

**TOWNSHIP OF DERRY
BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2018**

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HAMILTON & MUSSER, P.C.

Certified Public Accountants • Consultants to Management

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Township of Derry
Hershey, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Township of Derry, Hershey, Pennsylvania, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Township's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of employer contributions, schedule of changes in the net pension liability and related ratios police pension, schedule of changes in the net pension liability and related ratios in non-uniform pension, schedule of changes in the net pension liability and related ratios in cash balance pension, and schedule of changes in the net OPEB liability and related ratios on pages 3-16 and 74-85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Derry, Hershey, Pennsylvania's basic financial statements. The combining and individual nonmajor fund 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 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note 1, the financial statements referred to above include only the primary government of the Township of Derry, Hershey, Pennsylvania, which consists of all funds that comprise the Township's legal entity. These primary government financial statements do not include financial data for the Township's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Township's primary government. As a result, the primary government financial statements do not purport to, and do not present fairly the financial position of the reporting entity of the Township of Derry, Hershey, Pennsylvania, as of December 31, 2018, the changes in its financial position or, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

August 6, 2019

Mechanicsburg, Pennsylvania



Certified Public Accountants

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2018

This section of the Township of Derry's annual financial report presents a narrative overview and analysis of the Township's financial performance for the fiscal year ended December 31, 2018. Please read this management's discussion and analysis in conjunction with the accompanying financial statements and notes which follow in order to obtain a thorough understanding of the Township's financial conditions at December 31, 2018.

FINANCIAL HIGHLIGHTS

- The total assets of the primary government of Derry Township exceeded its liabilities at the close of 2018 by \$40,740,392 (*total net position*).
- At the close of 2018, the Township's governmental funds reported a combined ending total fund balance of \$7,675,257 which is a decrease of \$475,212 from 2017. Approximately 21% of this total, or \$2,522,539 is available for spending at the government's discretion (*unassigned fund balance*).
- The Township entered into lease agreements for 2 Police Interceptors, a Ford Transit, a Ford F350, Police Mobile Data Table Systems and a Ventrac Tractor. The total principal amount of these agreements was \$207,322.
- The Township entered into an agreement to finance the purchase of a Fire Truck in the amount of \$1,306,417.
- The Township issued the Series of 2018 General Obligation Bonds in the amount of \$5,010,000 for the Derry Township Municipal Authority who issued a subsidy agreement to pay the bond.
- The Township issued the Series of 2018 Line of Credit in the amount of \$1,550,000 to pay for costs related to the new Recreation center. The Township drew down \$1,044,542 on this line of credit during the year ended December 31, 2018.
- The Township's bond rating is AA with a stable outlook from Standard & Poor's Ratings Services.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2018

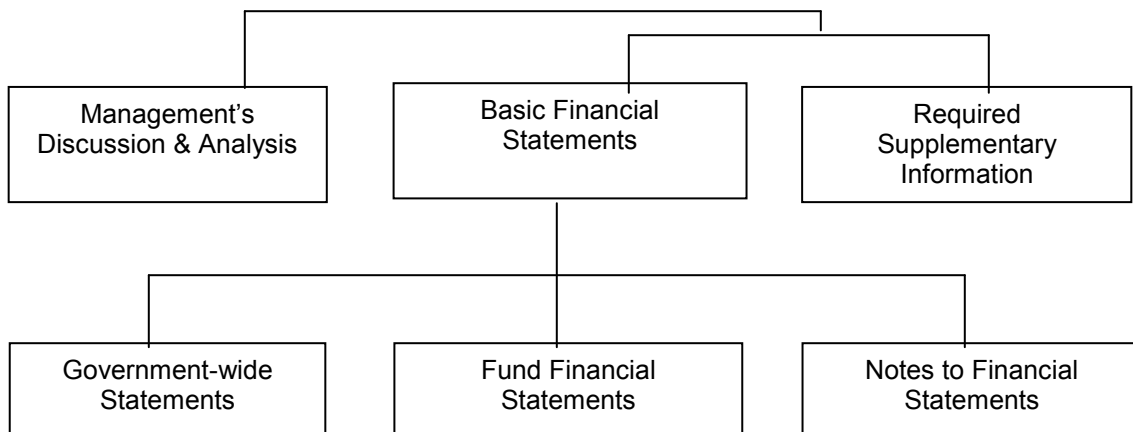
OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of two parts: management's discussion and analysis and the basic financial statements (including notes to the financial statements.) The basic financial statements present two different views of the Township through the use of government-wide statements and fund financial statements:

- The first two statements (pages 17, 18, and 19) are government-wide financial statements that provide long-term and short-term information about the Township's overall financial status.
- The next two statements (pages 20 and 22) are fund financial statements that focus on individual parts of Township government, and report operations in more detail than the government-wide statements.
- The governmental funds statements describe only general government services which include public safety, general government, community development, health and human services, public works, parks and recreation, library and child care programs.
- The remaining three statements (pages 24, 25, and 26) are proprietary fund statements that provide information about the recycling fund operations and cash flows.
- Fiduciary fund statements provide information about the retirement plans for Township employees in which the Township acts solely as a trustee or agent for the benefit of others. Fiduciary funds are not reflected in the government-wide statements because the resources cannot be used to support Township activities.

The financial statements include notes that provide an explanation for certain information in the financial statements and also provide more details for this information. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, a section with combining statements provides details about the non-major governmental funds that are presented in a single column in the basic financial statements.

Figure A-1
REQUIRED COMPONENTS OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT



TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the Township's financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2
Major Features of the Township of Derry's
Government-wide and Fund Financial Statements

	Government- Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds)	Entire Township government (except fiduciary funds)	Activities the Township operates similar to private business – Recycling program	Instance in which the Township is the trustee or agent to someone else's resources – such as the retirement plan for Township employees.
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 (Continued)
Major Features of the Township of Derry's
Government-wide and Fund Financial Statements

	Government- Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Type of asset, deferred outflow, deferred inflow and liability information	All assets, deferred inflows, deferred outflows, liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up, deferred outflows, deferred inflows, and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets, deferred outflows, deferred inflows, and liabilities, both financial and capital, and short-term and long-term.	All assets, deferred outflows, deferred inflows, and liabilities, both short-term and long-term, the Township's funds do not currently contain capital assets, although they can.
Type of inflow-outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during the year, regardless of when cash is received or paid.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2018

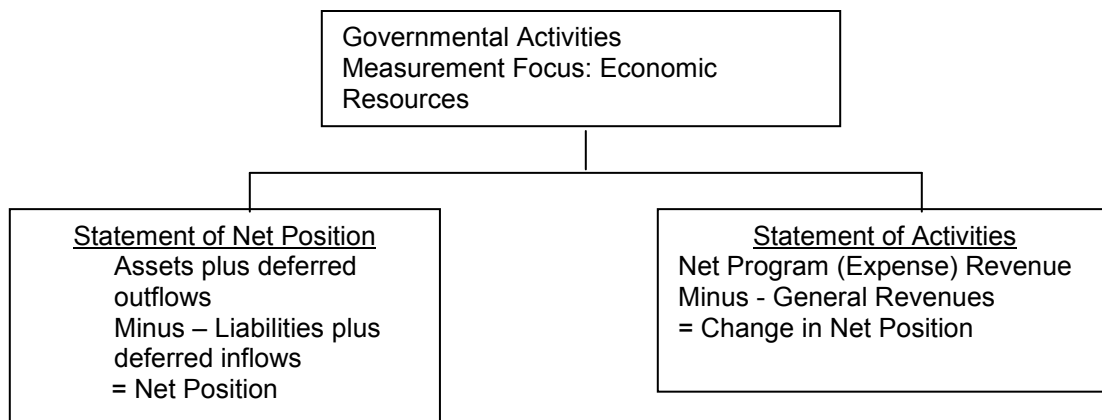
OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Statements

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

The two government-wide statements report the Township's net position and how it has changed. The statement of net position includes all of the Township's assets, deferred outflows, deferred inflows, and liabilities, except fiduciary funds. Net position – the difference between the Township's assets and deferred outflows, and liabilities and deferred inflows – is one way to measure the Township's financial health, or position. Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating. The statement of activities focuses on how the Township's net position changed during the year. Additional non-financial factors such as changes in the Township's real property tax base and general economic conditions must be considered to assess the overall position of the Township. The primary features of government-wide financial statements are reflected in Figure A-3.

Figure A-3
Primary Features of Government-wide Financial Statements



- *Governmental activities* - Most of the Township's basic services are included here, such as the police, fire, public works, recreation departments, and general administration. Property and earned income taxes, amusement tax, parking tax, occupation tax, charges for services, and state grants finance most of these activities.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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December 31, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. Funds are accounting groups that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law.

The Township has three kinds of funds:

- *Governmental funds* – Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. The relationship between the governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds is described in a reconciliation that follows the fund financial statements.
- *Proprietary funds* – Services for which the Township charges customers a fee are generally reported in proprietary funds. The only proprietary fund of the Township includes its recycling fund. Proprietary fund statements offer short and long-term financial information about activities the Township operates like a business.
- *Fiduciary funds* – The Township is the trustee, or fiduciary, for one single-employer pension plan; police and two agent multi employer plans; general employees plan. These plans cover essentially all full-time employees. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2018

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE

The Township's net position - governmental activities at December 31 are presented below:

Summary of Statement of Net Position December 31		
	Governmental Activities	
	2018	2017
Current and other assets	\$ 30,324,249	\$ 26,036,638
Capital assets	65,449,613	65,369,364
Non-current assets	-	-
Total assets	\$ 95,773,862	\$ 91,406,002
Losses on refundings	92,839	109,598
OPEB	646,705	-
Pension	3,305,242	2,390,665
Total deferred outflows	4,044,786	2,500,263
Current and other liabilities	5,094,293	4,382,519
Non-current liabilities	52,044,660	42,142,128
Total liabilities	\$ 57,138,953	\$ 46,524,647
Unamortized guarantee fee	58,333	63,333
Pension	1,880,970	961,787
Total deferred inflows	\$ 1,939,303	\$ 1,025,120
Net position:		
Net investment in capital assets	\$ 46,697,002	\$ 45,787,497
Restricted	2,400,506	4,593,768
Unrestricted	(8,357,116)	(4,024,767)
Total net position	\$ 40,740,392	\$ 46,356,498

Assets

At December 31, 2018, the Township's total governmental assets and deferred outflows of resources totaled \$99,818,648. Of this amount, \$65,449,613 is accounted for by capital assets, which include infrastructure and construction in progress. Net investment in capital assets totaled \$46,697,002 at December 31, 2018.

Increases in current and other assets resulted from the issuance of a subsidy agreement with DTMA in response to the issuance of new debt for DTMA. Increases in liabilities resulted primarily from the issuance of new long term debt and the adoption of GASB 75.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2018

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

The following presents the Township's change in net position – governmental activities for the fiscal years ended December 31:

Change in Net Position		
	Governmental Activities	
	2018	2017
Revenues		
Program revenues		
Charges for services	\$ 2,874,717	\$ 3,197,529
Operating grants	1,223,311	1,197,864
Capital grants and contributions	225,371	792,589
General revenues		
Property taxes	4,245,851	4,112,614
Other taxes	11,989,293	11,727,578
Other	1,201,143	1,159,415
Total revenues	<u>\$ 21,759,686</u>	<u>\$ 22,187,589</u>
Program expenses		
General government	2,186,403	3,119,054
Public works	5,042,520	4,808,169
Health human services	14,601	10,830
Culture and recreation	3,922,007	3,729,181
Public safety and community development	10,968,607	9,980,085
Interest and fiscal charges	435,865	409,347
Total expenses	<u>22,570,003</u>	<u>22,056,666</u>
Excess (deficiency) before transfers	(810,317)	130,923
Transfers	<u>250,000</u>	<u>202,747</u>
Change in net position	(560,317)	333,670
Extraordinary Item	-	(5,155,717)
Net position beginning	46,356,498	51,178,545
Restatement	(5,238,602)	-
Prior Period Adjustment	<u>182,813</u>	<u>-</u>
Net position ending	<u>\$ 40,740,392</u>	<u>\$ 46,356,498</u>

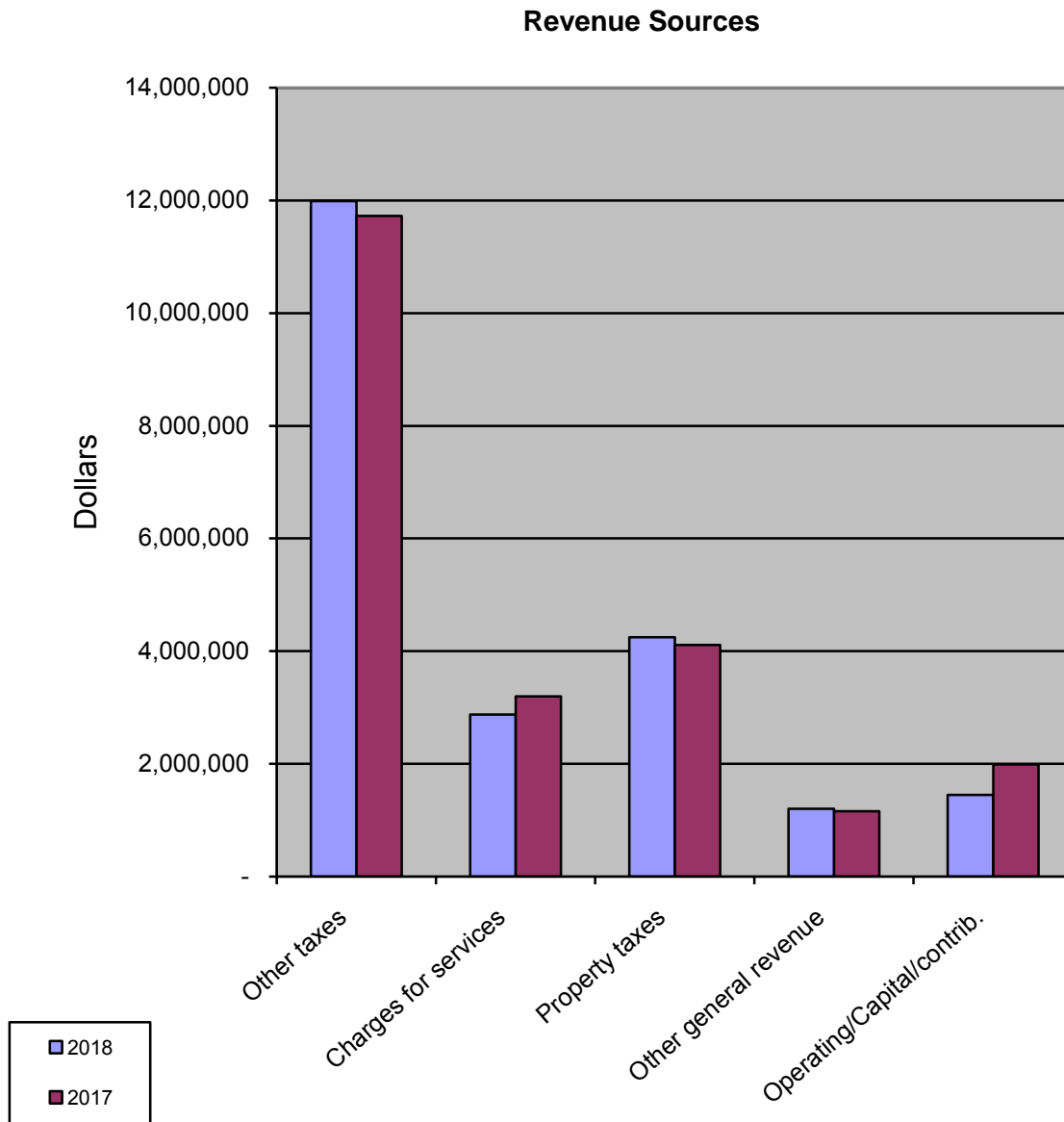
TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

Revenue Sources

Total government-wide revenues of \$22,009,686, a 1.7% decrease from 2017, were derived primarily from earned income tax, transfer taxes and other taxes, representing \$11,989,293 of the total. Property taxes made up the second largest source of revenue at \$4,245,851. Charges for services made up the third largest source of revenue at \$2,874,717, followed by operating grants and contributions of \$1,223,311. Other sources of revenue include capital grants and contributions of \$225,311 and other general revenues of \$1,201,143. In addition, funds were transferred in from the Township's proprietary fund in the amount of \$250,000.

The following chart graphically depicts the government-wide sources of revenues for the fiscal years ended December 31.



TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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December 31, 2018

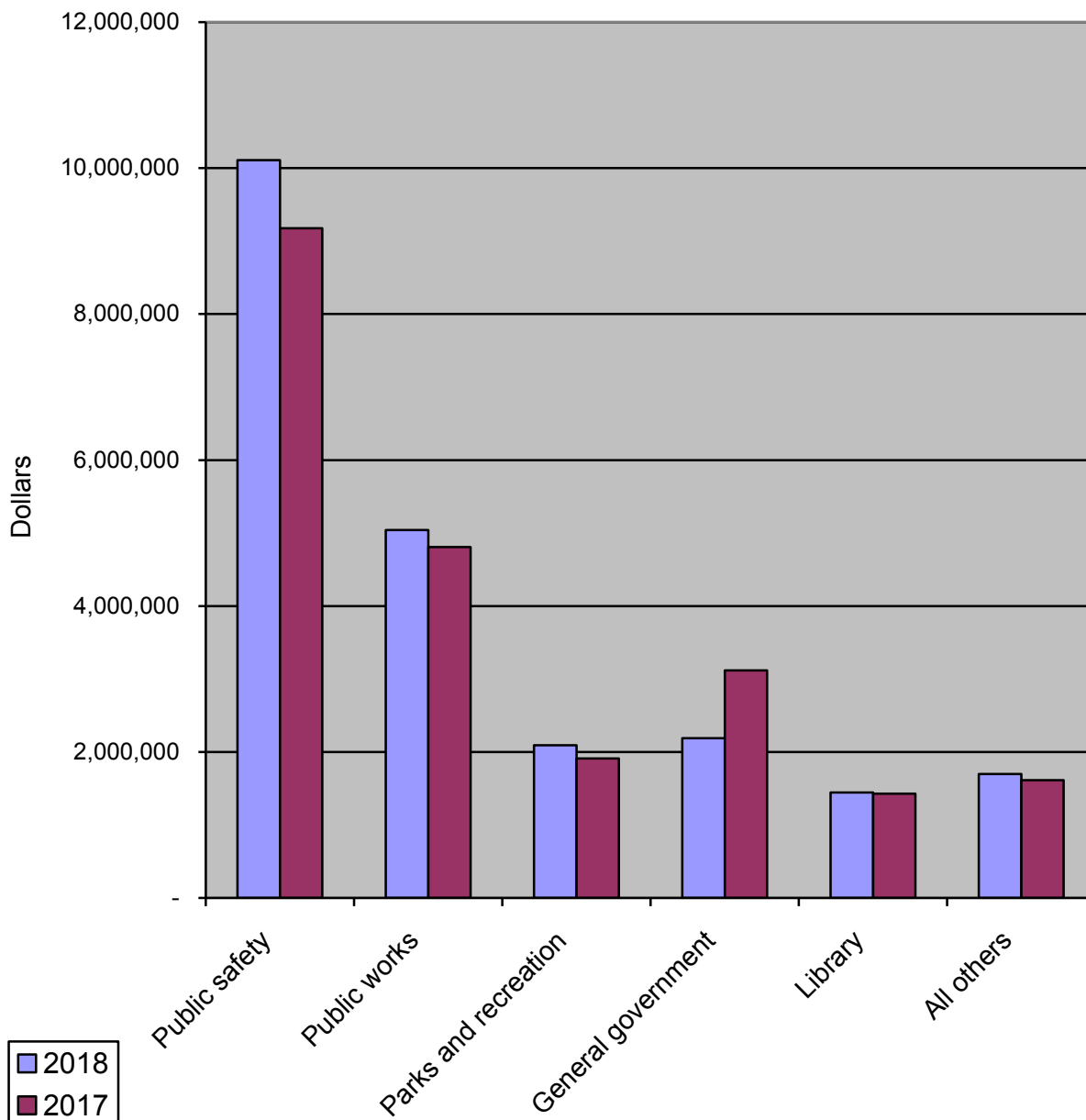
FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

Program Expenses:

Total expenses for all programs in 2018 were \$22,570,003, an increase of 2.3% from 2017. The expenses cover a range of services, with the largest being public safety at \$10,107,546. The second largest program area was public works at \$5,042,520, followed by general government at \$2,186,403, parks and recreation at \$2,093,356, library at \$1,442,766, and all others totaling \$1,697,412.

This chart graphically depicts the government-wide program expenses for the fiscal years ended December 31.

Program Expenses



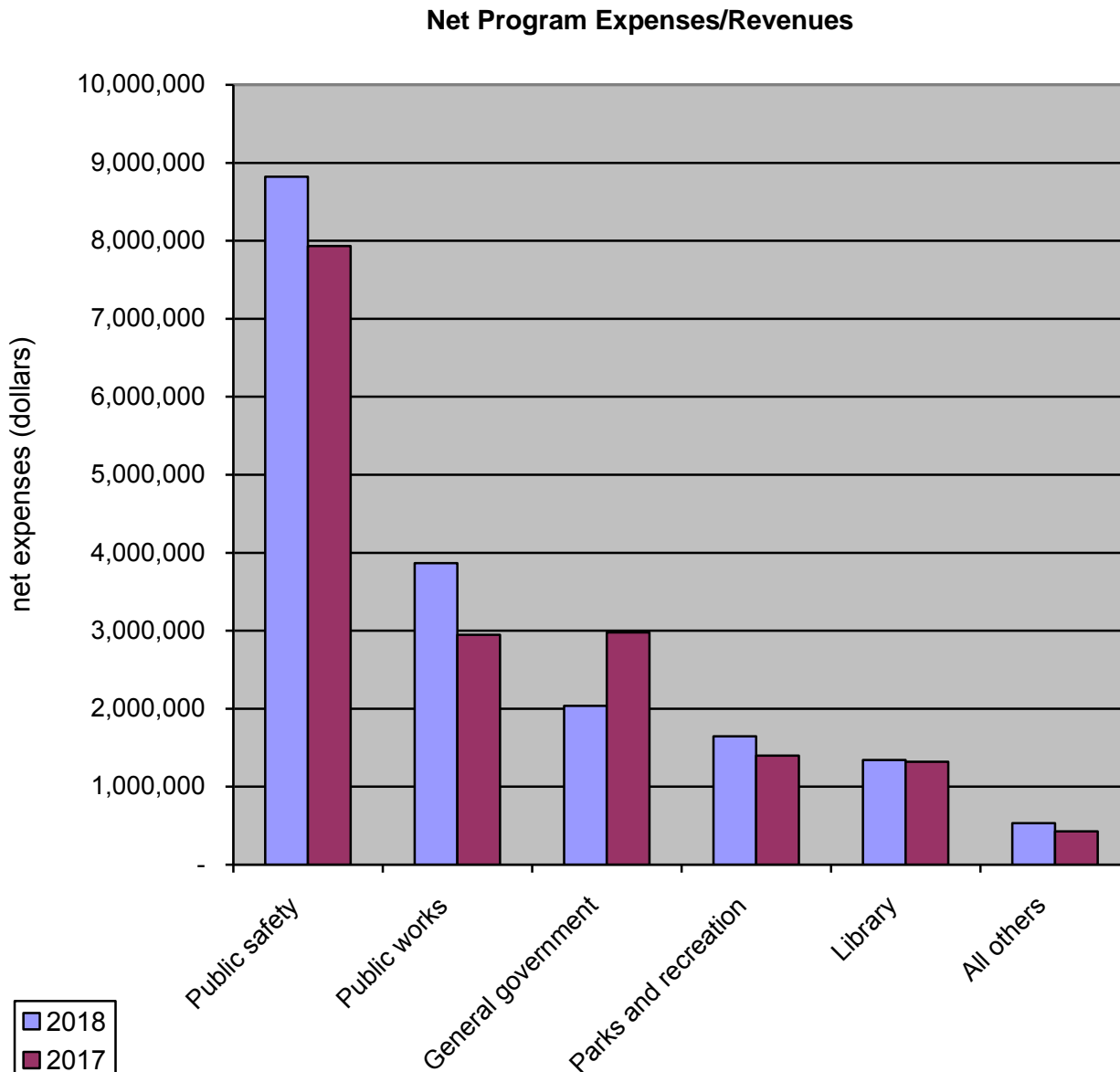
TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

Net Program Expenses/Revenues

Net program expenses/revenues indicate the amount of support required from taxes and other general revenues for the year. Public safety expenses required the most general revenue for support, utilizing \$8,820,435 in 2018. Public works required \$3,868,760 of general revenues for support, while general government required \$2,037,721, parks and recreation required \$1,646,930, library required \$1,341,113, community development required \$94,155, and health and human services required \$14,601. Interest and fiscal charges required \$435,865.

The following chart graphically depicts the net program expenses/revenues by function/program for the fiscal years ended December 31.



TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2018

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The Township's governmental funds reported a net decrease of \$658,025 in 2018 and a combined fund balance \$7,675,257 at year end. Of this combined fund balance \$2,522,539 or 32.87% represents unassigned fund balance, meaning it is available to meet the Township's current and future needs. Of the remaining fund balance, \$352,963 is nonspendable, \$3,611,677 is restricted, \$1,038,136 is committed, and \$149,942 is assigned.

General Fund Budgetary Highlights

During 2018, actual expenditures and other financing uses were under budgeted appropriations by \$119. Additionally, actual revenues and other financing sources were higher than anticipated by \$446,562. The variance resulted primarily from occupation tax revenues, real estate transfer tax revenues, earned income tax revenues, and licenses and permits which were higher than anticipated.

Capital Projects Fund

The Capital Projects Fund accounts for the purchase of Township capital assets and debt service payments. Sources of funds for the Capital Projects Fund include real estate taxes, grants and contributions, transfers from other funds. The largest 2018 expenditures were \$2,445,009 for debt service and \$1,475,579 related to parks and recreation, and the Township's ongoing capital projects.

In 2018, actual expenditures exceeded appropriations by \$2,449,480. Excess expenditures resulted from additional project expenditures which had not been anticipated at the time of the budget's preparation. Revenues and other financing sources which exceeded expectations were available to fund \$1,587,133 of the excess expenditures.

Recycling Fund

The Recycling Fund is the Township's only proprietary fund and accounts for the costs and disposal of recyclable waste of the Township's residents. Total assets of the fund for the year ended December 31, 2018 totaled \$579,305 as compared to \$543,549 in the prior year. Operating income for the year ended December 31, 2018 was \$714,635 as compared to \$254,590 for the prior year. The fund also made a transfer of \$250,000 to the Capital Projects Fund to provide additional funds for debt service.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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TRUST AND AGENCY OPERATIONS

Pension Trust Fund

The Township of Derry has two pension plans – general employees and police. The only direct municipal involvement in the administration of the plans is the calculation of benefits for retirees, which are then paid by the trustee. During 2018, plan net assets decreased by \$175,107.

During 2018, contributions were required in both municipal pension plans. In the non-uniform plan and cash balance plan, the combined actuarial accrued liability exceeds the combined actuarial value of assets by \$1,056,833 as of December 31, 2017, the date of the last actuarial valuation report. In the Police Pension plan, the actuarial accrued liability exceeds the actuarial value of assets by \$3,957,637 as of December 31, 2018, the date of the last actuarial valuation report.

The required supplementary information located at the conclusion of the Notes to Financial Statements provides the details on the plan's funding progress.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Township's investment in capital assets at December 31, 2018, net of accumulated depreciation, amounted to \$65,449,613, an increase of 0.1% from the prior year. Assets consist primarily of land, buildings and improvements, equipment and infrastructure. Following is a summary of capital assets at December 31.

Summary of Capital Assets

	2018	2017
Land	\$ 3,635,502	\$ 3,635,502
Construction in Progress	2,598,807	525,314
Held for Resale	6,087	20,744
Building, and land and building		
Improvements	31,088,058	31,089,493
Infrastructure	63,276,194	62,853,044
Furniture, equipment and other capital		
assets	<u>13,341,099</u>	<u>13,200,992</u>
Total capital assets	<u>\$ 113,945,747</u>	<u>\$ 111,325,089</u>
Less: accumulated depreciation for:		
Building, and land and building		
Improvements	14,590,899	13,730,579
Infrastructure	22,525,180	21,244,815
Furniture, equipment and other capital		
assets	<u>11,380,055</u>	<u>10,980,331</u>
Total accumulated depreciation	<u>48,496,134</u>	<u>45,955,725</u>
Total	<u>\$ 65,449,613</u>	<u>\$ 65,369,364</u>

More detailed information about the Township's capital assets can be found in Note 5 of the notes to financial statements.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2018

Long-term Debt

At December 31, 2018, the Township had \$38,091,729 of debt outstanding. This represents an increase of \$3,164,256 or 9.1% from the previous year. The following table details activity related to long term debt activity during 2018 and 2017:

Summary of Long-term Debt Activity

	2018	2017
Beginning Balance at 1/1	\$ 34,927,473	\$ 33,625,282
New debt proceeds	6,261,864	3,853,022
Principal retirement	<u>(3,097,608)</u>	<u>(2,550,831)</u>
Ending Balance at 12/31	38,091,729	34,927,473
Less: Due from DTMA	<u>(19,340,000)</u>	<u>(15,160,000)</u>
Total	<u>\$ 18,751,729</u>	<u>\$ 19,767,473</u>

In addition to general obligation bond debt, compensated absences for December 31, 2018 and 2017 were \$810,676 and \$727,930, respectively.

BOND RATING

The Township maintained a strong investment bond rating of AA (stable outlook) from Standard and Poor's. More detailed information about the Township's general long-term debt activity can be found in Note 8 of the Notes to Financial Statements.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Mr. Christopher Christman
Township Manager
600 Clearwater Road
Hershey, PA 17033

Separately issued financial statements for the Township's component unit, the Derry Township Municipal Authority, can be obtained by contacting the Authority directly. Their address is 670 Clearwater Road; Hershey, PA 17033.

TOWNSHIP OF DERRY
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,270,279	\$ 19,100	\$ 3,289,379
Receivables			
Accounts	567,399	163,842	731,241
Taxes, net	3,199,599	-	3,199,599
Component unit	19,340,000	-	19,340,000
Due from other governments	35,343	-	35,343
Inventory	87,418	43,299	130,717
Prepaid expenses	265,545	-	265,545
Restricted cash and cash equivalents	3,558,666	-	3,558,666
Capital assets			
Land and construction in progress	6,234,309	-	6,234,309
Held for resale	6,087	-	6,087
Depreciable capital assets, net	59,209,217	353,064	59,562,281
Capital assets, net	65,449,613	353,064	65,802,677
Total Assets	<u>95,773,862</u>	<u>579,305</u>	<u>96,353,167</u>
Deferred Outflows of Resources			
Deferred amounts from refunding of debt	92,839	-	92,839
Deferred outflows - OPEB	646,705	-	646,705
Deferred outflows - Pension	3,305,242	-	3,305,242
Total Deferred Outflows of Resources	<u>4,044,786</u>	<u>-</u>	<u>4,044,786</u>
Total Assets and Deferred Outflows	<u>\$ 99,818,648</u>	<u>\$ 579,305</u>	<u>\$ 100,397,953</u>

See accompanying notes to the financial statements.

TOWNSHIP OF DERRY
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	\$ 1,404,567	\$ 75,422	\$ 1,479,989
Accrued wages	249,774	-	249,774
Accrued and withheld payroll tax	30,525	-	30,525
Internal balances	(10,742)	10,742	-
Accrued interest payable	83,154	-	83,154
Escrow payable, payable from restricted assets	150,943	-	150,943
Other short-term liabilities	-	500	500
Contingent Liability	-	1,000,000	1,000,000
Unearned revenue	249,416	-	249,416
Long-term liabilities			
Due within one year - capital leases	287,029	-	287,029
Due within one year - long term debt	2,649,627	-	2,649,627
Compensated absences	810,676	-	810,676
Other postemployment benefit liability	11,063,559	-	11,063,559
Unfunded pension liability	5,014,470	-	5,014,470
Due in more than one year - capital leases	328,563	-	328,563
Due in more than one year, net - long term debt	34,827,392	-	34,827,392
Long-term liabilities	54,981,316	-	54,981,316
Total Liabilities	57,138,953	1,086,664	58,225,617
Deferred Inflows of Resources			
Unamortized guarantee fee	58,333	-	58,333
Deferred Inflows - Pension	1,880,970	-	1,880,970
Total Deferred Inflows of Resources	1,939,303	-	1,939,303
Net Position			
Net investment in Capital assets	46,697,002	353,064	47,050,066
Restricted for:			
Donor, grant and bond restrictions	1,534,371	-	1,534,371
Capital Projects	866,135	-	866,135
Street improvements and equipment	-	-	-
Unrestricted	(8,357,116)	(860,423)	(9,217,539)
Total Net Position	40,740,392	(507,359)	40,233,033
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 99,818,648	\$ 579,305	\$ 100,397,953

See accompanying notes to the financial statements.

**TOWNSHIP OF DERRY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expenditure) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 2,186,403	\$ 115,603	\$ 33,079	\$ -	\$ (2,037,721)	\$ -	\$ (2,037,721)
Public safety	10,107,546	1,010,138	276,973	-	(8,820,435)	-	(8,820,435)
Community development	861,061	766,906	-	-	(94,155)	-	(94,155)
Health and human services	14,601	-	-	-	(14,601)	-	(14,601)
Public works	5,042,520	116,370	832,019	225,371	(3,868,760)	-	(3,868,760)
Parks and recreation	2,093,356	441,966	4,460	-	(1,646,930)	-	(1,646,930)
Library	1,442,766	24,873	76,780	-	(1,341,113)	-	(1,341,113)
Child care programs	385,885	398,861	-	-	12,976	-	12,976
Interest and fiscal charges	435,865	-	-	-	(435,865)	-	(435,865)
Total Governmental Activities	22,570,003	2,874,717	1,223,311	225,371	(18,246,604)	-	(18,246,604)
Business-Type Activities:							
Recycling	1,284,034	309,650	404,985	-	-	(569,399)	(569,399)
Total Primary Government	\$ 23,854,037	\$ 3,184,367	\$ 1,628,296	\$ 225,371	(18,246,604)	(569,399)	(18,816,003)
General Revenues:							
Taxes:							
General property taxes					4,245,851	-	4,245,851
Other taxes					11,989,293	-	11,989,293
Grants and contributions not restricted to specific programs					985,462	-	985,462
Interest and investment earnings					163,905	374	164,279
Miscellaneous					42,440	-	42,440
Refund of prior year expenditures					8,553	-	8,553
Gain on disposal					783	-	783
Transfers					250,000	(250,000)	-
Total General Revenues and Transfers					17,686,287	(249,626)	17,436,661
Changes in Net Position					(560,317)	(819,025)	(1,379,342)
Net Position, January 1					46,356,498	311,666	46,668,164
Restatement					(5,238,602)	-	(5,238,602)
Prior Period Adjustment					182,813	-	182,813
Net Position, December 31					\$ 40,740,392	\$ (507,359)	\$ 40,233,033

See accompanying notes to the financial statements.

**TOWNSHIP OF DERRY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,786,702	\$ 389,603	\$ 1,093,974	\$ 3,270,279
Receivables				
Accounts	556,788	10,611	-	567,399
Taxes	3,151,454	45,875	2,270	3,199,599
Due from other funds	74,105	782,637	-	856,742
Due from other governments	35,343	-	-	35,343
Inventory	87,418	-	-	87,418
Prepaid expenses	265,545	-	-	265,545
Restricted cash and cash equivalents	-	3,558,666	-	3,558,666
Total Assets	<u>\$ 5,957,355</u>	<u>\$ 4,787,392</u>	<u>\$ 1,096,244</u>	<u>\$ 11,840,991</u>
Liabilities and Fund Balance				
Accounts payable	\$ 333,299	\$ 1,038,136	\$ 33,132	\$ 1,404,567
Accrued wages	249,774	-	-	249,774
Accrued and withheld payroll tax	30,525	-	-	30,525
Due to other funds	782,637	63,363	-	846,000
Unearned revenue	28,845	220,571	-	249,416
Escrow payable, payable from restricted assets	150,943	-	-	150,943
Total Liabilities	<u>1,576,023</u>	<u>1,322,070</u>	<u>33,132</u>	<u>2,931,225</u>
Deferred Inflows of Resources				
Deferred taxes	1,205,946	26,680	1,883	1,234,509
Total Deferred Inflows of Resources	<u>1,205,946</u>	<u>26,680</u>	<u>1,883</u>	<u>1,234,509</u>
Fund Balance				
Nonspendable	352,963	-	-	352,963
Restricted				
Restricted for donor, grant and legislated restrictions	-	2,520,530	-	2,520,530
Restricted for street improvements and equipment	-	-	1,091,147	1,091,147
Committed	-	1,038,136	-	1,038,136
Assigned	149,942	-	-	149,942
Unassigned	2,672,481	(120,024)	(29,918)	2,522,539
Total Fund Balance	<u>3,175,386</u>	<u>3,438,642</u>	<u>1,061,229</u>	<u>7,675,257</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 5,957,355</u>	<u>\$ 4,787,392</u>	<u>\$ 1,096,244</u>	<u>\$ 11,840,991</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF DERRY
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018**

Total Fund Balance - Governmental Funds			\$ 7,675,257
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			65,449,613
Losses on refundings and unamortized swap costs are not financial resources and, therefore, are not reported in the funds.			92,839
Deferred inflows and outflows related to pension activity are not financial resources and, therefore, are not reported in the funds.			1,424,272
Deferred inflows and outflows related to other post employment benefits activity are not financial resources and, therefore, are not reported in the funds.			646,705
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Property taxes	1,234,509		
Unamortized guaranty fee	<u>(58,333)</u>		1,176,176
Interest expense on long-term debt is not recognized on the fund statements until due.			(83,154)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:			
Bonds, loans, agreement and leases payable (less amounts due from other governments for debt service)	(18,752,611)		
Compensated absences	(810,676)		
Other postemployment benefit liability	(11,063,559)		
Unfunded Pension Liability	<u>(5,014,470)</u>		<u>(35,641,316)</u>
Net Position - Governmental Activities			<u>\$ 40,740,392</u>

See accompanying notes to the financial statements.

TOWNSHIP OF DERRY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 14,023,421	\$ 2,010,233	\$ 250,156	\$ 16,283,810
Licenses and permits	436,356	1	-	436,357
Fines and forfeits	184,939	-	-	184,939
Interest and rents	82,122	78,598	3,184	163,904
Intergovernmental revenues	1,280,843	225,371	832,019	2,338,233
Charges for services	1,942,429	79,239	11,835	2,033,503
Miscellaneous revenues	319,103	37,440	-	356,543
Total Revenues	<u>18,269,213</u>	<u>2,430,882</u>	<u>1,097,194</u>	<u>21,797,289</u>
Expenditures				
General government	1,722,931	30,000	-	1,752,931
Public safety	9,203,959	241,252	-	9,445,211
Community development	831,771	-	-	831,771
Health and human services	14,601	-	-	14,601
Public works	2,658,256	1,031,874	866,989	4,557,119
Parks and recreation	1,700,435	1,475,579	-	3,176,014
Library	1,244,979	53,801	-	1,298,780
Child care programs	381,429	-	-	381,429
Debt service				
Principal	-	2,010,960	59,809	2,070,769
Interest and fiscal charges	-	434,049	3,057	437,106
Total Expenditures	<u>17,758,361</u>	<u>5,277,515</u>	<u>929,855</u>	<u>23,965,731</u>
Other Financing Sources (Uses)				
Operating transfers in	1,723	250,000	132,187	383,910
Operating transfers out	(132,187)	(1,723)	-	(133,910)
Loan proceeds	-	1,044,542	-	1,044,542
Lease proceeds	-	207,322	-	207,322
Refund of prior year expenditures	-	8,553	-	8,553
Total Other Financing Services (Uses)	<u>(130,464)</u>	<u>1,508,694</u>	<u>132,187</u>	<u>1,510,417</u>
Net Changes in Fund Balance	<u>380,388</u>	<u>(1,337,939)</u>	<u>299,526</u>	<u>(658,025)</u>
Fund Balance, January 1	2,794,998	4,593,768	761,703	8,150,469
Prior Period Adjustment (Note 18)	<u>-</u>	<u>182,813</u>	<u>-</u>	<u>182,813</u>
Fund Balance, December 31	<u>\$ 3,175,386</u>	<u>\$ 3,438,642</u>	<u>\$ 1,061,229</u>	<u>\$ 7,675,257</u>

See accompanying notes to the financial statements.

TOWNSHIP OF DERRY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - governmental funds \$ (658,025)

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 and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation expense in the current period. 82,740

Governmental funds report bond premiums and losses on refundings
as revenues and expenditures. However, in the Statement
of Activities, these costs are amortized over the maturity period of the debt.
This is the amount of amortization in the current period. (6,408)

Governmental funds report the guaranty fees as revenues in the year they are
received. However, in the Statement of Activities, these financing sources are
amortized over the life of the debt or the agreement, whichever is shorter.
This is the amount of amortization for the guaranty fees for the current period. 5,000

The repayment of bond principal is an expenditure in the governmental funds, but
the repayment reduces long-term liabilities in the statement of net position. 1,769,409

The increase in the unfunded pension liability is reflected as an expense on the
Statement of Activities, but is not included in the fund statements. (148,622)

The deferred inflows and outflows for the pension is reflected as an expense on the
Statement of Activities, but is not included in the fund statements. (4,606)

Capital lease payments are recorded as expenditures in the governmental funds,
but are recorded as reductions of liabilities in the government-wide statements. 301,360

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. This is the net
deferred property tax revenue that is earned for 2018, but not collected in time
to meet current obligations. (48,665)

The loss on the disposal of assets is recorded on the Statement of Activities,
but is not included in the fund statements. (2,491)

The decrease in accrued interest payable is reflected as a decrease in expense on the
Statement of Activities, but is not included in the fund statements. 7,649

Revenues related to lease proceeds are reported as revenue in the fund statements
but are recorded as lease payable on the Statement of Net Position (207,322)

Revenues related to bond and note proceeds are reported as revenue in the fund statements
but are recorded as long term debt payable on the Statement of Net Position (1,044,542)

The increase in the accrued other postemployment benefit liability is reflected as an
expense on the Statement of Activities, but is not included in the fund statements. (1,169,753)

The deferred inflows and outflows for the other post employment benefits is reflected
as and expense on the Statement of Activities, but is not included in the fund statements. 646,705

The increase in compensated absence liabilities is reflected on the
Statement of Activities, but is not included in the fund statements. (82,746)

Change in net position of governmental activities **\$ (560,317)**

See accompanying notes to the financial statements.

**TOWNSHIP OF DERRY
STATEMENT OF NET POSITION
PROPRIETARY FUND - RECYCLING
DECEMBER 31, 2018**

Assets

Current Assets

Cash and cash equivalents	\$ 19,100
Accounts receivable	<u>163,842</u>

Total Current Assets	<u>182,942</u>
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Other Assets

Inventory	43,299
Capital assets, net of accumulated depreciation	<u>353,064</u>

Total Other Assets	<u>396,363</u>
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Total Assets	<u><u>\$ 579,305</u></u>
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Liabilities and Net Position

Current Liabilities

Accounts payable	\$ 75,422
Customer deposit	500
Contingent Liability	1,000,000
Due to other funds	<u>10,742</u>

Total Current Liabilities	<u>1,086,664</u>
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Net Position

Net investment in capital assets	353,064
Unrestricted	<u>(860,423)</u>

Total Net Position	<u>(507,359)</u>
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Total Liabilities and Net Position	<u><u>\$ 579,305</u></u>
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See accompanying notes to the financial statements.

TOWNSHIP OF DERRY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND - RECYCLING
YEAR ENDED DECEMBER 31, 2018

Operating Revenues	
Charges for Service	\$ 309,650
Intergovernmental	<u>404,985</u>
Total Operating Revenues	<u>714,635</u>
Operating Expenses	
Wages and employee benefits	37,104
Materials and supplies	16,061
Contracted services and other charges	1,182,436
Depreciation	<u>37,310</u>
Total Operating Expenses	<u>1,272,911</u>
Operating Income	<u>(558,276)</u>
Non-Operating Revenue (Expenses)	
Interest income	374
Interest expense	<u>(11,123)</u>
Total Non-Operating Revenue	<u>(10,749)</u>
Income Before Transfers	(569,025)
Transfers out	<u>(250,000)</u>
Change in Net Position	(819,025)
Net Position, January 1	<u>311,666</u>
Net Position, December 31	<u>\$ (507,359)</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF DERRY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - RECYCLING
YEAR ENDED DECEMBER 31, 2018**

Cash flows from operating activities:

Receipts from customers and users	\$ 265,023
State grants received	311,015
Payments to suppliers	(161,120)
Payments for employee services	<u>(37,104)</u>

Net cash provided by operating activities 377,814

Cash flow from noncapital financing activities:

Transfers out	<u>(250,000)</u>
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Net cash used by noncapital financing activities (250,000)

Cash flow from investing activities:

Interest Income	374
Purchase of Capital Assets	<u>(7,435)</u>

Net cash provided by investing activities (7,061)

Cash flow from financing activities:

Interest paid on Lease Payable	(11,123)
Principal Payment on Lease Payable	<u>(196,840)</u>

Net cash provided by investing activities (207,963)

Net (decrease) in cash and cash equivalents (87,210)

Cash and cash equivalents beginning of year 106,310

Cash and cash equivalents end of year \$ 19,100

Reconciliation of operating income to net cash provided by operating activities

Operating income \$ (558,276)

Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation	37,310
Changes in assets and liabilities:	
Increase in receivables	(138,597)
Increase in inventory	(14,544)
Decrease in prepaid expenses	300
Increase in accounts payable	51,558
Increase in contingent liability	1,000,000
Increase in due to other funds	<u>63</u>

Net cash provided by operating activities \$ 377,814

**TOWNSHIP OF DERRY
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
DECEMBER 31, 2018**

	<u>Police Pension</u>
Assets	
Cash and cash equivalents	\$ 2,476,231
Investments	<u>17,430,121</u>
Total Assets	<u>\$ 19,906,352</u>
Liabilities	
Due to employees	\$ <u>-</u>
Total Liabilities	<u>-</u>
Net Position	
Restricted for pension benefits	<u>19,906,352</u>
Total Net Position	<u>19,906,352</u>
Total Liabilities and Net Position	<u>\$ 19,906,352</u>

See the accompanying notes to the financial statements.

TOWNSHIP OF DERRY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUNDS
YEAR ENDED DECEMBER 31, 2018

	<u>Police Pension Fund</u>
Additions	
Contributions:	
Member contributions	\$ 298,956
Employer contributions	987,638
State aid	<u>-</u>
Total contributions	<u>1,286,594</u>
Investment income :	
Net appreciation	
in fair value of investments	(803,321)
Interest and dividends	<u>369,701</u>
Total investment income	<u>(433,620)</u>
Total Additions	<u>852,974</u>
Deductions	
Benefits	904,340
Administrative expenses	<u>124,341</u>
Total Deductions	<u>1,028,681</u>
Net Decrease	(175,707)
Net Position:	
January 1	<u>20,082,059</u>
December 31	<u><u>\$ 19,906,352</u></u>

See the accompanying notes to the financial statements.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township of Derry, Pennsylvania (the Township) was organized in 1729 and operates as a Second Class Township. The Township, which operates as a board/manager form of government, is a suburb of Harrisburg with approximately 25,000 residents and an area of 27 square miles.

The financial statements of the Township have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the Township are discussed in subsequent sections of this Note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Township's financial activities for the year ended December 31, 2018.

A. Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus amended by GASB Statement No. 80*, established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. The criteria used in determining whether such organizations should be included in the Township's financial reporting entity are financial interdependencies, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and special financing relationships.

COMPONENT UNIT

The following entity is considered to be a component unit of the Township:

Derry Township Municipal Authority (DTMA)

The seven members of the Derry Township Municipal Authority are appointed by the Board of Supervisors to serve a term of five years. The Board is responsible for conducting all business necessary to acquire, hold, construct, improve, maintain, operate, own and lease sewers, sewer systems, interceptor lines, sewage treatment works and works for the treatment and disposal of industrial waste.

These primary government financial statements include only the activity of the primary government, the Township of Derry, and do not include the activity of its component unit. Separately published financial statements of the above component unit are available for inspection in the Authority's office at 670 Clearwater Road; Hershey, PA 17033.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity –(Continued)

JOINT VENTURE

A joint venture is a legal entity or other organization that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The following is a joint venture of the Township:

Township of Derry Tax Collection Commission

The Township of Derry Tax Collection Commission (the Commission) has a seven member board consisting of two Derry Township School District board members, two members of the Township of Derry Board of Supervisors and three at-large Township residents appointed jointly by the School District and Township. The Commission is generally responsible for policies, rules and regulations relating to the collection of local taxes.

The Commission is not reported as part of the Township's reporting entity. As a member of the Commission, the Township was required to make monthly contributions to the Commission. For the year ended December 31, 2018, the Township contributed \$165,600 to the Commission, which was reported as an expenditure of the General Fund. Complete financial statements for the Township of Derry Tax Collection Commission can be obtained from the Township of Derry Tax Collection Commission, 610 Clearwater Road; Hershey, PA 17033.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity –(Continued)

RELATED ORGANIZATIONS

Related organizations are not component units, yet there is some form of accountability, other than financial accountability that exists between the primary government and the related organization because of the appointment authority. The following are related organizations of the Township:

Township of Derry General Authority

The Township of Derry General Authority was created by ordinance of the Board of Supervisors of the Township of Derry on August 10, 1999. This Authority was created for the purpose of exercising and enjoying all powers capable of being exercised by a municipal authority under the Municipal Authorities Act of 1945 or any other Pennsylvania legislation. The Board is comprised of five members who are appointed to five year terms with only one member's term expiring each year.

Township of Derry Industrial and Commercial Development Authority (ICDA)

The Township of Derry Industrial and Commercial Development Authority was created by ordinance of the Board of Supervisors of the Township of Derry on August 10, 1999. This Authority was created for the purpose of exercising and enjoying all powers capable of being exercised by an industrial and commercial development authority under the Economic Financing Law, Act No. 74 of 1993, as amended and supplemented, or any other Pennsylvania legislation. The Authority has five Board members who are appointed for five year terms.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., The Statement of Net Position and The Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental grants, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) contributions and grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported as general revenues.

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 statement.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied to the extent collectible. Grants and similar items are recognized as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Governmental Fund revenues accrued on this basis include amusement and parking tax, deed transfer tax, joint program cost reimbursements (fuel, vehicle repairs, school resource officer and tax office operating costs), plan checking reimbursements, rentals, and fees. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Unearned and deferred revenues have been recorded for certain receivables that are measurable but not available to finance current liabilities. Revenues from intergovernmental grants are recognized on the basis of actual expenditures incurred and to the extent amounts are available.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the Township's enterprise fund are recycling charges. Operating expenses for the Township's enterprise fund include wages and benefits costs, supplies, contracted services and other costs, and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accounts of the Township are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balance, revenues, and expenditures or expenses, as appropriate.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Township reports the following major governmental funds:

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

The *Capital Projects Fund* accounts for funds provided by the Township including interfund transfers and grants received for the purpose of acquisition, construction or improvement of capital facilities or infrastructure. The fund also accounts for the resources accumulated and payments made for principal and interest on the long-term general obligation debt of the governmental funds.

The Township also has the following non-major governmental funds:

The *Special Revenue Funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. These funds include the Liquid Fuels Fund and the Street Light Fund.

The Township has one business-type activity:

The *Recycling Fund* is used to account for the cost and disposal of recyclable waste of the Township's residents.

Additionally, the Township reports the following fund types:

The *Pension Trust Fund*, accounts for assets held by the Township in a trustee capacity for the future payment of retirement benefits to employees. The Township has one Pension Trust Fund, the *Police Pension Fund*.

D. Adoption of Governmental Accounting Standards

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The statement's objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Township was required to adopt Statement No. 75 for its calendar year 2018 financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The Statement's objective is to address practice issues that have been identified during implementation and application of certain GASB Statements. The Township was required to adopt Statement No. 85 for its calendar year 2018 financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issue*. The Statement's objective is to improve consistency in accounting and financial reporting for in-substance defeasance of debt providing guidance for transactions in which cash and other monetary assets acquired by with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Township was required to adopt Statement No. 86 for its calendar year 2018 financial statements.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Pending Governmental Accounting Standards Board (GASB) Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Statement's objective is to improve guidance regarding the identification of fiduciary activities for accounting and reporting purposes and how these activities should be reported. The Township will be required to adopt Statement No. 84 for its calendar year 2019 financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The Statement's objective is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Township will be required to adopt Statement No. 86 for its calendar year 2019 financial statements.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The Statement's objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Township will be required to adopt Statement No. 88 for its calendar year 2019 financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The Statement's objectives are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Township will be required to adopt Statement No. 90 for its calendar year 2019 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Statement's objective is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The Township will be required to adopt Statement No. 87 for its calendar year 2020 financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The Statement's objective are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The Township will be required to adopt Statement No. 89 for its calendar year 2020 financial statements.

F. Interfund Activity in the Government-wide Statements

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's governmental funds and its component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Revenue Classification on Government-wide Statement of Activities

Amounts reported as *program revenues* include 1) charges to customers for services provided and rents, 2) operating grants, and 3) capital grants. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

H. Budget Information

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

Section 1.01 - Formal budgetary integration is employed as a management control device during the year for the General, Capital Projects, Liquid Fuels, Recycling and Street Light Funds.

Section 1.02 - The Board approves, by ordinance, the budget appropriation. All budget transfers and revisions that alter the total appropriations of the fund must be approved by the Board.

Section 1.03 - Unused appropriations for all of the above annually budgeted funds lapse at the end of the year except for the unexpended balance of such appropriations where contracts are in course of construction at the end of the year.

Section 1.04 - The budget amounts shown in the financial statements are the final authorized amounts as approved by the Board of Supervisors.

I. Cash and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, funds held with the Pennsylvania Local Government Investment Trust (PLGIT), and short-term investments with original maturities of three months or less from the date of acquisition.

Cash deposits and cash equivalents are reported at carrying amounts which reasonably estimate fair value.

Investments of the Police Pension and Non-uniform Employee Pension Plans are reported at fair value.

J. Deferred Outflows of Resources

Deferred Outflows of Resources are a consumption of assets by the Township applicable to a future reporting period and have a positive effect on net position, similar to assets. This section of the financial statements includes items related to long-term debt which are amortized on the straight-line method (which approximates the interest method) over the terms of the bond issues and notes to which they relate. The amount of \$92,839 on the Township's statement of net position relates to losses on refundings. The amount of \$646,705 relates to other post employment benefits activity for future periods. The amount of \$3,305,242 relates to pension activity for future periods.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

L. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “Due from other funds” or “Due to other funds” on the balance sheet.

M. Inventory

Inventory is valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

N. Capital Assets

Capital assets which include equipment, buildings, vehicles and land and building improvements are recorded at cost. In accordance with GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis—for State and Local Governments*, infrastructure has been prospectively capitalized, beginning January 1, 2003. In 2007, the Township valued and reported all infrastructure from January 1, 2003 and prior based upon an estimated historical cost. To the extent the Township's capitalization threshold is met, capital outlays are recorded and depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	20-40 years
Equipment	5-20 years
Land Improvements	15-20 years
Infrastructure	10-50 years

Maintenance and repairs are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized.

O. Allowance for Doubtful Accounts

Receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This allowance amount is estimated by analyzing the percentage of receivables that have been collected as compared to the age and the amounts which remain outstanding.

P. Unearned Revenues

Unearned revenues reported in government-wide financial statements represent revenues received in advance of providing services. The unearned revenues will be recognized as revenue in the fiscal year they are earned, in accordance with the accrual basis of accounting.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Deferred Inflows of Resources

Deferred inflows of resources include acquisitions of assets by the Township that are applicable to a future reporting period. They have a negative effect on net position, similar to liabilities. In the government-wide statements, this section includes unamortized guarantee fees of \$58,333, and pension activity related to future periods of \$1,880,970.

In the governmental fund financial statements, this section includes deferred tax revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues. The Township deems revenues received within 180 days of year end to be available with the exception of property taxes, which must be received within 60 days of year end to be deemed available.

R. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond and note premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond and note issuance costs are reported as expenses when they are incurred.

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

S. Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of 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 these assets.

Restricted – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints are placed on the use of the assets either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted – the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Township's policy is to apply restricted net position first.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Fund Balance Classifications

As prescribed by GASB Statement No. 54, governmental funds report fund balances in classifications based primarily on the extent to which the Township is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for governmental funds can consist of the following:

Nonspendable Fund Balance – includes amounts that are not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash (e.g. inventories, prepaid amounts and long term notes receivable).

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

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the Board of Supervisors (the Township’s highest level of decision-making authority). Commitments may be changed or lifted only by the Township taking the same formal action that imposed the constraint originally (e.g. resolution and ordinance).

Assigned Fund Balance – includes amounts intended to be used by the Township for specific purposes that are neither restricted nor committed. The Board of Supervisors and the Township Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are not restricted or committed.

Unassigned Fund Balance – this residual classification is used for the General Fund and includes all spendable amounts not contained in the other classifications.

When multiple classifications of fund balance are available for expenditure, it is the Township’s policy to first spend from the most restricted classification and then to exhaust those funds to the extent legally or contractually permitted before moving down to the next classification with available funds.

U. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverage in 2018. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Risk Management (continued)

The Township provides medical (including prescription) insurance through the Pennsylvania Municipal Health Insurance Cooperative (PMHIC). PMHIC is the administrator of the plan, and Benecon Benefit Administrators and Consultants acts as a broker for the plan. Under the plan coverage, the Township's liability for claims is limited to \$65,000 per participant. The coverage includes a stop loss insurance agreement which limits the Township's total liability for medical claims for the year ending December 31, 2018 to \$1,809,191. Dental and vision insurance is provided through a group self-insurance program plan. The Loomis Company (Loomis) acts as the third-party administrator of the plan. Insurance premiums are paid from the General Fund. The actual claims paid during 2018 for medical, dental, and prescription expenses were \$1,479,107. Total administrative costs and claims for the fiscal year ended December 31, 2018 were \$1,887,538 including retiree costs of \$166,710.

2. CASH AND INVESTMENTS

Investing is performed in accordance with investment policies complying with State Statutes and the Township Charter. Township funds may be invested in: (1) United States Treasury Bills, (2) Short-term obligations of the Federal Government or its agencies or instrumentalities, (3) Deposits in savings accounts or time deposits, to the extent fully insured, (4) Obligations of the United States or any of its agencies or instrumentalities backed by its full faith and credit, (5) Shares of an investment company registered under the Investment Company Act of 1940, (6) Certificates of deposit to the extent that they are secured by acceptable collateral. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of governmental funds for investment purposes. In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practice.

Deposits

Custodial credit risk is the risk that in the event of the failure of the counterparty, the Township's deposits may not be returned to them. The Township does not have a policy for custodial credit risk on deposits.

For public unit accounts, the federal deposit insurance coverage depends upon the type of deposit and the location of the insured depository institution. Under these provisions, \$6,833,134 of the Township's bank balance of \$7,307,601 was exposed to custodial credit risk, but 83.422% was collateralized by the pledging bank's trust department as permitted by Act 72. Of the bank balance, \$250,003 was covered by federal depository insurance.

As of December 31, 2018, proceeds of \$2,572,507 from Dauphin County Infrastructure Bank Loans were held in accounts at First National Bank by the Dauphin County Industrial Development Authority. The accounts are covered by Act 72 and is monitored by the Commonwealth of Pennsylvania.

In addition, \$224,194 was invested in an external investment pool with the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT separately issues audited financial statements which are available to the public at <https://www.plgit.com>. The fair value of the Township's position in the external investment pool is equivalent to the value of the pool shares. The Commonwealth is the formal external regulatory oversight for the pool. At December 31, 2018, PLGIT carried a rating of AAAM and had an average maturity of less than one year.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

2. CASH AND INVESTMENTS (CONTINUED)

Deposits (continued)

The reconciliation of deposits to the financial statements at December 31, 2018 is as follows:

Uninsured but collateralized in accordance with Act 72	\$ 6,833,134
Plus: Amount insured by FDIC	<u>250,003</u>
	7,083,137
Plus: Deposits in pooled investments considered cash equivalents	222,194
Plus: Deposits in transit	-
Less: Outstanding checks	<u>(459,556)</u>
Total deposits	6,845,775
Plus: Cash on hand	<u>2,270</u>
Total cash per financial statements	<u>\$ 6,848,045</u>
 Cash and cash equivalents	 \$ 3,289,379
Restricted cash and cash equivalents	<u>3,558,666</u>
Total cash per financial statements	<u>\$ 6,848,045</u>

Investments

The Township's Pension Trust Fund has separate deposits and investments that are held and managed by Bryn Mawr Trust. At December 31, 2018, the Pension Trust Fund investments had a fair value of \$19,906,352.

Asset details are as follows:

Cash & equivalents	\$ 2,476,231
Equities	12,728,827
Fixed income	4,672,373
Accrued Income	<u>28,921</u>
Total:	<u>\$ 19,906,352</u>

The Bryn Mawr Trust Company is a wholly owned subsidiary of Bryn Mawr Bank Corporation, which is publicly held and traded on NASDAQ Global Market. The investment products and services offered through the Bryn Mawr Trust Company are not deposits or other obligations of, or guaranteed by, any bank or any bank affiliate. Additionally, the investments and services are not insured by the Federal Deposit Insurance Corporation or any other agency of the United States.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

3. RECEIVABLES

Governmental Activities

Receivables as of December 31, 2018 for the Township's governmental activities, individual major governmental funds, non-major funds in the aggregate, and applicable allowances for uncollectible accounts are as follows:

	General	Capital Projects	Non-Major Funds	Total
Receivables				
Taxes, gross	\$ 6,651,454	\$ 45,875	\$ 2,270	\$ 6,699,599
Allowance for uncollectibles	<u>(3,500,000)</u>	<u>-</u>	<u>-</u>	<u>(3,500,000)</u>
Taxes, net	\$ 3,151,454	\$ 45,875	\$ 2,270	\$ 3,199,599
Accounts	556,788	10,611	-	567,399
Derivative Income	-	-	-	-
Intergovernmental	35,343	-	-	35,343
Due from Derry Township Municipal Authority	<u>19,340,000</u>	<u>-</u>	<u>-</u>	<u>19,340,000</u>
Total Receivables	<u>\$23,083,585</u>	<u>\$ 56,486</u>	<u>\$ 2,270</u>	<u>\$23,142,541</u>

Business-Type Activities

Receivables as of December 31, 2018 for the Township's business-type activity and allowance for uncollectible accounts are as follows:

	Recycling Fund
Receivables	
Accounts, gross	\$ 163,842
Total Receivables	<u>\$ 163,842</u>

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

4. PROPERTY TAXES

The Township's property tax is levied each February 1st on the assessed value (\$2,063,112,900 for 2018), listed as of January 1st on all taxable real property located in the Township. The property tax rate for the year ended December 31, 2018 was .9964 mills for general purposes and .9917 mills for capital improvements. Current tax collections for the year ended were approximately 98% of the tax levied.

Dauphin County is responsible for collection of delinquent real property taxes and property tax assessment. Delinquent 2018 real property taxes were turned over to Dauphin County on January 13, 2019.

The full year property tax calendar is as follows:

Assessment date	January 1, 2018
Property tax bills rendered, lien date	February 1, 2018
Bills paid during February and March are granted a 2% discount	February 1, 2018 to March 31, 2018
Gross amount of levy is due	April 1, 2018 to May 31, 2018
Taxes delinquent and penalty of 5% of the face amount is charged	June 1, 2018 to July 31, 2018
Taxes delinquent and penalty of 10% of the face amount is charged	August 1, 2018 to January 12, 2019
Delinquent real property taxes are due to be turned over to Dauphin County	February 1, 2019

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. CAPITAL ASSETS

Governmental Activities

A summary of general capital assets during 2018 for governmental activities is as follows:

	<u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31</u>
General Government Assets				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,635,502	\$ -	\$ -	\$ 3,635,502
Construction in Progress	525,314	2,365,018	291,525	2,598,807
Held for Resale	<u>20,744</u>	<u>1,435</u>	<u>16,092</u>	<u>6,087</u>
Total Capital Assets Not Being Depreciated	<u>4,181,560</u>	<u>2,366,453</u>	<u>307,617</u>	<u>6,240,396</u>
Capital Assets, Being Depreciated:				
Land Improvements	6,018,596	-	1,435	6,017,161
Building and building Improvements	25,070,897	-	-	25,070,897
Equipment	13,200,992	293,779	153,672	13,341,099
Infrastructure	<u>62,853,044</u>	<u>423,150</u>	<u>-</u>	<u>63,276,194</u>
Total Capital Assets, Being Depreciated	<u>107,143,529</u>	<u>716,929</u>	<u>155,107</u>	<u>107,705,351</u>
Less: Accumulated Depreciation				
Land improvements	4,374,539	231,905	-	4,606,444
Building and building Improvements	9,356,040	628,415	-	9,984,455
Equipment	10,980,331	566,997	167,273	11,380,055
Infrastructure	<u>21,244,815</u>	<u>1,280,365</u>	<u>-</u>	<u>22,525,180</u>
Total Accumulated Depreciation	<u>45,955,725</u>	<u>2,707,682</u>	<u>167,273</u>	<u>48,496,134</u>
Total Capital Assets, Net	<u>\$ 65,369,364</u>	<u>\$ 375,700</u>	<u>\$ 295,451</u>	<u>\$ 65,449,613</u>

Depreciation expense for general fixed assets and infrastructure was allocated to the various functions as follows:

General Government	\$ 422,289
Public Safety	318,611
Community Development	6,981
Health and Human Services	-
Public Works	1,508,390
Parks and Recreation	341,971
Library	<u>109,440</u>
Total	<u>\$ 2,707,682</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. CAPITAL ASSETS (CONTINUED)

Business-Type Activities

The following is a summary of changes in capital assets for business-type activities for the year ended December 31, 2018:

	<u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31</u>
Capital assets, being depreciated:				
Buildings	\$ 366,980	\$ -	\$ -	\$ 366,980
Equipment	<u>285,829</u>	<u>7,435</u>	<u>-</u>	<u>293,264</u>
Total capital assets, being depreciated	<u>652,809</u>	<u>7,435</u>	<u>-</u>	<u>660,244</u>
Less accumulated depreciation for:				
Buildings	214,136	9,125	-	223,261
Equipment	<u>55,734</u>	<u>28,185</u>	<u>-</u>	<u>83,919</u>
Total accumulated depreciation	<u>269,870</u>	<u>37,310</u>	<u>-</u>	<u>307,180</u>
Total capital assets, being depreciated, net	<u>\$ 382,939</u>	<u>\$ (29,875)</u>	<u>\$ -</u>	<u>\$ 353,064</u>

6. FUND EQUITY

1. Government-wide statements

Net assets of the governmental activities reported on the government-wide statement of net position at December 31, 2018 include the following:

Net Investment in Capital Assets	
Land	\$ 3,635,502
Construction in Progress	2,598,807
Held for Resale	6,087
Land Improvements	1,410,717
Building and Building Improvements	15,086,442
Equipment	1,961,044
Infrastructure	<u>40,751,014</u>
Total capital assets	65,449,613
Less: Related long-term debt	(18,752,611)
Total - Net Investment in Capital Assets	<u>46,697,002</u>
Restricted	
Donor, grant, and bond restrictions	1,534,371
Capital Projects	<u>866,135</u>
Total Restricted	2,400,506
Unrestricted	<u>(8,357,116)</u>
Total Governmental Activities Net Position	<u>\$ 40,740,392</u>

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

6. FUND EQUITY (CONTINUED)

2. Fund Statements

In the fund financial statements, portions of governmental fund balances are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. Restricted fund balances at December 31, 2018 are detailed below:

Capital Projects Fund		
Restricted for Rt. 743 & Other Traffic	225,340	
Restricted for DCIB Loan	68,457	
Restricted for DCIB Note	2,504,050	
Restricted for Sinking Fund	3	
Restricted for Developer Traffic	504,532	
Restricted for Open Space Fees – Southpoint Meadows	47,343	
Restricted for Open Space Fees – 2008	16,928	
Restricted for Open Space Fees – Deer Run Commons	42,679	
Restricted for Open Space Fees – Jerry Shank Subdivision	2,454	
Restricted for Open Space Fees – 3 rd Revised Deer Run	2,461	
Restricted for Open Space Fees – Hill	4,915	
Restricted for Open Space Fees – Plebani	1,304	
Restricted for Open Space Fees – Woodland Hills	6,447	
Restricted for Open Space Fees – CAMA	1,302	
Restricted for Open Space Fees – The Point	76,434	
Restricted for Open Space Fees – Trimble	1,303	
Restricted for Open Space Fees – MHS Staff Homes	7,824	
Restricted for Open Space Fees – Musculas	40,879	
Restricted for Open Space Fees – 880 Stauffers	1,328	
Restricted for Open Space Fees – Hershey Development	2,683	
Total Capital Projects		3,558,666
Liquid Fuels Fund		
Restricted for Road Improvements & Equipment		1,091,147
Total Restricted Fund Balance		<u>\$ 4,649,813</u>

7. UNEARNED REVENUE

Governmental funds record unearned revenue for items received in advance of an exchange transaction and grant proceeds received prior to meeting eligibility requirements. At December 31, 2018, the various components of unearned revenue are as follows:

	<u>Total</u>
Capital grants	\$ 220,571
Unearned rent	1,220
Police grants	27,625
Total	<u>\$ 249,416</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2018:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018	Due in One Year
Compensated absences	\$ 727,930	\$ 774,855	\$ 692,109	\$ 810,676	\$ -
Capital Leases – police cars	18,661	-	18,661	-	-
Capital Lease – Colorado	10,561	-	5,133	5,428	5,428
Capital Lease – Bobcat	9,205	-	4,490	4,715	4,715
Capital Lease – F350	25,342	-	12,318	13,024	13,024
Capital Lease – Explorer	11,801	-	5,739	6,062	6,062
Capital Lease – Transit Wagon	10,126	-	4,917	5,209	5,209
Capital Lease – Escape	10,435	-	5,071	5,364	5,364
Capital Lease – Interceptor	15,638	-	7,593	8,045	8,045
Capital Lease – Portable Lifts	30,982	-	9,318	21,664	10,293
Capital Lease – 2 Interceptors	42,009	-	13,633	28,376	14,001
Capital Lease – Tahoe	26,758	-	13,202	13,556	13,556
Capital Lease – Ferris Mower	5,770	-	3,076	2,694	2,695
Capital Lease – Jacobsen Mower	70,338	-	22,539	47,799	23,434
Capital Lease – Super Loader	44,046	-	19,937	24,109	24,109
Capital Lease – International	119,510	-	28,312	91,198	29,331
Capital Lease – Toro Sand Pro	12,804	-	4,103	8,701	4,266
Capital Lease – Auto Scrubber	1,139	-	1,139	-	-
Capital Lease – Tub Grinder	196,840	-	196,840	-	-
Capital Lease – 2017 F350	18,472	-	5,805	12,667	6,151
Capital Lease – Volvo Wheel Loader	134,359	-	32,250	102,109	33,127
Capital Lease – police interceptor	20,216	-	6,547	13,669	6,737
Capital Lease – police interceptor	25,965	-	8,409	17,556	8,653
Capital Lease – 2017 F350 - police	45,493	-	14,740	30,753	15,160
Capital Lease – 2018 Interceptor	-	31,663	8,358	23,305	7,484
Capital Lease – 2018 Interceptor	-	40,857	10,785	30,072	9,657
Capital Lease – 2018 Transit	-	60,046	15,850	44,196	14,193
Capital Lease – 2018 F350	-	36,113	9,990	26,123	8,110
Capital Lease – Police MDTs	-	15,244	3,401	11,843	2,688
Capital Lease – Ventrac Tractor	-	23,399	6,044	17,355	5,538
Bridge Project Loan	140,289	-	34,229	106,060	34,785
Pennsylvania Infrastructure Bank Loan	930,788	-	180,205	750,583	183,133
Dauphin County Infrastructure Bank Loan	155,410	-	25,580	129,830	25,708
Dauphin County Infrastructure Bank Loan 2017	2,968,111	-	143,124	2,824,987	132,900
Joint Management and Use Agreement	391,405	-	61,271	330,134	63,101
ICDA Bonds, Series 2015	8,835,000	-	605,000	8,230,000	610,000
General Obligation Bonds, Series 2012	1,550,000	-	240,000	1,310,000	240,000
General Obligation Bonds, Series 2014	4,720,000	-	185,000	4,535,000	195,000
General Obligation Bonds, Series 2015	7,960,000	-	395,000	7,565,000	405,000
General Obligation Bonds, Series 2016	3,340,000	-	430,000	2,910,000	450,000
General Obligation Note, Series 2016	2,480,000	-	250,000	2,230,000	250,000
General Obligation Note, Series 2017	550,000	-	50,000	500,000	50,000
General Obligation Bonds, Series 2018	-	5,010,000	-	5,010,000	5,000
Line of Credit, 2018	-	1,044,542	-	1,044,542	5,000
Total	\$ 35,655,403	\$ 7,036,719	\$ 3,789,718	\$ 38,902,404	\$ 2,936,657
Unfunded pension liability				5,014,470	
Other postemployment benefit liability				11,063,559	
Less: unamortized bond discount				(100,291)	
Add: unamortized bond premium				101,174	
Total long-term liabilities				\$ 54,981,316	

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG-TERM DEBT (CONTINUED)

Compensated Absences

Unused vacation leave may be accumulated up to a specified maximum and is paid at the time of termination from Township employment. Effective January 1, 2005, the Township entered into a new agreement with the police force and management regarding the payment of unused sick time at retirement. The payment is calculated as a percentage of unused sick time based on the retiree's past usage of sick time. The Township is not obligated to pay for unused personal days or non-police/non-management sick leave upon termination. At December 31, 2018 the long-term accrued vacation and sick pay was \$764,395 and \$46,281, respectively.

Capital Leases

The Township has entered into capital lease agreements for vehicles and equipment. Capital leases transfer the benefits and risks of ownership to the lessee, and are accounted for in the governmental activities' capital assets. The related liabilities are recorded in the governmental activities' current and long-term obligations. Amortization expense is included in depreciation expense. As of December 31, 2018, assets held through capital lease agreements totaled \$2,358,509 and accumulated depreciation for those assets totaled \$1,080,879.

The following list provides detail about the Township's capital leases:

- June 2014 lease – Present value cost of \$15,338
The lease is for an in-car video server and is to be paid in five consecutive annual payments of \$3,557 including an annual rate of interest of 8.0%.
- September 2014 lease – Present value cost of \$72,771
The lease is for two police cars and a cargo van and is to be paid in five consecutive annual payments of \$16,283 including an annual rate of interest of 5.95%.
- Jan 2015 lease – Present value cost of \$25,627
The lease is for Ford Escape and is to be paid in five consecutive annual payments of \$5,674 including an annual rate of interest of 5.76%.
- Feb 2015 lease – Present value cost of \$22,502
The lease is for a bobcat with snow blade and is to be paid in five consecutive annual payments of \$4,952 including an annual rate of interest of 5.02%.
- Mar 2015 lease – Present value cost of \$31,458
The lease is for a Ford Explorer and is to be paid in five consecutive annual payments of \$6,403 including an annual rate of interest of 5.74%.
- April 2015 lease – Present value cost of \$28,326
The lease is for a Chevy Colorado and is to be paid in five consecutive annual payments of \$5,740 including an annual rate of interest of 5.63%.
- April 2015 lease – Present value cost of \$61,783
The lease is for a Ford F350 and is to be paid in five consecutive annual payments of \$13,771 including an annual rate of interest of 5.95%.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG-TERM DEBT (CONTINUED)

Capital Leases (continued)

- June 2015 lease – Present value cost of \$24,665
The lease is for a Ford Transit Wagon and is to be paid in five consecutive annual payments of \$5,519 including an annual rate of interest of 5.73%.
- August 2015 lease – Present value cost of \$36,948
The lease is for a Ford Interceptor Police car and is to be paid in five consecutive annual payments of \$8,524 including an annual rate of interest of 5.95%.
- January 2016 lease – Present value cost of \$47,050
The lease is for Portable Lifts and is to be paid in 60 consecutive monthly payments of \$1,000 including an annual rate of interest of 10.00%.
- January 2016 lease – Present value cost of \$21,362
The lease is for a Toro Sand Pro and is to be paid in 5 consecutive annual payments of \$4,610 including an annual rate of interest of 3.89%.
- January 2016 lease – Present value cost of \$270,700
The lease is for a Tub Grinder and is to be paid in 7 consecutive annual payments of \$43,246 including an annual rate of interest of 3.22%.
- February 2016 lease – Present value cost of \$117,349
The lease is for a Jacobsen Mower and is to be paid in five consecutive annual payments of \$25,332 including an annual rate of interest of 3.9%.
- April 2016 lease – Present value cost of \$91,961
The lease is for a JCB 3CX-15 Super Loader Backhoe and is to be paid in four consecutive annual payments of \$24,174 including an annual rate of interest of 3.2%.
- May 2016 lease – Present value cost of \$12,700
The lease is for a Ferris Mower and is to be paid in three consecutive annual payments of \$3,465 including implied interest.
- May 2016 lease – Present value cost of \$2,985
The lease is for an Auto Scrubber and is to be paid in four consecutive annual payments of \$1,098 including implied interest.
- June 2016 lease – Present value cost of \$70,050
The lease is for 2 Ford Interceptor Police Cars and is to be paid in five consecutive annual payments of \$14,767 including implied interest.
- September 2016 lease – Present value cost of \$146,838
The lease is for a 2017 International SFA and is to be paid in five consecutive annual payments of \$32,614 including an annual rate of interest of 3.6%.
- October 2016 lease – Present value cost of \$53,536
The lease is for a Chevy Tahoe and is to be paid in five consecutive annual payments of \$13,924 including implied interest.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG-TERM DEBT (CONTINUED)

Capital Leases (continued)

- February 2017 lease – Present value cost of \$170,263
The lease is for a 2016 Volvo Wheel Loader and is to be paid in five consecutive annual payments of \$35,904 including implied interest.
- March 2017 lease – Present value cost of \$27,349
The lease is for a 2017 Police Interceptor and is to be paid in four consecutive annual payments of \$7,133 including implied interest.
- June 2017 lease – Present value cost of \$35,127
The lease is for a 2017 Police Interceptor and is to be paid in four consecutive annual payments of \$9,162 including implied interest.
- August 2017 lease – Present value cost of \$61,530
The lease is for a 2017 F350 and is to be paid in four consecutive annual payments of \$16,037 including implied interest.
- September 2017 lease – Present value cost of \$40,642
The lease is for a 2017 F350 and is to be paid with an initial payment of \$22,170 and then three consecutive annual payments of \$6,904 including implied interest.
- February 2018 lease – Present value cost of \$15,244
The lease is for 4 Police Mobile Data Table Systems and is to be paid in five consecutive annual payments of \$3,456 including implied interest.
- March 2018 lease – Present value cost of \$23,399
The lease is for a Ventrac Tractor and is to be paid in four consecutive annual payments of \$6,300 including implied interest.
- July 2018 lease – Present value cost of \$31,663
The lease is for a 2018 Police Interceptor and is to be paid in four consecutive annual payments of \$8,358 including implied interest.
- July 2018 lease – Present value cost of \$40,857
The lease is for a 2018 Police Interceptor and is to be paid in four consecutive annual payments of \$10,785 including implied interest.
- August 2018 lease – Present value cost of \$60,046
The lease is for a 2018 Ford Transit T350 and is to be paid in four consecutive annual payments of \$15,851 including implied interest.
- November 2018 lease – Present value cost of \$36,113
The lease is for a 2018 F350 and is to be paid in four consecutive annual payments of \$9,990 including implied interest.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG-TERM DEBT (CONTINUED)

Bridge Project Loan

In March 2012, the County of Dauphin completed the reconstruction and relocation of County Bridge No. 122. According to a memorandum of understanding with the County, the Township has agreed to pay back its allocated share of the project construction cost over a period of ten years at an annual interest rate of 1.625%. The Township's allocated share totaled \$334,470. Annual payments of \$36,509 are due until October 2021 and are currently being made from the Township's liquid fuels fund. The maturity schedule for the loan is as follows:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
34,785	1,723	1.625	2019
35,350	1,158	1.625	2020
35,925	584	1.625	2021
<u>\$ 106,060</u>	<u>\$ 3,465</u>		

Pennsylvania Infrastructure Bank Loan

In April 2011, the Township entered into an agreement with the Pennsylvania Infrastructure Bank for \$1,789,500 for the storm water project. The term of the loan is 10 years and interest is to be paid at an annual rate of 1.625%. The maturity schedule for the loan is as follows:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
183,133	12,197	1.625	2019
186,109	9,221	1.625	2020
189,134	6,197	1.625	2021
192,207	3,123	1.625	2022
<u>\$ 750,583</u>	<u>\$ 30,738</u>		

Dauphin County Infrastructure Bank Loan

In May 2014, the Township entered into an agreement with Dauphin County for an Infrastructure Bank loan award of \$256,960. Proceeds of the loan are to be used to fund the installation of a traffic signal at the intersection of Fishburn and Homestead Roads. The term of the loan is 10 years and interest is to be paid at an annual rate of .50 %. Annual payments of \$26,357 are due until January 2023 and are currently being made from the Township's liquid fuels fund. The maturity schedule for the loan is as follows:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
25,708	649	.50	2019
25,836	521	.50	2020
25,965	391	.50	2021
26,095	262	.50	2022
26,226	131	.50	2023
<u>\$ 129,830</u>	<u>\$ 1,954</u>		

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes

ICDA Bonds, Series of 2007 / School District Bonds, Series of 2012/
Joint Management and Use Agreement

In 2002, the Township joined with the Derry Township School District to renovate the Granada Avenue Gymnasium through financing by the Township of Derry ICDA. On March 1, 2007, the Authority issued the Guaranteed School Revenue Bonds Series of 2007 to refund the Series of 2002, and pay the costs of issuing the bonds.

On March 15, 2012, the Derry Township School District issued the General Obligation Bonds, Series of 2012 in the amount of \$3,110,000 to currently refund the outstanding bonds from 2007, thus registering the debt in the name of the School District and terminating the involvement of the Authority. The 2012 bonds are payable from tax and other general revenues of the School District.

A joint management and use agreement between the School District and the Township obligates the Township to pay a portion of the related bond issue based on the Township's utilization of the facility. The Township and School are also jointly responsible for any sums, expenses, or costs incurred with regard to the operation and maintenance of the gymnasium.

Following is a maturity schedule for the Township's obligation according to the joint management and use agreement with the School District:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
63,101	6,005	1.45	2019
64,015	4,907	2.00	2020
65,844	3,609	2.00	2021
67,673	2,240	2.10	2022
69,501	765	2.20	2023
<u>\$ 330,134</u>	<u>\$ 17,526</u>		

\$9,995,000 ICDA Bonds, Series of 2015

In 2005, the Township entered into the Derry Township Municipal Center Project through financing by the Township of Derry ICDA via the Guaranteed Township Revenue Bonds, Series of 2005. The proceeds were used to finance the construction of a new municipal complex on Clearwater Road in Hershey, Pennsylvania. The complex provides space for the Township of Derry's administration and police departments, as well as the Derry Township Earned Income Tax office.

On August 19, 2010, the Township of Derry ICDA authorized the issuance of the Guaranteed Township Revenue Bonds, Series of 2010 in the amount of \$10,525,000 for a current refunding of the Series of 2005 Bonds.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (Continued)

In May 2015, the Township of Derry ICDA authorized the issuance of the Guaranteed Township Revenue Bonds, Series of 2015 in the amount of \$9,995,000 for the current refunding of the Series of 2010 Bonds. The 2015 Bonds began to mature on November 15, 2015 and will continue to mature every year thereafter with final maturity on November 15, 2030. Interest is due semi-annually on May 15 and November 15 and the interest rates range from 1.00% to 3.125%.

The 2015 Bonds are payable from and secured by an assignment of rentals payable to the ICDA by the Township under a sublease agreement.

Following is a maturity schedule for the Township's portion of the ICDA Bonds, Series of 2015:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
610,000	214,540	2.00	2019
625,000	202,340	2.00	2020
635,000	189,840	2.00	2021
650,000	177,140	2.00	2022
670,000	162,190	2.50	2023
3,500,000	546,710	2.50 – 3.00	2024 – 2028
<u>1,540,000</u>	<u>72,310</u>	3.10 – 3.125	2029 – 2030
<u>\$ 8,230,000</u>	<u>\$ 1,565,070</u>		

\$8,610,000 General Obligation Bonds, Series of 2015

In March 2015, the Township of Derry issued the General Obligation Bonds, Series of 2015 in the amount of \$8,610,000 for the current refunding of the Series of 2010 Bonds. The 2015 Bonds began to mature on December 15, 2015 and will continue to mature every year thereafter with final maturity on December 15, 2028. Interest is due semi-annually on June 15 and December 15 and the interest rates range from 1.00% to 3.25% per year.

Pursuant to a Subsidy Agreement between the Derry Township Municipal Authority and the Township, the Municipal Authority has agreed to pay the Township amounts sufficient to pay the principal of and interest on the Bonds from the receipts and revenues from the Municipal Authority's sewer system when they become due. The Township has pledged its full faith, credit and taxing power to the payment of the principal of and interest on the bonds. Payments are due in annual installments of \$120,000 to \$990,000 through December 15, 2028 plus interest at 1.00% to 3.25% per year.

The following is a maturity schedule for the General Obligation Bonds, Series 2010:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
405,000	179,365	1.50	2019
450,000	173,290	2.00	2020
890,000	164,290	2.00	2021
910,000	146,490	2.00	2022
930,000	128,290	2.00	2023
<u>3,980,000</u>	<u>343,552</u>	2.15 – 3.25	2024 – 2028
<u>\$ 7,565,000</u>	<u>\$ 1,135,277</u>		

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (Continued)

\$3,105,000 General Obligation Note, Series of 2016

On May 18, 2016 the Township of Derry authorized the issuance of the General Obligation Note, Series of 2016. Proceeds of the Note were used to currently refund the outstanding General Obligation Bonds, Series of 2011 of the Derry Township Municipal Authority, adjust the payment and to pay the costs of issuing the bonds. Payments are due in annual installments of \$305,000 to \$1,660,000 through December 15, 2025 plus interest at 2.07% to 3.75% per year.

Pursuant to a Subsidy Agreement between the Derry Township Municipal Authority and the Township, the Municipal Authority has agreed to pay the Township amounts sufficient to pay the principal of and interest on the Bonds from the receipts and revenues from the Municipal Authority's sewer system when they become due. The Township has pledged its full faith, credit and taxing power to the payment of the principal of and interest on the bonds.

The following is a maturity schedule for the General Obligation Note, Series of 2016:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
250,000	46,161	2.07	2019
220,000	40,986	2.07	2020
35,000	36,432	2.07	2021
35,000	35,707	2.07	2022
20,000	49,258	3.75	2023
<u>1,670,000</u>	<u>124,875</u>	3.75	2024 - 2025
<u>\$ 2,230,000</u>	<u>\$ 333,419</u>		

\$4,415,000 General Obligation Bonds, Series of 2016

On September 29, 2016 the Township of Derry authorized the issuance of the General Obligation Bonds, Series of 2016 in the amount of \$4,415,000 for a current refunding of the Township's General Obligation Bonds, Series A of 2011 and to pay the costs of issuing the bonds. The bonds began to mature on November 15, 2016 and will continue to mature every year thereafter with final maturity on November 15, 2024. Interest is due semi-annually on May 15 and November 15 and the interest rates range from .60% to 4.00%. The present value savings of this issue was approximately \$228,931.

The following is a maturity schedule for the General Obligation Bonds, Series of 2016:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
450,000	60,475	1.00	2019
460,000	55,975	4.00	2020
485,000	37,575	1.50	2021
490,000	30,300	2.00	2022
495,000	20,500	2.00	2023
<u>530,000</u>	<u>10,600</u>	2.00	2024
<u>\$ 2,910,000</u>	<u>\$ 215,425</u>		

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (Continued)

\$6,000,000 General Obligation Note, Series A of 2011/ \$5,000,000 General Obligation Bonds, Series of 2014

On November 1, 2011 the Township of Derry authorized the issuance of the General Obligation Note, Series A of 2011 in the amount of \$6,000,000 for the restoration, repair, reconstruction and alteration of the Derry Township Municipal Authority's wastewater facilities, including, the Clearwater Road and Southwest Treatment Plants, the Mansion Road and Highmeadow Pumping Stations, and the payment of the costs of issuance of the Note.

In November 2014, the Township authorized the issuance of the General Obligation Bonds, Series of 2014 in the amount of \$5,000,000 for a current refunding of the General Obligation Note, Series A of 2011 and to provide funds to the Municipal Authority for capital projects. The 2014 Bonds begin to mature on December 15, 2015 and will continue to mature every year thereafter with final maturity on December 15, 2027. Interest is due semi-annually on June 15 and December 15 and the interest rates range from .25% to 3.00%. The refunding did not result in any net present value savings.

Pursuant to a Subsidy Agreement between the Municipal Authority and the Township, the Municipal Authority agreed to pay the Township amounts sufficient to pay the principal of and interest on the Bonds from the receipts and revenues from the Municipal Authority's sewer system when they become due. The Township has pledged its full faith, credit and taxing power to the payment of the principal of and interest on the bonds.

The following is a maturity schedule for the General Obligation Bonds, Series of 2014:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
195,000	128,825	1.50	2019
190,000	125,900	2.00	2020
20,000	122,100	2.50	2021
15,000	121,600	2.50	2022
15,000	121,225	2.50	2023
<u>4,100,000</u>	<u>411,025</u>	2.50-3.00	2024 - 2027
<u><u>\$ 4,535,000</u></u>	<u><u>\$ 1,030,675</u></u>		

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (Continued)

\$4,060,000 General Obligation Bonds, Series of 2012

On November 13, 2012, the Township of Derry authorized the issuance of the General Obligation Bonds, Series of 2012 in the amount of \$4,060,000 for a current refunding of the Township's General Obligation Notes, Series of 2008 and to pay the costs of issuing the bonds. Payments are due in annual installments of \$110,000 to \$595,000 through August 15, 2024 plus interest at 1.00% to 2.00% per year.

The following is a maturity schedule for the General Obligation Bonds, Series of 2012:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
240,000	23,200	1.50	2019
240,000	19,600	1.25	2020
240,000	16,600	2.00	2021
240,000	11,800	2.00	2022
240,000	7,000	2.00	2023
110,000	2,200	2.00	2024
<u>\$ 1,310,000</u>	<u>\$ 80,400</u>		

\$550,000 General Obligation Note, Series of 2017

On August 11, 2017, the Township of Derry authorized the issuance of the General Obligation Note, Series of 2017 in the amount of \$550,000 for the Caracus Avenue Project and to pay the costs of issuing the note. Payments are due in annual installments of \$50,000 to \$60,000 through November 15, 2027 plus interest at 2.78% per year.

The following is a maturity schedule for the General Obligation Note, Series of 2017:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
50,000	13,900	2.78	2019
50,000	12,510	2.78	2020
55,000	11,120	2.78	2021
55,000	9,591	2.78	2022
55,000	8,062	2.78	2023
235,000	16,541	2.78	2024-2027
<u>\$ 500,000</u>	<u>\$ 71,724</u>		

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (Continued)

\$5,010,000 General Obligation Bonds, Series of 2018

On February 15, 2018, the Township of Derry authorized the issuance of the General Obligation Bonds, Series of 2018. Proceeds of the Bond were used for capital projects for the Derry Township Municipal Authority and to pay the costs of issuing the bonds. Payments are due in annual installments of \$5,000 to \$2,445,000 through December 15, 2030 plus interest at 1.70% to 4.00% per year.

Pursuant to a Subsidy Agreement between the Municipal Authority and the Township, the Municipal Authority agreed to pay the Township amounts sufficient to pay the principal of and interest on the Bonds from the receipts and revenues from the Municipal Authority's sewer system when they become due. The Township has pledged its full faith, credit and taxing power to the payment of the principal of and interest on the bonds.

The following is a maturity schedule for the General Obligation Bonds, Series of 2018:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
5,000	153,190	1.70	2019
5,000	153,105	1.75	2020
5,000	153,018	1.85	2021
5,000	152,925	2.00	2022
5,000	152,825	2.00	2023
1,715,000	762,375	2.50 – 3.00	2024 – 2028
<u>3,270,000</u>	<u>139,350</u>	3.00 – 4.00	2029 – 2030
<u>\$ 5,010,000</u>	<u>\$ 1,666,788</u>		

Guaranteed Revenue Notes

\$2,968,111 Guaranteed Revenue Note DCIB, Series of 2017

On December 19, 2017, the Township of Derry authorized the issuance of the Guaranteed Revenue Note DCIC, Series of 2017 in the amount of \$2,968,111 for upcoming construction project and to pay the costs of issuing the note. Payments are due in annual installments of \$136,308 to \$170,385 through October 1, 2037 plus interest at 1.30% to 4.00% per year.

The following is a maturity schedule for the Guaranteed Revenue Note, Series of 2017:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
132,900	38,166	2.00	2019
136,308	37,834	2.00	2020
136,308	37,493	2.00	2021
136,308	37,153	2.00	2022
136,308	36,812	2.00	2023
705,396	153,977	3.00 – 4.00	2024 – 2028
776,956	84,664	3.00 – 4.00	2029 – 2033
<u>664,503</u>	<u>26,576</u>	3.250 – 3.375	2034 – 2037
<u>\$ 2,824,987</u>	<u>\$ 452,675</u>		

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. LONG-TERM DEBT (CONTINUED)

Line of Credit

\$1,550,000 Line of Credit, Series of 2018

On February 1, 2018, the Township of Derry authorized the issuance of the Line of Credit, Series of 2018 in the amount of \$1,550,000 for the Recreation Center Project. Payments are due in annual installments of \$5,000 to \$200,000 through November 15, 2028 plus interest at 3.83% per year.

The following is a maturity schedule for the Line of Credit:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
5,000	40,006	3.83	2019
145,000	39,814	3.83	2020
155,000	34,261	3.83	2021
160,000	28,324	3.83	2022
165,000	22,196	3.83	2023
414,542	27,906	3.83	2024-2028
<u>\$ 1,044,542</u>	<u>\$ 192,507</u>		

Summary

The following summarizes the Township's future annual debt service requirements to maturity for the Township's long-term debt at December 31, 2018. The schedule below includes all capital lease agreements and the debt service requirements to be paid by the Derry Township Municipal Authority for the General Obligation Bonds, Series of 2014, 2015 and 2018, and the General Obligation Note, Series of 2016.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	2,936,657	942,343	3,879,000
2020	3,039,370	889,610	3,928,980
2021	3,091,741	818,204	3,909,945
2022	2,985,528	756,865	3,742,393
2023	2,827,035	709,254	3,536,289
2024 – 2028	16,959,939	2,399,761	19,359,699
2029 – 2033	5,586,956	296,324	5,883,280
2034 – 2037	664,503	26,576	691,079
Total	<u>\$ 38,091,729</u>	<u>\$ 6,838,937</u>	<u>\$ 44,930,666</u>

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

9. INTERFUND BALANCES

Interfund balances at December 31, 2018 consisted of the following:

\$ 10,742 due to the General Fund from the Recycling Fund
\$ 782,637 due to the Capital Projects Fund from the General Fund

The Recycling Fund balance resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Other balances resulted from providing resources between funds for cash flow purposes.

10. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2018 consisted of the following:

	Transfer From			Total
	General Fund	Capital Projects Fund	Recycling Fund	
<u>Transfer To</u>				
General Fund	\$ -	\$ 1,723	-	\$ 1,723
Capital Projects	-	-	250,000	250,000
Nonmajor Governmental				
Liquid Fuels Fund	-	-	-	-
Street Light Fund	132,187	-	-	132,187
Total	<u>\$ 132,187</u>	<u>\$ 1,723</u>	<u>\$ 250,000</u>	<u>\$ 383,910</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the capital projects fund as debt service payments come due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During the year ended December 31, 2018, the Township also made a transfer of \$250,000 from the Recycling Fund to Capital Projects to provide additional funds for debt service.

11. SUMMARY OF EXPENDITURES OVER APPROPRIATIONS

In the Capital Projects Fund, actual expenditures and other financing uses exceeded appropriations by \$2,449,480. The excess expenditures were a result of road project expenditures which were not anticipated at the time the budget was prepared and recreation center expenses which were not anticipated at the time the budget was prepared. Sufficient revenues and fund balances were available within the fund to cover the excess expenditures.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

12. DEFICIT FUND BALANCE

As of December 31, 2018, the Street Light Fund had a negative unassigned fund balance of \$29,918. The deficit resulted primarily from revenues being insufficient to cover expenditures. The General Fund is liable for any deficits in the fund and provides transfers when cash is required. At December 31, 2018, the Township assigned a portion of the General Fund fund balance to cover the deficit.

As of December 31, 2018, the Capital Projects Fund had a negative unassigned fund balance of \$120,024. The deficit resulted primarily from revenues being insufficient to cover expenditures. The General Fund is liable for any deficits in the fund and provides transfers when cash is required. At December 31, 2018, the Township assigned a portion of the General Fund fund balance to cover the deficit.

13. ESCROW PAYABLE

The Township holds funds in escrow totaling \$150,943. Of this amount, \$148,464 represents funds held as security by the Township until such time as the developer completes construction of a specified project and eighteen months have elapsed with no significant maintenance or structural problems noted. The remaining \$2,479 represents designated funds received for the Chocolate Avenue Sign Beautification Program.

14. COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The Township receives revenues from various federal and state grant programs, which are subject to audit and adjustment by the respective grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Contract Commitments

As of December 31, 2018, the Township was committed under contracts totaling \$1,038,136 for ongoing projects. This was recorded in accounts payable as of December 31, 2018.

In December 2018, the Township entered into an agreement to finance the purchase of a new Fire Truck in the amount of \$1,306,417. This will be picked up as the truck is being built during 2019.

Contingent Liabilities

During the year ended December 31, 2018 the Township received notice that they would need to make certain repairs to the landfill that they own. The Township is still working on a plan for these repairs but as an estimate they have recorded a contingent liability of \$1,000,000 in the Recycling Fund as of December 31, 2018.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

14. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Guarantee of Indebtedness of Others

The Township has, as additional security, unconditionally guaranteed payment of the full amount of all principal of and interest on the Derry Township Municipal Authority Sewer Revenue Bonds, Series of 2005, 2015, and 2016 when due and for such payment has pledged its full faith, credit and taxing powers. These bonds are scheduled to mature in 2024 and 2025. The outstanding principal balance of these bonds at December 31, 2018 was \$12,415,000.

In October 2014, the Township approved a \$5 million guarantee relating to the debt service for the Hershey Volunteer Fire Company construction project. As of December 31, 2018, the loan balance was \$3,353,824. The guaranty is scheduled to expire when the note matures in 20 years.

In addition, the Township guaranteed payment of the full amount of all principal of and interest on the Derry Township Industrial and Commercial Development Authority Guaranteed Township Revenue Bonds, Series of 2015 when due and for such payment has pledged its full faith, credit and taxing powers. The bond is scheduled to mature in 2030. The total outstanding principal balance of the bonds at December 31, 2018 was \$8,230,000.

Litigation

In the normal course of operations, the Township is involved in various civil disputes. It is the opinion of management that the potential claims against the Township not covered by insurance would not materially affect the financial statements.

15. RETIREMENT PLANS

The Township offers two single-employer defined benefit pension plans to its employees: The Derry Township Police Pension Plan (the Police Pension Plan) and the Derry Township Non-uniform Pension Plan (the Non-uniform Pension Plan). Additionally, the Township has continued to maintain a cash balance plan for those members who were no longer employed by the Township at December 31, 1994 (date of conversion from a defined contribution money purchase plan to a defined benefit plan) but who had a deferred benefit and no current payment.

Membership consisted of the following at December 31, 2018:

	Police Pension <u>Plan</u>	Non-uniform Defined Benefit <u>Pension Plan</u>	Non-uniform Cash Balance <u>Pension Plan</u>
Active employees	36	59	0
Retirees and beneficiaries currently receiving benefits	25	25	3
Terminated employees entitled to benefits but not yet receiving them	2	7	7
Surviving Spouse	1	1	0
Collecting under disability	<u>1</u>	<u>0</u>	<u>0</u>
Total	<u>65</u>	<u>92</u>	<u>10</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

15. RETIREMENT PLANS (CONTINUED)

Derry Township Police Pension Plan

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Plan Description

The Police Pension Plan provides retirement benefits, as well as disability and death benefits, to full-time sworn police employees working at least forty hours per week. All full-time members of the police force join the Plan on their date of hire. All benefits vest after 12 years of credited service. Employees who retire at or after age 50 and with 25 years of credited service are entitled to a monthly retirement benefit, payable for life, in an amount equal to 50% of their average eligible monthly compensation received during the last 36 months of employment. A member who completes 20 years of service and terminates prior to reaching the normal retirement may receive an immediate pension. The pension is equal to the actuarial equivalent of the benefit accrued at the early retirement date.

The disability pension is available to participants disabled in the line of duty. The disability pension is equal to no less than 50% of the average monthly pay.

The Plan also provides certain death benefits to the surviving spouse and/or dependents. The amount of these benefits is 50% of the benefit the member would have been receiving had he been retired at the time of death. Also, the surviving spouse and/or dependents of an active member killed in the line of duty receive a monthly death benefit equal to 100% of the member's monthly salary at the time of death.

The authority under which obligations to contribute to the Police Pension Plan by the plan members, employer and other contributing entities are established or may be amended includes Act 600 and Act 205 of the Commonwealth of Pennsylvania and Township Ordinances.

Funding Policy

As a condition of participation, each member may contribute to the Plan up to 5% of earnings. The Township may, on an annual basis, by resolution, reduce or eliminate payments into the Police Pension Plan by participants. For 2018, members were required to contribute 2% of earnings to the Plan.

The Police Pension Plan is also funded by annual entitlements received from the Commonwealth of Pennsylvania and contributions from the Township. The Township of Derry complied in full with the Commonwealth of Pennsylvania's Minimum Municipal Obligation (MMO) funding and reporting requirements for 2018.

The annual required contribution for the current year was determined through an actuarial calculation as mandated by Act 205 based on an estimated 2018 payroll of \$3,861,408.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

15. RETIREMENT PLANS (CONTINUED)

Derry Township Police Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	5.50%	(average, including inflation)
Investment Rate of Return	7.50%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

Mortality Rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected at 7 years and rates for non-annuitants projected at 15 years using Scale AA to reflect mortality improvements.

The long-term expected rate of return on the pension plan investments was determined using a build 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	60.00%	5.50% - 7.50%
Fixed Income	25.00%	1.00% - 3.00%
Cash	15.00%	0.00% - 1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

15. RETIREMENT PLANS (CONTINUED)

Derry Township Police Pension Plan (Continued)

Changes in the Net Pension Liability

	Total Pension Liability (a)	<u>Increase(Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/2017	\$ 22,286,643	\$ 20,090,627	\$ 2,196,016
Service Cost	622,612	-	622,612
Interest Cost	1,679,393	-	1,679,393
Changes of Benefit Terms	-	-	-
Changes of Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions – Employer	-	987,638	(987,638)
Contributions – Member	-	110,615	(110,615)
Net Investment Income	-	(545,831)	545,831
Benefit Payments, including refunds of member contributions	(719,132)	(719,132)	-
Administrative Expense	-	(12,038)	12,038
Other Changes	-	-	-
Net Changes	<u>1,582,873</u>	<u>(178,748)</u>	<u>1,761,621</u>
Balances at 12/31/18	<u>\$ 23,869,516</u>	<u>\$ 19,911,879</u>	<u>\$ 3,957,637</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Police Pension Plan, calculates using the discount rate of 7.50%, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate.

	1% Decrease (6.50%)	<u>Increase(Decrease)</u> Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 6,823,201	\$ 3,957,637	\$ 1,559,038

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

15. RETIREMENT PLANS (CONTINUED)

Derry Township Police Pension Plan (Continued)

The Township reported deferred outflows and deferred inflows of resources related to the Police Pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference between Expected and Actual Experience	\$ -	\$ 133,201
Change of Assumptions	388,646	-
Net Difference between Projected and Actual Investment Earnings on Police Pension Plan Investments	<u>1,839,754</u>	<u>\$ 486,609</u>
Total	<u>\$ 2,228,400</u>	<u>\$ 620,010</u>

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

Year ended December 31:	
2019	\$ 489,199
2020	327,182
2021	314,872
2022	<u>477,137</u>
Total	<u>\$ 1,608,390</u>

Derry Township Non-uniform Pension Plans

Derry Township Non-uniform Defined Benefit Plan

Plan Description

The Non-uniform Defined Benefit Pension Plan provides retirement benefits, as well as disability and death benefits, to full-time employees except members of the Police force. All benefits vest after 5 years of credited service. Employees who retire at or after age 55 are entitled to a monthly retirement benefit, payable for life, in an amount equal to 2.0% times credited service times final average salary (FAS), but in no event is the basic benefit greater than 50% of FAS. FAS is based upon the last 3 years of annualized wages. A member who completes 20 years of credited service and terminates prior to reaching the normal retirement may receive an immediate pension. The pension is the accrued pension, reduced by an actuarial factor to account for early payment.

The disability pension is available to members who are unable to perform gainful employment regardless of age or service. The disability pension is equal to 50% of the average monthly pay, offset by available workers' compensation benefits. A non-service related benefit of 30% is available to a member who has at least 10 years of service and who is unable to perform gainful employment.

The Plan also provides certain death benefits to the surviving spouse and/or dependents. If a member has at least 1 year of credited service at time of death, beneficiary receives present value of accrued benefit. At retirement, members may select a survivor benefit.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

15. RETIREMENT PLANS (CONTINUED)

Derry Township Non-uniform Pension Plans (Continued)

The Plan is controlled by the provisions of Ordinance No. 383 adopted pursuant to Act 15. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

Funding Policy

As a condition of participation, members are required to contribute 5% of compensation to the plan.

The Non-uniform Defined Benefit Pension Plan is also funded by annual entitlements received from the Commonwealth of Pennsylvania and contributions from the Township. The Township of Derry complied in full with the Commonwealth of Pennsylvania's Minimum Municipal Obligation (MMO) funding and reporting requirements for 2018.

The annual required contribution for the current year was determined through an actuarial calculation as mandated by Act 205 based on estimated 2018 payroll of \$3,427,856.

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%	
Salary Increases	3.30%	(average, including inflation)
Investment Rate of Return	5.25%	(including inflation)
Postretirement Cost of Living Increase	2.80%	

Mortality Rates were based on the RP2000 Table for males and females. This table does not include projected mortality improvements.

The long-term expected rate of return on the pension plan investments was determined using a build 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity (large capitalized firms)	25%	5.6%
Domestic Equity (small capitalized firms)	15%	7.2%
International Equity (international developed markets)	15%	4.6%
International Equity (emerging markets)	10%	8.7%
Real Estate	20%	6.2%
Fixed Income	15%	2.1%

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

15. RETIREMENT PLANS (CONTINUED)

Derry Township Non-uniform Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.25%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	<u>Increase(Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/2016	\$ 15,160,515	\$ 12,565,203	\$ 2,595,312
Adjustments	-	-	-
Service Cost	471,503	-	471,503
Interest Cost	803,396	-	803,396
Changes of Benefit Terms	-	-	-
Changes of Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions – Employer	-	417,434	(417,434)
Contributions – PMRS assessment	-	1,940	(1,940)
Contributions – Member	-	174,319	(174,319)
PMRS Investment Income	-	689,903	(689,903)
Market value investment income	-	1,486,606	(1,486,606)
Transfers	-	-	-
Benefit Payments, including refunds of member contributions	(666,967)	(666,967)	-
PMRS administrative expense	-	(1,820)	1,820
Additional administrative expense	-	(31,728)	31,728
Net Changes	<u>607,902</u>	<u>2,069,657</u>	<u>(1,461,755)</u>
Balances at 12/31/17	<u>\$ 15,768,417</u>	<u>\$ 14,634,860</u>	<u>\$ 1,133,557</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

15. RETIREMENT PLANS (CONTINUED)

Derry Township Non-uniform Pension Plans (Continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Non-uniform defined benefit plan, calculates using the discount rate of 5.25%, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate.

		<u>Increase(Decrease)</u>	
		Current	
	1% Decrease	Discount Rate	1% Increase
	(4.25%)	(5.25%)	(6.25%)
Net Pension Liability	\$ 2,974,383	\$ 1,133,557	\$ (427,051)

The Township reported deferred outflows and deferred inflows of resources related to the Non-uniform Pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 137,210	\$ 116,965
Changes in Assumptions	527,064	-
Contributions Subsequent to Measurement Date	412,568	-
Net Difference between Projected and Actual Investment Earnings on Non-Uniform Pension Plan Investments	-	\$ 1,029,900
Total	<u>\$ 1,076,842</u>	<u>\$ 1,146,865</u>

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

Year ended December 31:	
2018	\$ 368,798
2019	(35,963)
2020	(208,066)
2021	(194,792)
Thereafter	-
Total	<u>\$ (70,023)</u>

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

15. RETIREMENT PLANS (CONTINUED)

Derry Township Non-uniform Pension Plans (Continued)

Derry Township Non-uniform Cash Balance Plan

Plan Description

The Non-uniform Cash Balance Plan (the plan) is a single-employer plan controlled by the provisions of Ordinance No. 383 adopted pursuant to Act 15. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

The plan provides retirement, disability and death benefits to plan members and their beneficiaries. For the year ended December 31, 2018, the Township made no contributions and paid an administrative fee of \$200.

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	N/A	
Salary Increases	3.30%	(average, including inflation)
Investment Rate of Return	5.25%	(including inflation)
Postretirement Cost of Living Increase	2.80%	

Mortality Rates were based on the RP2000 Table for males and females. This table does not include projected mortality improvements.

The long-term expected rate of return on the pension plan investments was determined using a build 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity (large capitalized firms)	25%	5.6%
Domestic Equity (small capitalized firms)	15%	7.2%
International Equity (international developed markets)	15%	4.6%
International Equity (emerging markets)	10%	8.7%
Real Estate	20%	6.2%
Fixed Income	15%	2.1%

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

15. RETIREMENT PLANS (CONTINUED)

Derry Township Non-uniform Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.25%. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	<u>Increase(Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/2016	\$ 1,365,335	\$ 1,290,815	\$ 74,520
Adjustments	-	-	-
Service Cost	-	-	-
Interest Cost	71,358	-	71,358
Changes of Benefit Terms	-	-	-
Changes of Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions – Employer	-	-	-
Contributions – PMRS assessment	-	200	(200)
Contributions – Member	-	-	-
PMRS Investment Income	-	71,004	(71,004)
Market value investment income	-	154,863	(154,863)
Transfers	-	-	-
Benefit Payments, including refunds of member contributions	(12,231)	(12,231)	-
PMRS administrative expense	-	(200)	200
Additional administrative expense	-	(3,265)	3,265
Net Changes	<u>59,127</u>	<u>210,371</u>	<u>(151,244)</u>
Balances at 12/31/17	<u>\$ 1,424,462</u>	<u>\$ 1,501,186</u>	<u>\$ (76,724)</u>

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

15. RETIREMENT PLANS (CONTINUED)

Derry Township Non-uniform Pension Plans (Continued)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Non-uniform defined benefit plan, calculates using the discount rate of 5.25%, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate.

		<u>Increase(Decrease)</u>	
		Current	
	1% Decrease	Discount Rate	1% Increase
	(4.25%)	(5.25%)	(6.25%)
Net Pension Liability	\$ 193,078	\$ (76,724)	\$ (344,660)

The Township reported deferred outflows and deferred inflows of resources related to the Non-uniform Pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	-	-
Contributions Subsequent to Measurement Date	-	-
Net Difference between Projected and Actual Investment Earnings on Non-Uniform Pension Plan Investments	-	114,095
Total	<u>\$ -</u>	<u>\$ 114,095</u>

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

Year ended December 31:	
2018	\$ (22,909)
2019	(23,002)
2020	(37,213)
2021	(30,971)
2022	-
Thereafter	-
Total	<u>\$ 114,095</u>

16. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Township provides postemployment insurance benefits to certain eligible employees through the Derry Township Postemployment Benefits Plan, a single-employer defined benefit plan. All postemployment benefits are based on contractual agreements with three employee groups. Eligibility for these benefits is based on years of service upon retirement.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

16. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The plan provides medical, dental, vision and prescription drug benefits for eligible retirees and their spouses. Coverage discontinues upon the retiree attaining Medicare eligibility. Coverage for the spouse discontinues after a period of 15 years or when the spouse becomes eligible for Medicare, whichever occurs first for two of the employee groups. The remaining employee group receives the same benefits as stated above except that coverage for the retiree discontinues after a period of 7 years or upon the retiree attaining Medicare eligibility, whichever occurs first. Coverage for the spouse discontinues after a period equal to the number of years the spouse was married to the retiree while the retiree was employed by the Township, up to 7 years, or when the retiree or spouse becomes eligible for Medicare, whichever occurs first. In all three employee groups the Township is required to pay 100% of the cost of benefits. Medical coverage is not provided to the retiree or spouse if they are eligible for coverage from another employer, even if those benefits are less than provided by the Township.

Funding Policy

The Township may contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *"Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."* The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For 2018, the Township made no contribution and instead elected to continue funding on a pay-as-you-go basis, which amounted to \$166,710 for 2018. These costs are recognized as an expense when claims or premiums are paid.

Plan Membership

Membership consisted of the following at December 31, 2018:

Active employees	98
Retirees and beneficiaries currently receiving benefits	<u>13</u>
Total	<u>111</u>

Actuarial methods and assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to December 31, 2018, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified.

Actuarial Cost Method	Entry Age Normal Cost Method
Salary Increase/Inflation	5.5%
Municipal Bond Rate	3.16% (S&P Municipal Bond 20-Year High Grade Rate Index)
Healthcare Cost Trend Rates	6.0% per year graded down by the Society of Actuaries Long-Run Medical Cost Trend Model to an ultimate rate of 3.8% per year
Mortality	IRS 2017 Static Combined Table for Small Plans

The following changes in actuarial assumption have been made since the prior measurement date: discount rate changed from 3.71% to 3.16%.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

16. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.16% for the plan, relating to the S&P Municipal Bond 20-Year High Grade Rate Index as of January 1, 2018. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods.

Changes in the Total OPEB Liability

Balance as of 12/31/17	\$ 9,893,806
Service Cost	677,210
Interest	386,404
Changes in Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes of Assumptions	393,765
Benefit Payments	(287,626)
Other Charges	-
Net Changes	1,169,753
Balance as of 12/31/18	<u>\$ 11,063,559</u>

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Derry Township Postemployment Benefits Plan, calculates using the discount rate of 3.16%, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate.

		<u>Increase(Decrease)</u>	
		Current	
	1% Decrease	Discount Rate	1% Increase
	(2.16%)	(3.16%)	(4.16%)
Net OPEB Liability	\$ 12,023,692	\$ 11,063,559	\$ 10,180,779

Sensitivity of the net OPEB liability to changes in the health care cost trends

The following presents the net OPEB liability of the Derry Township Postemployment Benefits Plan, calculates using the discount rate of 3.16%, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate.

		<u>Increase(Decrease)</u>	
		Current	
	1% Decrease	Rate	1% Increase
Net OPEB Liability	\$ 9,683,132	\$ 11,063,559	\$ 12,695,173

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

16. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The Township reported deferred outflows and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	360,951	-
Contributions Subsequent to Measurement Date	285,754	-
Net Difference between Projected and Actual Investment Earnings on Non-Uniform Pension Plan Investments	-	-
Total	<u>\$ 646,705</u>	<u>\$ -</u>

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

Year ended December 31:	
2019	\$ 318,568
2020	32,814
2021	32,814
2022	32,814
2023	32,814
Thereafter	196,881
Total	<u>\$ 646,705</u>

17. RESTATEMENT

During the year ended December 31, 2018, the Township adopted GASB Statement No.75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, to improve accounting and financial reporting for postemployment benefit other than pensions. As a result the Township restated beginning net position as of January 1, 2018 in the amount of \$5,238,602 on the Statement of Activities.

18. PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2018, management determined that unearned revenue had been overstated in previous years. This correction is shown as a prior period adjustment in the amount of \$182,813 on the Statement of Activities and on the Statement of Revenues, Expenditures and Changes in Fund Balances.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 6, 2019, the date which the financial statements were available to be issued.

In July 2019, the Township issued the General Obligation Bond Series of 2019 in the amount of \$5,140,000.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Taxes				
Real estate taxes, net of discount	\$ 2,057,000	\$ 2,057,000	\$ 2,034,128	\$ (22,872)
Real estate transfer tax	787,000	787,000	747,120	(39,880)
Earned income tax	4,850,000	4,850,000	5,288,805	438,805
Occupation tax	2,100,000	2,100,000	2,186,182	86,182
Local services tax	1,385,000	1,385,000	1,573,650	188,650
Amusement tax	1,490,000	1,490,000	1,416,378	(73,622)
Parking lot tax	840,000	840,000	777,158	(62,842)
Total taxes	<u>13,509,000</u>	<u>13,509,000</u>	<u>14,023,421</u>	<u>514,421</u>
Licenses and permits	<u>297,850</u>	<u>297,850</u>	<u>436,356</u>	<u>138,506</u>
Fines and forfeits	<u>219,600</u>	<u>219,600</u>	<u>184,939</u>	<u>(34,661)</u>
Interest and rents	<u>84,110</u>	<u>84,110</u>	<u>82,122</u>	<u>(1,988)</u>
Intergovernmental revenues	<u>1,296,330</u>	<u>1,296,330</u>	<u>1,280,843</u>	<u>(15,487)</u>
Charges for services	<u>1,938,885</u>	<u>1,938,885</u>	<u>1,942,429</u>	<u>3,544</u>
Miscellaneous revenues	<u>478,599</u>	<u>478,599</u>	<u>319,103</u>	<u>(159,496)</u>
Total budgeted revenues	<u>\$ 17,824,374</u>	<u>\$ 17,824,374</u>	<u>\$ 18,269,213</u>	<u>\$ 444,839</u>
Other financing sources				
Operating transfers in	-	-	1,723	1,723
Swap Proceeds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,723</u>	<u>1,723</u>
Total revenues and other financing sources	<u>\$ 17,824,374</u>	<u>\$ 17,824,374</u>	<u>\$ 18,270,936</u>	<u>\$ 446,562</u>

TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (continued)
YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
General government				
Administration	\$ 1,047,766	\$ 1,047,766	\$ 1,034,123	\$ 13,643
Financial administration	284,917	284,917	273,272	11,645
Tax collection	198,355	198,355	189,777	8,578
Municipal building	191,600	191,600	169,517	22,083
Insurance	94,100	94,100	86,860	7,240
Miscellaneous expenditures	495,278	495,278	492,825	2,453
Total general government	<u>2,312,016</u>	<u>2,312,016</u>	<u>2,246,374</u>	<u>65,642</u>
Public safety				
Police protection	8,196,010	8,196,010	8,326,956	(130,946)
Fire protection	477,500	477,500	446,559	30,941
Emergency medical service	130,000	130,000	130,000	-
Total public safety	<u>8,803,510</u>	<u>8,803,510</u>	<u>8,903,515</u>	<u>(100,005)</u>
Community development	<u>834,678</u>	<u>834,678</u>	<u>804,620</u>	<u>30,058</u>
Health and human services	<u>10,000</u>	<u>10,000</u>	<u>14,124</u>	<u>(4,124)</u>
Public works - highways and streets	<u>2,680,996</u>	<u>2,680,996</u>	<u>2,571,483</u>	<u>109,513</u>
Parks and recreation	<u>1,485,468</u>	<u>1,485,468</u>	<u>1,644,928</u>	<u>(159,460)</u>
Library	<u>1,252,295</u>	<u>1,252,295</u>	<u>1,204,339</u>	<u>47,956</u>
Child care programs	<u>381,704</u>	<u>381,704</u>	<u>368,978</u>	<u>12,726</u>
Total expenditures	<u>17,760,667</u>	<u>17,760,667</u>	<u>17,758,361</u>	<u>2,306</u>
Other financing uses				
Transfers out	<u>130,000</u>	<u>130,000</u>	<u>132,187</u>	<u>(2,187)</u>
Total expenditures and other financing uses	<u>\$ 17,890,667</u>	<u>\$ 17,890,667</u>	<u>\$ 17,890,548</u>	<u>\$ 119</u>

TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Real estate taxes	<u>\$ 1,988,466</u>	<u>\$ 1,988,466</u>	<u>\$ 2,010,233</u>	<u>\$ 21,767</u>
Licenses and permits	<u>50</u>	<u>50</u>	<u>1</u>	<u>(49)</u>
Charges for services	<u>-</u>	<u>-</u>	<u>79,239</u>	<u>79,239</u>
Interest and rents	<u>73,500</u>	<u>73,500</u>	<u>78,598</u>	<u>5,098</u>
Intergovernmental revenues	<u>42,150</u>	<u>42,150</u>	<u>225,371</u>	<u>183,221</u>
Miscellaneous revenues	<u>-</u>	<u>-</u>	<u>37,440</u>	<u>37,440</u>
Other financing sources				
Transfers in	250,000	250,000	250,000	-
Loan Proceeds	-	-	1,044,542	1,044,542
Lease Proceeds	-	-	207,322	207,322
Refund of Prior year Expenditures	<u>-</u>	<u>-</u>	<u>8,553</u>	<u>8,553</u>
Total other financing sources	<u>250,000</u>	<u>250,000</u>	<u>1,510,417</u>	<u>1,260,417</u>
Total revenues and other financing sources	<u>\$ 2,354,166</u>	<u>\$ 2,354,166</u>	<u>\$ 3,941,299</u>	<u>\$ 1,587,133</u>

TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND (continued)
YEAR ENDED DECEMBER 31, 2018

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
General government	<u>\$ 31,100</u>	<u>\$ 31,100</u>	<u>\$ 30,000</u>	<u>\$ 1,100</u>
Public safety				
Police protection	183,658	183,658	300,639	(116,981)
Contribution to Fire Company	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Total public safety	<u>213,658</u>	<u>213,658</u>	<u>330,639</u>	<u>(116,981)</u>
Community development	<u>18,174</u>	<u>18,174</u>	<u>5,674</u>	<u>12,500</u>
Public works - highways and streets	<u>405,543</u>	<u>405,543</u>	<u>1,194,955</u>	<u>(789,412)</u>
Parks and recreation	<u>29,448</u>	<u>29,448</u>	<u>1,491,799</u>	<u>(1,462,351)</u>
Library	<u>30,000</u>	<u>30,000</u>	<u>53,801</u>	<u>(23,801)</u>
Debt service				
Principal	1,738,993	1,738,993	1,764,029	(25,036)
Interest and fiscal charges	<u>362,842</u>	<u>362,842</u>	<u>406,618</u>	<u>(43,776)</u>
Total Debt Service	<u>2,101,835</u>	<u>2,101,835</u>	<u>2,170,647</u>	<u>(68,812)</u>
Total expenditures	<u>\$ 2,829,758</u>	<u>\$ 2,829,758</u>	<u>\$ 5,277,515</u>	<u>\$ (2,447,757)</u>
Other financing uses				
Transfers Out	-	-	1,723	(1,723)
Refund of Prior years revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,723</u>	<u>(1,723)</u>
Total expenditures and other financing uses	<u>\$ 2,829,758</u>	<u>\$ 2,829,758</u>	<u>\$ 5,279,238</u>	<u>\$ (2,449,480)</u>

TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS AND OPEB PLAN
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2018

	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2-1)	(4) Funded Ratio (1)/(2)	(5) Annual Covered Payroll	(6) UAAL as a Percent of Covered Payroll [(2)-(1)]/5
Police Pension Plan	1/1/2017	\$ 17,701,766	\$ 20,573,752	\$ 2,871,986	86%	\$ 3,839,792	75%
	1/1/2015	15,209,392	17,972,656	2,763,264	85%	3,429,072	81%
	1/1/2013	11,105,463	15,973,499	4,868,036	70%	3,336,396	146%
	1/1/2011	10,418,005	14,657,271	4,239,266	71%	3,071,397	138%
	1/1/2009	9,502,245	12,795,727	3,293,482	74%	2,798,837	118%
	1/1/2007	8,357,457	10,968,100	2,610,643	76%	2,601,960	100%
	1/1/2005	7,184,486	9,275,861	2,091,375	77%	2,449,307	85%
	1/1/2003	5,646,692	7,950,003	2,303,311	71%	2,142,564	108%
	1/1/2001	5,991,959	6,728,682	736,723	89%	1,833,510	40%
	1/1/1999	5,185,505	5,726,074	540,569	91%	1,621,785	33%
Non-uniform Defined Benefit Pension Plan	1/1/2017	\$ 13,482,913	\$ 15,160,515	\$ 1,677,602	89%	\$ 3,487,500	48%
	1/1/2015	11,973,740	12,947,190	973,450	92%	3,406,635	29%
	1/1/2013	10,668,784	11,191,672	522,888	95%	3,245,112	16%
	1/1/2011	9,660,484	9,915,014	254,530	97%	3,394,258	7%
	1/1/2009	8,253,752	8,292,084	38,332	100%	3,151,491	1%
	1/1/2007	6,528,540	6,753,314	224,774	97%	2,930,358	8%
	1/1/2005	5,397,256	5,644,615	247,359	96%	2,703,160	9%
	1/1/2003	4,350,050	4,284,761	(65,289)	102%	2,262,160	-3%
	1/1/2001	3,546,434	3,527,728	(18,706)	101%	2,004,551	-1%
	1/1/1999	2,244,499	2,704,687	460,188	83%	1,616,902	28%
Other Postemployment Benefit Plan	1/1/1997	1,317,873	2,060,816	742,943	64%	1,385,071	54%
	1/1/2017	-	\$ 9,254,645	\$ 9,254,645	0%	\$ 7,167,786	129%
	1/1/2013	-	4,454,438	4,454,438	0%	6,426,557	69%
	1/1/2010	-	4,475,133	4,475,133	0%	6,173,934	72%
	1/1/2007	-	4,741,841	4,741,841	0%	5,449,214	87%

See Accompanying Notes to Required Supplementary Information

**TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS AND OPEB PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2018**

Calendar Year	Police Pension		Non-uniform Defined Benefit Pension Plan		Non-uniform Defined Contribution Pension Plan		OPEB Plan	
	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
2003	359,693	100%	158,697	100%	200	100%	-	-
2004	370,341	100%	178,209	100%	200	100%	-	-
2005	556,745	100%	190,718	100%	200	100%	-	-
2006	519,119	100%	207,884	100%	200	100%	-	-
2007	502,210	100%	270,728	100%	200	100%	-	-
2008	476,294	100%	290,504	100%	200	100%	625,386	3%
2009	625,158	100%	232,864	100%	200	100%	625,386	5%
2010	629,851	100%	238,141	100%	200	100%	625,386	11%
2011	756,769	100%	244,166	100%	200	100%	557,300	21%
2012	768,942	100%	240,336	100%	200	100%	557,300	18%
2013	969,383	100%	241,012	100%	200	100%	557,300	58%
2014	1,003,748	100%	248,273	100%	200	100%	557,652	34%
2015	1,111,782	100%	334,943	100%	200	100%	557,652	34%
2016	959,589	100%	360,760	100%	200	100%	557,652	30%
2017	987,226	100%	419,374	100%	200	100%	1,179,528	24%
2018	987,638	100%	417,434	100%	200	100%		

See Accompanying Notes to Required Supplementary Information

**TOWNSHIP OF DERRY
SCHEDULE OF CHANGES
IN THE NET PENSION
LIABILITY AND
RELATED RATIOS
POLICE PENSION
DECEMBER 31, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability				
Service cost	\$ 622,612	\$ 590,154	\$ 558,805	\$ 529,673
Interest	1,679,393	1,579,711	1,454,441	1,357,661
Changes of experience	-	(199,801)	-	-
Changes of assumptions	-	582,970	-	-
Benefit payments, including refunds of member contributions	<u>(719,132)</u>	<u>(840,143)</u>	<u>(674,167)</u>	<u>(625,317)</u>
Net Change in total pension liability	1,582,873	1,712,891	1,339,079	1,262,017
Total pension liability, beginning	<u>22,286,643</u>	<u>20,573,752</u>	<u>19,234,673</u>	<u>17,972,656</u>
Total pension liability, ending	<u>23,869,516</u>	<u>22,286,643</u>	<u>20,573,752</u>	<u>19,234,673</u>
Plan fiduciary net position				
Contributions - employer	987,638	987,226	959,589	1,111,782
Contributions - member	110,615	111,072	110,174	104,011
Net investment income	(545,831)	2,148,013	1,164,094	352,508
Benefit payments, including refunds of member contributions	(719,132)	(840,143)	(674,167)	(625,317)
Administrative expenses	<u>(12,038)</u>	<u>(17,307)</u>	<u>(4,000)</u>	<u>(6,300)</u>
Net Change in plan fiduciary net position	(178,748)	2,388,861	1,555,690	936,684
Plan fiduciary net position, beginning	<u>20,090,627</u>	<u>17,701,766</u>	<u>16,146,076</u>	<u>15,209,392</u>
Plan fiduciary net position, ending	<u>19,911,879</u>	<u>20,090,627</u>	<u>17,701,766</u>	<u>16,146,076</u>
Net pension liability	<u>\$ 3,957,637</u>	<u>\$ 2,196,016</u>	<u>\$ 2,871,986</u>	<u>\$ 3,088,597</u>
Plan fiduciary net position as a percentage of the total pension liability	83.42%	90.15%	86.04%	83.94%
Projected covered employee payroll	3,813,166	3,782,543	3,839,792	3,748,331
Net pension liability as a percentage of covered employee payroll	103.79%	58.06%	74.80%	82.40%

Note: This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available as of the implementation of GASB 68.

See Accompanying Notes to Required Supplementary Information

**TOWNSHIP OF DERRY
SCHEDULE OF CHANGES
IN THE NET PENSION
LIABILITY AND
RELATED RATIOS
NON-UNIFORM PENSION
DECEMBER 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ 471,503	\$ 448,825	\$ 468,885	\$ 453,549
Interest	803,396	787,801	724,938	669,565
Changes of experience	-	(174,630)	(956)	320,154
Changes of assumptions	-	434,594	415,333	-
Transfers	-	-	-	19,219
Benefit payments, including refunds of member contributions	(666,997)	(416,231)	(475,234)	(446,386)
Net Change in total pension liability	607,902	1,080,359	1,132,966	1,016,101
Total pension liability, beginning	<u>15,160,515</u>	<u>14,080,156</u>	<u>12,947,190</u>	<u>11,931,089</u>
Total pension liability, ending	<u>15,768,417</u>	<u>15,160,515</u>	<u>14,080,156</u>	<u>12,947,190</u>
Plan fiduciary net position				
Contributions - employer	417,434	358,880	333,163	248,273
Contributions - PMRS Assessment	1,940	1,880	1,780	-
Contributions - member	174,319	174,375	175,495	164,032
PMRS investment income	689,903	695,635	638,347	593,385
Market value investment income	1,486,606	295,038	(860,531)	39,022
Transfers	-	-	-	19,219
Benefit payments, including refunds of member contributions	(666,997)	(416,231)	(475,234)	(446,386)
PMRS administrative expense	(1,820)	(1,800)	(1,780)	(1,720)
Additional administrative expenses	(31,728)	(34,080)	(26,611)	(22,757)
Net Change in plan fiduciary net position	2,069,657	1,073,697	(215,371)	593,068
Plan fiduciary net position, beginning	<u>12,565,203</u>	<u>11,491,506</u>	<u>11,706,877</u>	<u>11,113,809</u>
Plan fiduciary net position, ending	<u>14,634,860</u>	<u>12,565,203</u>	<u>11,491,506</u>	<u>11,706,877</u>
Net pension liability	<u>\$ 1,133,557</u>	<u>\$ 2,595,312</u>	<u>\$ 2,588,650</u>	<u>\$ 1,240,313</u>
Plan fiduciary net position as a percentage of the total pension liability	92.81%	82.88%	81.61%	90.42%
Projected covered employee payroll	3,486,380	3,487,500	3,509,899	3,381,407
Net pension liability as a percentage of covered employee payroll	32.51%	74.42%	73.75%	36.68%

Note: This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available as of the implementation of GASB 68.

**TOWNSHIP OF DERRY
SCHEDULE OF CHANGES
IN THE NET PENSION
LIABILITY AND
RELATED RATIOS
CASH BALANCE PENSION
DECEMBER 31, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	71,358	71,270	68,044	62,347
Changes of experience	-	1,237	1,149	5,340
Changes of assumptions	-	3,117	1,705	-
Transfers	-	-	-	-
Benefit payments, including refunds of member contributions	(12,231)	(12,231)	(12,231)	(11,876)
Net Change in total pension liability	59,127	63,393	58,667	55,811
Total pension liability, beginning	<u>1,365,335</u>	<u>1,301,942</u>	<u>1,243,275</u>	<u>1,187,464</u>
Total pension liability, ending	<u>1,424,462</u>	<u>1,365,335</u>	<u>1,301,942</u>	<u>1,243,275</u>
Plan fiduciary net position				
Contributions - employer	-	-	-	200
Contributions - PMRS Assessment	200	200	200	-
Contributions - member	-	-	-	-
PMRS investment income	71,004	71,029	67,874	62,304
Market value investment income	154,863	31,208	(71,065)	(469)
Transfers	-	-	-	-
Benefit payments, including refunds of member contributions	(12,231)	(12,231)	(12,231)	(11,876)
PMRS administrative expense	(200)	(200)	(200)	(200)
Additional administrative expenses	(3,265)	(3,480)	(2,830)	(2,389)
Net Change in plan fiduciary net position	210,371	86,526	(18,252)	47,570
Plan fiduciary net position, beginning	<u>1,290,815</u>	<u>1,204,289</u>	<u>1,222,541</u>	<u>1,174,971</u>
Plan fiduciary net position, ending	<u>1,501,186</u>	<u>1,290,815</u>	<u>1,204,289</u>	<u>1,222,541</u>
Net pension liability	<u>\$ (76,724)</u>	<u>\$ 74,520</u>	<u>\$ 97,653</u>	<u>\$ 20,734</u>
Plan fiduciary net position as a percentage of the total pension liability	105.39%	94.54%	92.50%	98.33%
Projected covered employee payroll	-	-	-	-
Net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

Note: This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available as of the implementation of GASB 68.

**TOWNSHIP OF DERRY
SCHEDULE OF CHANGES
IN THE NET OPEB
LIABILITY AND
RELATED RATIOS
DECEMBER 31, 2018**

	<u>2018</u>
Total pension liability	
Service cost	\$ 677,210
Interest	386,404
Changes of Benefit Terms	-
Differences between Expected and actual Experience	-
Changes of assumptions	393,765
Benefit payments	<u>(287,626)</u>
Net Change in total OPEB liability	1,169,753
 Total OPEB liability, beginning	 <u>9,893,806</u>
 Total OPEB liability, ending	 <u>11,063,559</u>
 Projected covered employee payroll	 7,167,786
Net pension liability as a percentage of covered employee payroll	154.35%

Note: This schedule will eventually cover the 10 most recent fiscal years; however, this is the information available as of the implementation of GASB 75.

TOWNSHIP OF DERRY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

1. BUDGET TO GAAP RECONCILIATION

General Fund

The GAAP financial statement presentation allocates insurance and miscellaneous charges to the various expenditure categories.

Following is a schedule reconciling the budgetary basis presentation to the GAAP presentation.

	<u>Budgetary Basis</u>	<u>Increase/(Decrease)</u>	<u>GAAP</u>
Revenues			
Taxes	\$ 14,023,421	\$ -	\$ 14,023,421
Licenses and permits	436,356	-	436,356
Fines and forfeits	184,939	-	184,939
Interest and rents	82,122	-	82,122
Intergovernmental revenues	1,280,843	-	1,280,843
Charges for services	1,942,429	-	1,942,429
Miscellaneous revenues	319,103	-	319,103
Swap Proceeds	-	-	-
Total Revenues	<u><u>\$ 18,269,213</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,269,213</u></u>
Expenditures			
General Government	\$ 2,246,374	\$ (523,443)	\$ 1,722,931
Public safety	8,903,515	300,444	9,203,959
Community development	804,620	27,151	831,771
Health and human services	14,124	477	14,601
Public works	2,571,483	86,773	2,658,256
Parks and recreation	1,644,928	55,507	1,700,435
Library	1,204,339	40,640	1,244,979
Child care programs	368,978	12,451	381,429
Total Expenditures	<u><u>\$ 17,758,361</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,758,361</u></u>

TOWNSHIP OF DERRY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures

During the year, the Township exceeded budgeted appropriations in the following areas for the major funds:

General Fund

Public safety	\$ 100,005
Health and human services	4,124
Parks and Recreation	159,460

Capital Projects Fund

Public safety	\$ 116,981
Public works	789,412
Parks and Recreation	1,462,351
Library	23,801
Debt service	68,812

3. PENSION AND OTHER POSTEMPLOYMENT BENEFIT-ADDITIONAL INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	Police Pension Plan	Non-uniform Defined Benefit Pension Plan	Non-uniform Cash Balance Pension Plan	OPEB Plan
Valuation date	1/1/2017	1/1/2017	1/1/2017	1/1/2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed	Level dollar closed	Level dollar 30 year open period
Remaining amortization period	11 years	N/A	N/A	16.2889 years
Asset valuation method	Market value determined by trustee (1)	Fair value	Fair value	Market value
Actuarial assumptions:				
Investment rate of return	7.50%	5.25%	5.25%	4.50%
Projected salary increases	5.50%	3.30%	3.30%	5.50%
Includes inflation based on	3.00%	3.00%	N/A	N/A

(1) Investment gain or loss is recognized over a five-year period. Actuarial value of assets is not allowed to be greater than 120% or less than 80% of market value.

SUPPLEMENTARY INFORMATION

**TOWNSHIP OF DERRY
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	Liquid Fuels	Street Light	Total
Assets			
Cash and cash equivalents	\$ 1,091,147	\$ 2,827	\$ 1,093,974
Taxes receivable	<u>-</u>	<u>2,270</u>	<u>2,270</u>
Total Assets	<u><u>\$ 1,091,147</u></u>	<u><u>\$ 5,097</u></u>	<u><u>\$ 1,096,244</u></u>
Liabilities			
Accounts payable	\$ -	\$ 33,132	\$ 33,132
Total Liabilities	<u>-</u>	<u>33,132</u>	<u>33,132</u>
Deferred Inflows of Resources			
Deferred taxes	<u>-</u>	<u>1,883</u>	<u>1,883</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>1,883</u>	<u>1,883</u>
Fund Balance			
Restricted	1,091,147	-	1,091,147
Unassigned	<u>-</u>	<u>(29,918)</u>	<u>(29,918)</u>
Total Fund Balance	<u><u>1,091,147</u></u>	<u><u>(29,918)</u></u>	<u><u>1,061,229</u></u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u><u>\$ 1,091,147</u></u>	<u><u>\$ 5,097</u></u>	<u><u>\$ 1,096,244</u></u>

TOWNSHIP OF DERRY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	<u>Liquid Fuels</u>	<u>Street Light</u>	<u>Total</u>
Revenues			
Taxes	\$ -	\$ 250,156	\$ 250,156
Interest and rents	3,184	-	3,184
Intergovernmental revenues	832,019	-	832,019
Charges for services	<u>-</u>	<u>11,835</u>	<u>11,835</u>
Total Revenues	<u>835,203</u>	<u>261,991</u>	<u>1,097,194</u>
Expenditures			
Public works	473,763	393,226	866,989
Debt Service			
Principal	59,809	-	59,809
Interest	<u>3,057</u>	<u>-</u>	<u>3,057</u>
Total Expenditures	<u>536,629</u>	<u>393,226</u>	<u>929,855</u>
Other Financing Sources			
Operating transfers in	<u>-</u>	<u>132,187</u>	<u>132,187</u>
Total Financing Sources	<u>-</u>	<u>132,187</u>	<u>132,187</u>
 Net Change in Fund Balance	 298,574	 952	 299,526
 Fund Balance, January 1	 <u>792,573</u>	 <u>(30,870)</u>	 <u>761,703</u>
Fund Balance, December 31	<u>\$ 1,091,147</u>	<u>\$ (29,918)</u>	<u>\$ 1,061,229</u>

See Independent Auditor's Report