealth, and nine other members appointed by the Governor.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

8. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Descriptions (continued)

Plan Administration (continued)

Responsibility for PMRS is vested in the eleven-member Pennsylvania Municipality Retirement Board. There are over 900 participating employer plans, each of which has the authority to establish or amend its respective benefits and employee contribution rates, subject to PMRS Board approval. PMRS has the broad authority of enabling a municipality to design its own retirement benefit structure. As an alternative, PMRS has two basic benefit structures: one for municipal employees and one for uniformed employees (police and fire fighters). However, municipalities may provide for benefits different from those basic structures. Automatic postretirement benefit increases are optional in plan contracts. Some member municipalities include the automatic increase; others occasionally grant an ad hoc cost-of-living (COLA) increase. The most common method of granting a postretirement benefit increase is through PMRS' excess interest award. Member municipalities interested in amending benefits contact the PMRS staff to discuss desired amendments and to obtain a cost study. Amendments are drafted by the PMRS staff, reviewed by the Chief Counsel's Office, adopted by the municipality, and submitted to the Board for formal approval. 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.

Plan Membership

At December 31, 2021, plan membership consisted of the following:

	Police	Non-Uniform
Active Employees	17	18
Retirees and Beneficiaries Currently Receiving Benefits	13	12
Terminated Employees Entitled to Benefits but Not Yet Receiving Them	1	1
Total	31	31

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

8. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Descriptions (continued)

Benefits Provided

The following table provides information concerning the **Township's Police Pension Plan**:

Covered Employees:	All full-time uniformed employees.
Normal Retirement:	Age 55 and the completion of 12 years of service.
Early Retirement:	After 24 years of service for voluntary terminations, after 8 years for involuntary terminations.
Vesting:	None for the first 12 years of service; thereafter, 100%.
Retirement Benefit:	The annual basic benefit shall be calculated by multiplying the member's final average salary (the average compensation of the participant's last 36 months of employment) by all years of credited service and multiplied by the benefit accrual rate of 2%, not to exceed 50% of final average salary, plus a service increment that is not to exceed \$100 per month, if officer completes 26 years or more of benefit service.
Death Benefit	
Before Retirement:	Beneficiary receives the balance of the officer's account.
After Retirement:	A pension shall be provided to a retired officer's spouse or to the spouse of an officer eligible to retire, equal to 50% of the eligible pension. If no spouse, then payable to an eligible child.
Disability Benefit	
Service Related:	A disability pension shall be provided to an officer with a total and permanent service related disability equal to 50% of the officer's monthly salary at the time of disability.
Non-Service Related:	A 30% disability benefit is provided to a member who has at least 10 years of service.
Member Contributions Rate:	5% of compensation.
Interest Rate Credited to Member Contributions:	5.25% per annum.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

8. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Descriptions (continued)

Benefits Provided (continued)

The following table provides information concerning the **Township's Non-Uniform Employees' Pension Plan**:

Covered Employees:	All full-time non-uniformed employees employed by the Township.
Normal Retirement:	Age 60 and the completion of 12 years of credited service.
Early Retirement:	After 20 years of service for voluntary retirement, or after 8 years for involuntary retirement.
Vesting:	None for the first 12 years of service; thereafter 100%.
Retirement Benefit:	The annual basic benefit shall be calculated by multiplying the member's final average salary (the average compensation of the participant's last five years of employment) by all years of credited service and multiplied by the benefit accrual rate of 1.25%.
Death Benefit	
Before Retirement:	Beneficiary receives the present value of the accrued pension benefit at the date of death.
After Retirement:	The form of benefit payment in force for such participant at the time death occurs.
Disability Benefit:	A service-related disability pension shall be provided to an employee equal to 50% of the member's monthly salary at the time of disability. A 30% disability benefit is provided to a member who has at least 10 years of service. For a non-service-related disability, a 30% disability benefit is provided to a member who has at least 10 years of service
Member Contributions Rate:	N/A

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

8. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Descriptions (continued)

Contributions

For the Police Plan, participating employees can be required to contribute 5% of their salary to the Plan. For the year 2022, members contributed 5% of their salary to the Plan. If a participating employee leaves covered employment of the Township, other than due to employment-connected death or disability, before 12 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

For the Non-Uniform Plan, participating employees can be required to contribute 3.5% of their salary to the Plan. For the year 2022, members contributed 0% of their salary to the Plan. If a participating employee leaves covered employment of the Township, other than due to employment-connected death or disability, before 12 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

The Township's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The employer's contribution rate for normal cost is determined using the entry age normal actuarial funding method.

The Township's covered employees may be required to contribute a percentage of their salary to the employees' PERS as noted above. The Township is required to contribute the remaining amounts necessary to fund the plans, using the actuarial basis specified by state statute. The Commonwealth of Pennsylvania also provides funds (distribution of foreign casualty insurance premium taxes) to the Township, which are used by the Township in making its regular contributions to the plans.

C. Investments

The Plans' assets are managed by PMRS. The Plans' assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by GASB Statement No. 3 for aggregate PMRS investments are included in PMRS' separately issued Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained from the PMRS or contacting their accounting office.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

8. DEFINED BENEFIT PENSION PLANS (continued)

C. Investments (continued)

The PMRS Board (the Board) is governed by the “prudent investor” rule in establishing investment policy. The “prudent investor” rule requires the exercise of that degree of judgment, skill, and care under the circumstances then prevailing which investors of prudence, discretion, and intelligence, who are familiar with such matters, exercise in the management of their own affairs not in regard to speculation, but in regard to permanent disposition of the funds, considering the probable income to be derived there from, as well as the probable safety of their capital.

The Board has adopted its Statement of Investment Policy to formally document investment objectives and responsibilities. This policy, as well as applicable state law, established guidelines for permissible investments of PMRS. The pension plan’s policy in regards to the allocation of invested plan assets is established and may be amended by the Board. For the measurement period ending December 31, 2021, the adopted allocation policy is as follows:

Domestic Equities (Large Capitalized Firms)	24.5%
Domestic Equities (Small Capitalized Firms)	8.0%
International Equities (Developed Markets)	14.5%
International Equities (Emerging Markets)	3.0%
Global Equities	5.0%
Fixed Income	29.0%
Real Estate	10%
Timber	5%
Cash	1%

Rate of Return

For the measurement period ended December 31, 2021, the annual money-weighted rate of return on Police Plan and NU Plan investments, net of pension plan investment expense, was 13.1%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

D. Deferred Retirement Option Program (DROP)

An active member who has met the eligibility requirements for the program, which are age 55 and 25 years of service, may elect to participate in the deferred retirement option program for a period of at least one year, but not more than three years. Monthly pension shall be calculated as of the date of participation in the program and shall be accumulated with interest earned on the PMRS DROP account and distributed in a lump sum at retirement.

As of December 31, 2022, there was one participant in the DROP program.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability (Asset) of the Township

The components of the net pension liabilities (assets) of the Township at December 31, 2022, were as follows:

	<u>Police</u>	<u>Non-Uniform</u>
Total Pension Liability	\$ 15,430,983	\$ 5,910,118
Plan Fiduciary Net Position	<u>(18,280,685)</u>	<u>(6,775,878)</u>
Township's Net Pension Asset	<u>\$ (2,849,702)</u>	<u>\$ (865,760)</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	118.5%	114.6%

Actuarial Assumptions

The total pension liability for the Plans are measured as of December 31, 2021, based on the actuarial valuation of the same date, using the following actuarial assumptions, applied to all periods included in the measurement.

	<u>Police Per Year</u>	<u>Non-Uniform Per Year</u>
Salary Increases	Age-related scale with merit and inflation component	Age-related scale with merit and inflation component
Investment Rate of Return	5.25%	5.25%
Inflation	2.8%	2.8%

See Schedule of Township Contributions for details on mortality rates assumptions.

The actuarial assumptions used in the December 31, 2021, Plan valuations were based on the results of an actuarial experience study for the period covering January 1, 2014 through December 31, 2018.

The net pension liability for both Plans were measured as of December 31, 2021. Because the beginning and end of year total pension liabilities are based upon the same actuarial valuation dates, there is no difference between expected and actual experiences reported in 2021. The beginning of the year total pension liabilities are based upon the January 1, 2021, actuarial valuation, with liabilities measured at December 31, 2020. The end of year total pension liabilities is based upon the January 1, 2021, actuarial valuation.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability (Asset) of the Township (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class, for the portfolio as a whole, and at different levels of probability or confidence. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of December 31, 2021 are summarized as follows:

<u>Asset Class</u>	<u>Police Long-Term Expected Real Rate of Return, Per Year</u>	<u>Non-Uniform Long-Term Expected Real Rate of Return, Per Year</u>
Domestic Equity	4.99-5.68%	4.99-5.68%
International Equity	4.78-5.71%	4.78-5.71%
Real Estate	4.90%	4.90%
Timber	3.67%	3.67%
Fixed Income	1.82-5.38%	1.82-5.38%

Changes in the Net Pension Liability

Changes in the net pension liability for the measurement date of December 31, 2021, are as follows:

	<u>Police Pension Plan Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Asset</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) – (b)</u>
Balance at December 31, 2020	\$ 14,876,011	\$ 16,359,221	\$ (1,483,210)
Changes for the Year			
Service Cost	310,644	-	310,644
Interest	783,332	-	783,332
Changes of Assumptions	-	-	-
Difference Between Expected and Actual Experience	-	-	-
Contributions – Employer	-	245,682	(245,682)
Contributions - Employee	-	113,517	(113,517)
Contributions - PMRS Assessment	-	580	(580)
Net Investment Income	-	762,609	(762,609)
Market Value Investment Income	-	1,381,853	(1,381,853)
Benefit Payments	(539,004)	(539,004)	-
Administrative Expenses	-	(43,773)	43,773
Net Changes	<u>554,972</u>	<u>1,921,464</u>	<u>(1,366,492)</u>
Balances at December 31, 2021	<u>\$ 15,430,983</u>	<u>\$ 18,280,685</u>	<u>\$ (2,849,702)</u>

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability (Asset) of the Township (continued)

Changes in the Net Pension Liability (continued)

	Non-Uniform Pension Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) – (b)
Balance at December 31, 2020	\$ 5,747,265	\$ 6,086,457	\$ (339,192)
Changes for the Year			
Service Cost	104,187	-	104,187
Interest	300,923	-	300,923
Changes of Assumptions	-	-	-
Difference Between Expected and Actual Experience	-	-	-
Contributions – Employer	-	140,350	(140,350)
Contributions - PMRS Assessment	-	600	(600)
Net Investment Income	-	285,226	(285,226)
Market Value Investment Income	-	522,257	(522,257)
Benefit Payments	(242,257)	(242,257)	-
Administrative Expenses	-	(16,755)	16,755
Net Changes	<u>162,853</u>	<u>689,421</u>	<u>(526,568)</u>
Balances at December 31, 2021	<u>\$ 5,910,118</u>	<u>\$ 6,775,878</u>	<u>\$ (865,760)</u>

Discount Rate

The discount rate used to measure the total pension liability was 5.25% for both Plans. The pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability (Asset) of the Township (continued)

Pension Expense and the Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the Township recognized pension expense of (\$606,602) and (\$113,254) in the Police and Non-Uniform Plans, respectively. At December 31, 2022, the Township reported deferred outflows and inflows of resources related to pensions from the following sources:

	Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 81,462	\$ (210,726)
Changes of Assumptions	326,128	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(2,186,062)
Contributions Made by Employer After Measurement Date	253,728	-
	\$ 661,318	\$(2,396,788)

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

Year Ending December 31,	Amount
2022	\$ (524,623)
2023	(827,869)
2024	(449,451)
2025	(187,255)
	\$(1,989,198)

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability (Asset) of the Township (continued)

**Pension Expense and the Deferred Outflows and Inflows of Resources Related to Pensions
(continued)**

	Non-Uniform	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 91,917	\$ -
Changes of Assumptions	119,201	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(900,132)
Contributions Made by Employer After Measurement Date	137,424	-
	\$ 348,542	\$ (900,132)

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

Year Ending December 31,	Amount
2022	\$ (151,187)
2023	(306,374)
2024	(166,517)
2025	(64,936)
	\$ (689,014)

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Net Pension Liability (Asset) of the Township (continued)

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

The following presents the net pension liabilities (assets) of the Township, calculated using the discount rate of 5.25% for both the Police and Non-Uniform Plans, as well as what the Township's net pension liabilities (assets) would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Police Pension Liability (Asset)	\$(877,037)	\$(2,849,702)	\$(4,492,917)
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Non-Uniform Pension Liability (Asset)	\$(247,394)	\$(865,760)	\$(1,393,884)

9. POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Township provides post-employment health care benefits through a defined contribution plan, in accordance with the retiree medical plan, to all uniformed employees who retire from the Township in accordance to the criteria outlined in the police collective bargaining agreement.

The Township makes yearly contributions to a medical reimbursement account established on behalf of each eligible employee, based on the terms in the police contract. The contribution for the year ended December 31, 2022 was \$33,771. Employees are not required to contribute to the plan.

Under the terms of the plan, eligible retirees shall be entitled to receive reimbursement for eligible medical expenses up to the amount maintained in their medical reimbursement account maintained for the respective retiree. Eligible medical expenses are any medical expenses that would be eligible for deduction on an individual income tax return, other than direct long-term care expenses, and without regard to any limitations imposed based on the adjusted gross income of an eligible employee. Any plan participant who separates from police employment with the Township prior to retirement shall have his or her medical reimbursement accounts revert back to the Township. The accounts also revert back to the Township upon the death of the participant.

The plan became effective January 1, 2009. Currently, there are no retirees receiving benefits, and 18 uniformed employees are receiving contributions in their medical reimbursement account.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

10. DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. The requirements of IRC Section 457(g) prescribe that the Township is not the owner of the amounts deferred by employees, including the related income on those amounts. Accordingly, the assets and the related liability for the compensation deferred by plan participants, including earnings on plan assets, are not included in the Township's financial statements.

11. RISK MANAGEMENT

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

a. Health Care Coverage

The Township participates in the Delaware Valley Health Trust (DVHT). DVHT is a regional risk sharing pool providing health insurance benefits to employees and dependents of participating municipalities.

b. Workers' Compensation Coverage

The Township participates in the Delaware Valley Workers' Compensation Trust (DVWCT). DVWCT is a regional risk sharing pool providing workers' compensation benefits to employees. The volunteer firemen's workers' compensation benefits are provided through the state program.

c. Insurance Coverage

The Township participates in the Delaware Valley Property Liability Trust (DVPLT). DVPLT is a regional risk sharing pool that provides commercial, liability and bonding coverage for the Township.

Management believes the above coverages are sufficient to preclude any significant uninsured losses to the Township. There have been no significant reductions in coverage from the prior year.

12. CONTINGENCIES

The Township is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Township, management feels that any settlement of judgment not covered by insurance would not materially affect the financial condition of the Township.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2022**

13. RELATED PARTY TRANSACTIONS

During the year, the Township received \$23,069 from the Hilltown Township Water and Sewer Authority for cell tower rentals.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 10, 2023, the date which the financial statements were available to be issued.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,				
	2021	2020	2019	2018	2017
Total Pension Liability					
Service Cost	\$ 310,644	\$ 290,753	\$ 272,228	\$ 227,808	\$ 217,724
Interest	783,332	728,977	716,112	732,702	715,001
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	-	122,194	-	(527,403)	-
Changes of Assumptions	-	412,505	-	-	-
Benefit Payments (Including Refunds of Member Contributions)	(539,004)	(539,004)	(978,995)	(612,744)	(598,720)
Net Change in Total Pension Liability	554,972	1,015,425	9,345	(179,637)	334,005
Total Pension Liability					
Beginning of Year	14,876,011	13,860,586	13,851,241	14,030,878	13,696,873
End of Year	<u>\$15,430,983</u>	<u>\$14,876,011</u>	<u>\$13,860,586</u>	<u>\$13,851,241</u>	<u>\$14,030,878</u>
Plan Fiduciary Net Position					
Contributions					
Employer	\$ 246,262	\$ 247,206	\$ 221,629	\$ 264,988	\$ 295,271
Member	113,517	108,504	102,111	85,780	81,929
Net Investment Income (Loss)	2,144,462	2,020,606	2,157,821	(759,525)	2,087,098
Benefit Payments (Including Refunds of Member Contributions)	(539,004)	(539,004)	(978,995)	(612,744)	(598,720)
Administrative Expense	(43,773)	(31,478)	(24,897)	(30,655)	(30,556)
Net Change in Plan Fiduciary Net Position	1,921,464	1,805,834	1,477,669	(1,052,156)	1,835,022
Plan Fiduciary Net Position					
Beginning of Year	16,359,221	14,553,387	13,075,718	14,127,874	12,292,822
End of Year	<u>\$18,280,685</u>	<u>\$16,359,221</u>	<u>\$14,553,387</u>	<u>\$13,075,718</u>	<u>\$14,127,844</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,				
	2021	2020	2019	2018	2017
(Continued)					
Township's Ending Net Pension Liability (Asset)	<u>\$ (2,849,702)</u>	<u>\$ (1,483,210)</u>	<u>\$ (692,801)</u>	<u>\$ 775,523</u>	<u>\$ (96,966)</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	118.5%	110.0%	105.0%	94.4%	100.7%
Covered Employee Payroll	<u>\$ 2,270,338</u>	<u>\$ 2,170,082</u>	<u>\$ 2,031,820</u>	<u>\$ 1,715,599</u>	<u>\$ 1,639,655</u>
Township's Net Pension Liability (Asset) As a Percentage of Covered Employee Payroll	(125.5)%	(68.3)%	(34.1)%	45.2%	(5.9)%

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,		
	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 195,144	\$ 270,302	\$ 293,988
Interest	716,784	706,740	666,256
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(244,483)	-	104,135
Changes of Assumptions	357,857	(398,208)	-
Benefit Payments (Including Refunds of Member Contributions)	(327,058)	(315,216)	(294,300)
Net Change in Total Pension Liability	698,244	263,618	770,079
Total Pension Liability			
Beginning of Year	12,998,629	12,735,011	11,964,932
End of Year	\$13,696,873	\$12,998,629	\$12,735,011
Plan Fiduciary Net Position			
Contributions			
Employer	\$ 278,370	\$ 307,434	\$ 231,746
Member	80,524	87,400	97,792
Net Investment Income (Loss)	760,968	(105,023)	644,800
Benefit Payments (Including Refunds of Member Contributions)	(327,058)	(315,216)	(294,300)
Administrative Expense	(31,826)	(27,429)	(23,635)
Net Change in Plan Fiduciary Net Position	760,978	(52,834)	656,403
Plan Fiduciary Net Position			
Beginning of Year	11,531,844	11,584,678	10,928,275
End of Year	\$12,292,822	\$11,531,844	\$11,584,678

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Police Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,		
	2016	2015	2014
(Continued)			
Township's Ending Net Pension Liability	\$ 1,404,051	\$ 1,466,785	\$ 1,150,333
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	89.7%	88.7%	91.0%
Covered Employee Payroll	\$ 1,610,469	\$ 1,747,984	\$ 1,903,578
Township's Net Pension Liability (Asset) As a Percentage of Covered Employee Payroll	87.2%	83.9%	60.4%

Change in benefit terms: None

Change in assumptions: 2020 - Assumptions based on 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 10-year trend is complete, available information is presented.

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,				
	2021	2020	2019	2018	2017
Total Pension Liability					
Service Cost	\$ 104,187	\$ 112,126	\$ 103,923	\$ 100,168	\$ 93,914
Interest	300,923	280,784	272,790	251,305	239,988
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	-	58,296	-	265,269	-
Changes of Assumptions	-	178,801	-	-	-
Benefit Payments (Including Refunds of Member Contributions)	(242,257)	(234,772)	(230,562)	(192,454)	(58,442)
Net Change in Total Pension Liability	162,853	395,235	146,151	424,288	275,460
Total Pension Liability					
Beginning of Year	5,747,265	5,352,030	5,205,879	4,781,591	4,506,131
End of Year	<u>\$ 5,910,118</u>	<u>\$ 5,747,265</u>	<u>\$ 5,352,030</u>	<u>\$ 5,205,879</u>	<u>\$ 4,781,591</u>
Plan Fiduciary Net Position					
Contributions					
Employer	\$ 140,950	\$ 108,070	\$ 104,789	\$ 101,594	\$ 96,971
Member	-	-	-	-	-
Net Investment Income (Loss)	807,483	772,273	953,956	(278,011)	732,828
Benefit Payments (Including Refunds of Member Contributions)	(242,257)	(234,772)	(230,562)	(192,454)	(58,442)
Administrative Expense	(16,755)	(12,078)	(9,383)	(10,883)	(11,275)
Net Change in Plan Fiduciary Net Position	689,421	633,493	818,800	(379,754)	760,082
Plan Fiduciary Net Position					
Beginning of Year	6,086,457	5,452,964	4,634,164	5,013,918	4,253,836
End of Year	<u>\$ 6,775,878</u>	<u>\$ 6,086,457</u>	<u>\$ 5,452,964</u>	<u>\$ 4,634,164</u>	<u>\$ 5,013,918</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,				
	2021	2020	2019	2018	2017
(Continued)					
Township's Ending Net Pension Liability (Asset)	<u>\$ (865,760)</u>	<u>\$ (339,192)</u>	<u>\$ (100,934)</u>	<u>\$ 571,715</u>	<u>\$ (232,327)</u>
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	114.6%	105.9%	101.9%	89.0%	104.5%
Covered Employee Payroll	<u>\$ 1,403,873</u>	<u>\$ 1,473,344</u>	<u>\$ 1,365,559</u>	<u>\$ 1,327,304</u>	<u>\$ 1,244,436</u>
Township's Net Pension Liability (Asset) As a Percentage of Covered Employee Payroll	(61.7)%	(23.0)%	(740.0)%	43.1%	(18.7)%

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,		
	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 84,467	\$ 86,229	\$ 89,869
Interest	236,208	221,762	206,453
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(93,931)	-	30,654
Changes of Assumptions	98,913	10,051	-
Benefit Payments (Including Refunds of Member Contributions)	(58,721)	(48,665)	(41,413)
Net Change in Total Pension Liability	<u>266,936</u>	<u>269,377</u>	<u>285,563</u>
Total Pension Liability			
Beginning of Year	<u>4,239,195</u>	<u>3,969,818</u>	<u>3,684,255</u>
End of Year	<u>\$ 4,506,131</u>	<u>\$ 4,239,195</u>	<u>\$ 3,969,818</u>
Plan Fiduciary Net Position			
Contributions			
Employer	\$ 81,384	\$ 87,655	\$ 73,825
Member	-	-	-
Net Investment Income (Loss)	331,296	(11,654)	195,839
Benefit Payments (Including Refunds of Member Contributions)	(58,721)	(48,665)	(41,413)
Administrative Expense	(11,648)	(9,479)	(8,262)
Net Change in Plan Fiduciary Net Position	<u>342,311</u>	<u>17,857</u>	<u>219,989</u>
Plan Fiduciary Net Position			
Beginning of Year	<u>3,911,525</u>	<u>3,893,668</u>	<u>3,673,679</u>
End of Year	<u>\$ 4,253,836</u>	<u>\$ 3,911,525</u>	<u>\$ 3,893,668</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Changes in the Township's Net Pension Liability and Related Ratios
Non-Uniform Pension Plan
December 31, 2022
(Unaudited)

	Measurement Date as of December 31,		
	2016	2015	2014
(Continued)			
Township's Ending Net Pension Liability	\$ 252,295	\$ 327,670	\$ 76,150
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	94.4%	92.2%	98.1%
Covered Employee Payroll	\$ 1,183,775	\$ 1,119,646	\$ 1,126,981
Township's Net Pension Liability (Asset) As a Percentage of Covered Employee Payroll	21.3%	29.2%	6.7%

Change in benefit terms: None

Change in assumptions: 2020 - Assumptions based on 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 10-year trend is complete, available information is presented.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Township Contributions
Police Pension Plan
December 31, 2022
(Unaudited)**

Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions As a Percentage of Covered Employee Payroll
2021	\$ 246,242	\$ 246,262	\$ 20	\$ 2,270,338	10.8%
2020	\$ 247,206	\$ 247,206	\$ -	\$ 2,170,082	11.4%
2019	\$ 222,149	\$ 222,149	\$ -	\$ 2,031,820	10.9%
2018	\$ 264,928	\$ 264,988	\$ (60)	\$ 1,715,599	15.5%
2017	\$ 295,261	\$ 295,301	\$ (40)	\$ 1,639,655	18.0%
2016	\$ 278,370	\$ 278,370	\$ -	\$ 1,610,469	17.3%
2015	\$ 307,414	\$ 307,434	\$ (20)	\$ 1,747,984	17.6%
2014	\$ 231,746	\$ 231,746	\$ -	\$ 1,903,578	12.2%

Notes to Schedule:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Valuation Date	January 1, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Asset Valuation Method	Based on the municipal reserves
Inflation	2.8%
Salary Increases	Age-related scale with merit and inflation component
Investment Rate of Return	5.25%
Retirement Age	Normal Retirement Age
Mortality	RP2000 Table
Pre-Retirement Mortality	Males - RP-2000 Male Non-Annuitant Table projected 15 years with Scale AA, Females - RP-2000 Female Non-Annuitant Table projected 15 years with Scale AA
Post-Retirement Mortality	Males - RP-2000 Male Annuitant Table projected 5 years with Scale AA, Females - RP-2000 Female Annuitant Table projected 10 years with Scale AA

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Township Contributions
Non-Uniform Pension Plan
December 31, 2022
(Unaudited)**

Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions As a Percentage of Covered Employee Payroll
2021	\$ 140,930	\$ 140,950	\$ (20)	\$ 1,403,873	10.0%
2020	\$ 108,070	\$ 108,070	\$ -	\$ 1,473,344	7.3%
2019	\$ 104,749	\$ 104,789	\$ (40)	\$ 1,365,559	7.7%
2018	\$ 101,554	\$ 101,594	\$ (40)	\$ 1,327,304	7.7%
2017	\$ 96,911	\$ 96,971	\$ (60)	\$ 1,244,436	7.8%
2016	\$ 81,364	\$ 81,384	\$ (20)	\$ 1,183,775	6.9%
2015	\$ 87,635	\$ 87,655	\$ (20)	\$ 1,119,646	7.8%
2014	\$ 72,077	\$ 73,825	\$ (1,748)	\$ 1,126,981	6.6%

Notes to Schedule:

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Valuation Date	January 1, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Asset Valuation Method	Based on the municipal reserves
Inflation	2.8%
Salary Increases	Age-related scale with merit and inflation component
Investment Rate of Return	5.25%
Retirement Age	Normal Retirement Age
Mortality	RP2000 Table
Pre-Retirement Mortality	Males - RP-2000 Male Non-Annuitant Table projected 15 years with Scale AA, Females - RP-2000 Female Non-Annuitant Table projected 15 years with Scale AA
Post-Retirement Mortality	Males - RP-2000 Male Annuitant Table projected 5 years with Scale AA, Females - RP-2000 Female Annuitant Table projected 10 years with Scale AA

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Investment Returns
December 31, 2022
(Unaudited)**

	<u>Police</u>	<u>Non-Uniform</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense		
2021	13.10%	13.10%
2020	14.50%	14.50%
2019	20.10%	20.10%
2018	(4.57)%	(4.57)%
2017	17.84%	17.84%
2016	8.23%	8.23%
2015	(0.27)%	(0.27)%
2014	5.20%	5.20%
2013	7.28%	7.28%

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General and Open Space Funds
Year Ended December 31, 2022

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 4,903,351	\$ 6,495,015	\$ 1,591,664
Intergovernmental Revenues	407,200	449,824	42,624
Charges for Services	871,690	987,766	116,076
Fees, Licenses and Permits	429,300	429,487	187
Interest Income and Rents	70,000	77,033	7,033
Miscellaneous	180,694	1,260,739	1,080,045
Total Revenues	<u>6,862,235</u>	<u>9,699,864</u>	<u>2,837,629</u>
Expenditures			
General Government	746,995	763,415	(16,420)
Public Safety	4,208,377	4,525,828	(317,451)
Highways	1,712,760	1,763,980	(51,220)
Conservation and Development	8,000	5,880	2,120
Capital Expenditures	-	-	-
Miscellaneous Governmental	60,442	78,063	(17,621)
Total Expenditures	<u>6,736,574</u>	<u>7,137,166</u>	<u>(400,592)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	125,661	2,562,698	2,437,037
Other Financing Sources (Uses)			
Operating Transfers Out	<u>(750,000)</u>	<u>(750,000)</u>	<u>-</u>
Net Change in Fund Balances	(624,339)	1,812,698	2,437,037
Fund Balances			
Beginning of Year	<u>1,343,782</u>	<u>3,843,864</u>	<u>2,500,082</u>
End of Year	<u>\$ 719,443</u>	<u>\$ 5,656,562</u>	<u>\$ 4,937,119</u>

See notes to schedules of budget to actual comparisons.

Open Space Fund

Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ 2,499	\$ 2,499
-	-	-
-	-	-
-	-	-
18,800	14,303	(4,497)
-	-	-
<u>18,800</u>	<u>16,802</u>	<u>(1,998)</u>
-	-	-
-	-	-
-	-	-
-	-	-
3,586,000	3,615,615	(29,615)
-	-	-
<u>3,586,000</u>	<u>3,615,615</u>	<u>(29,615)</u>
(3,567,200)	(3,598,813)	(31,613)
-	-	-
<u>(3,567,200)</u>	<u>(3,598,813)</u>	<u>(31,613)</u>
5,478,694	5,479,745	1,051
<u>\$ 1,911,494</u>	<u>\$ 1,880,932</u>	<u>\$ (30,562)</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Notes to Schedules of Budget to Actual Comparisons
December 31, 2022

1. BASIS OF PRESENTATION

The Township has prepared the Schedule of Budget to Actual Comparisons using the same format as the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The Township did not amend its 2022 budget as originally adopted and, therefore, is presenting its original and final budget in one column for each fund presented.

2. DIFFERENCES IN BUDGET BASIS VERSUS GAAP BASIS

Miscellaneous governmental expenditures are budgeted for as such. Actual expenses have been allocated to activities.

**HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2022**

	<u>Fire Tax Fund</u>	<u>Street Light Fund</u>	<u>Liquid Fuels Fund</u>	<u>Park and Recreation Fund</u>
Assets				
Cash	\$ 8,863	\$ -	\$ 966,279	\$ 318,647
Taxes Receivable	3,149	464	-	790
Due from Other Funds	-	60,425	-	-
	<u>-</u>	<u>60,425</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 12,012</u>	<u>\$ 60,889</u>	<u>\$ 966,279</u>	<u>\$ 319,437</u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Expenses	\$ 3,554	\$ -	\$ -	\$ 198
	<u>3,554</u>	<u>-</u>	<u>-</u>	<u>198</u>
Deferred Inflows of Resources				
Deferred Tax Receipts	2,347	432	-	577
	<u>2,347</u>	<u>432</u>	<u>-</u>	<u>577</u>
Fund Balances				
Restricted	3,263	60,457	966,279	87,851
Assigned	2,848	-	-	230,811
Total Fund Balances	<u>6,111</u>	<u>60,457</u>	<u>966,279</u>	<u>318,662</u>
Total Liabilities and Fund Balances	<u>\$ 12,012</u>	<u>\$ 60,889</u>	<u>\$ 966,279</u>	<u>\$ 319,437</u>

<u>Capital Projects Fund</u>	<u>Recreation Capital Reserve</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 839,438	\$ 796,132	\$ 2,929,359
-	-	4,403
<u>-</u>	<u>-</u>	<u>60,425</u>
<u>\$ 839,438</u>	<u>\$ 796,132</u>	<u>\$ 2,994,187</u>
<u>\$ 10,568</u>	<u>\$ 611</u>	<u>\$ 14,931</u>
<u>-</u>	<u>-</u>	<u>3,356</u>
-	-	1,117,850
<u>828,870</u>	<u>795,521</u>	<u>1,858,050</u>
<u>828,870</u>	<u>795,521</u>	<u>2,975,900</u>
<u>\$ 839,438</u>	<u>\$ 796,132</u>	<u>\$ 2,994,187</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2022

	<u>Fire Tax Fund</u>	<u>Street Light Fund</u>	<u>Liquid Fuels Fund</u>	<u>Park and Recreation Fund</u>
Revenues				
Taxes	\$ 176,422	\$ -	\$ -	\$ 47,045
Intergovernmental Revenues	-	-	569,525	-
Charges for Services	-	57,696	-	5,054
Interest Income and Rents	304	-	3,654	1,306
Miscellaneous	-	-	-	-
Total Revenues	<u>176,726</u>	<u>57,696</u>	<u>573,179</u>	<u>53,405</u>
Expenditures				
General Government	2,879	-	-	768
Public Safety	170,435	-	-	-
Highways	-	46,257	96,235	-
Parks and Recreation	-	-	-	56,130
Capital Expenditures	-	-	-	-
Total Expenditures	<u>173,314</u>	<u>46,257</u>	<u>96,235</u>	<u>56,898</u>
Excess (Deficiency) of Revenues				
Over Expenditures Before Other Financing Sources (Uses)	3,412	11,439	476,944	(3,493)
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	3,412	11,439	476,944	(3,493)
Fund Balances				
Beginning of Year	<u>2,699</u>	<u>49,018</u>	<u>489,335</u>	<u>322,155</u>
End of Year	<u>\$ 6,111</u>	<u>\$ 60,457</u>	<u>\$ 966,279</u>	<u>\$ 318,662</u>

<u>Capital Projects Fund</u>	<u>Recreation Capital Reserve</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 223,467
-	-	569,525
-	-	62,750
3,491	2,879	11,634
91,870	29,535	121,405
<u>95,361</u>	<u>32,414</u>	<u>988,781</u>
3,010	-	6,657
31,226	-	201,661
-	-	142,492
-	611	56,741
288,600	43,775	332,375
<u>322,836</u>	<u>44,386</u>	<u>739,926</u>
(227,475)	(11,972)	248,855
<u>300,000</u>	<u>250,000</u>	<u>550,000</u>
72,525	238,028	798,855
<u>756,345</u>	<u>557,493</u>	<u>2,177,045</u>
<u>\$ 828,870</u>	<u>\$ 795,521</u>	<u>\$ 2,975,900</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Combining Statement of Fiduciary Net Position - Custodial Funds
December 31, 2022

	<u>Sewer Maintenance Funds</u>	<u>Developers' Escrow Funds</u>	<u>Total</u>
Assets			
Cash	\$ 498,718	\$ 1,819,742	\$ 2,318,460
Liabilities			
Accounts Payable	-	8,095	8,095
Due to Other Funds	-	1,407	1,407
Total Liabilities	<u>-</u>	<u>9,502</u>	<u>9,502</u>
Net Position			
Held for Individuals, Organizations and Others	<u>\$ 498,718</u>	<u>\$ 1,810,240</u>	<u>\$ 2,308,958</u>

HILLTOWN TOWNSHIP
BUCKS COUNTY, PA
Combining Statement of Changes in Fiduciary Net Position - Custodial Funds
December 31, 2022

	Sewer Maintenance Funds	Developers Escrow Funds	Total
Additions			
Escrow Deposits	\$ 18,000	\$ 904,575	\$ 922,575
Investment Income	1,948	-	1,948
Total Additions	19,948	904,575	924,523
Deductions			
Professional Fees	-	167,162	167,162
Escrow Releases	6,002	489,835	495,837
Administrative	-	13,475	13,475
Total Deductions	6,002	670,472	676,474
Increase in Net Position	13,946	234,103	248,049
Net Position			
Beginning of Year	484,772	1,576,137	2,060,909
End of Year	<u>\$ 498,718</u>	<u>\$ 1,810,240</u>	<u>\$ 2,308,958</u>