

TOWNSHIP OF DERRY
BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020
AND
INDEPENDENT AUDITOR'S REPORT

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HAMILTON & MUSSER, PC

Certified Public Accountants • Consultants to Management

DAVID A. HAMILTON, CPA • BARRY E. MUSSER, CPA, CFP® (1959 - 2020)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
Township of Derry
Hershey, Pennsylvania

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Derry, Hershey, Pennsylvania, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Unit	Unmodified
Aggregate Omitted Component Unit	Adverse
Aggregate Omitted Component Units	Disclaimer
Governmental Fund – General Fund	Unmodified
Governmental Fund – Capital Projects	Unmodified
Proprietary Fund – Recycling Fund	Unmodified
Fiduciary Fund – Police Pension Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion

In our opinion because of the significance of the matter discussed in the "Basis for Opinions" paragraph, the financial statements referred to above do not present fairly the financial position of the omitted component units of the Township of Derry, Hershey Pennsylvania as of December 31, 2020, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Disclaimer of Opinion

In our opinion because of the significance of the matter discussed in the "Basis for Opinions" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statement of the aggregate Omitted Component Units of the Township of Derry, Hershey Pennsylvania as of December 31, 2020. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the primary government of the Township of Derry, Hershey, Pennsylvania, as of December 31, 2020, 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.

Basis for Opinions

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

Matters Giving Rise to Adverse Opinion on the Aggregate Omitted Component Unit

The financial statements do not include financial data for all the Township's legally separate component unit the Derry Township Industrial and Commercial Development Authority. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data for the Township's primary government unless the Township issues financial statements for the financial reporting entity that include the financial data for its component units. The Township has not issued such reporting entity financial statements. The effects of not including the Township's legally separate component units on the aggregate omitted component units has not been determined.

Matters Giving Rise to Disclaimer of Opinion on the Aggregate Omitted Component Units

The financial statements do not include financial data for all the Township's legally separate component units the Friends of Hershey Public Library, Hershey Public Library Endowment Trust, Friends of Derry Township Park and Recreation, and Derry Township General Authority. The financial statements of the Component Units have not been audited, and we were not engaged to audit the component unit's financial statements as part of our audit of the Township's basic financial statements. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data for the Township's primary government unless the Township issues financial statements for the financial reporting entity that include the financial data for its component units. The Township has not issued such reporting entity financial statements. The effects of not including the Township's legally separate component units on the aggregate omitted component units has not been determined.

Emphasis of Matter

COVID-19 Pandemic

As further explained in Note 21, the Township of Derry is operating in an environment that has been economically impacted by the COVID-19 pandemic. Our opinions are not modified with respect to this matter.

Prior Period Adjustments

As described in Note 20 to the financial statements, the beginning fund balances and net position have been corrected for prior year misstatements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards we:

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

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

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 schedules, pension plans and OPEB schedule and 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 non-uniform pension, schedule of changes in the net pension liability and related ratios cash balance pension, and schedule of changes in the net OPEB liability and related ratios on pages 5-18 and 92-103 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 and other auditors 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, based on our audit, the procedures performed as described above, and the report of the other auditors, 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.

March 24, 2022

Mechanicsburg, Pennsylvania

A handwritten signature in black ink, appearing to read "Hamilton & Mues, P.C.", written in a cursive style.

Certified Public Accountants

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2020

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, 2020. 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, 2020.

FINANCIAL HIGHLIGHTS

- The total assets of the primary government of Derry Township exceeded its liabilities at the close of 2020 by \$39,756,466 (*total net position*).
- At the close of 2020, the Township's governmental funds reported a combined ending total fund balance of \$17,472,610 which is a decrease of \$5,990,094 from 2019. Approximately 6.83% of this total, or \$1,193,691 is available for spending at the government's discretion (*unassigned fund balance*).
- The Township entered into lease agreements for 3 Police Interceptors, an International Dump Truck, a Chevy Tahoe, two 2020 Ford F-550s, two Exmark Lazars, and Motorola radios. The total principal amount of these agreements was \$1,027,273.
- The Township guaranteed the Series of 2020 ICDA Bonds in the amount of \$6,835,000. The purpose of the issuance was to currently refund the Series of 2015 ICDA Bonds.
- The Township issued the Series of 2020 General Obligation Bonds in the amount of \$8,915,000 for the Derry Township Municipal Authority, who issued a subsidy agreement to pay the bond. The purpose of the issuance was to currently refund the Township's General Obligation Bonds, Series of 2015 and the Township's General Obligation Note, Series of 2016.
- The Township issued the Series A of 2020 General Obligation Bonds in the amount of \$8,880,000 for the Derry Township Municipal Authority, who issued a subsidy agreement to pay the bond. The purpose of the issuance was for capital projects for the Derry Township Municipal Authority.
- The Township's bond rating is AA- with a negative outlook from Standard & Poor's Ratings Services.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2020

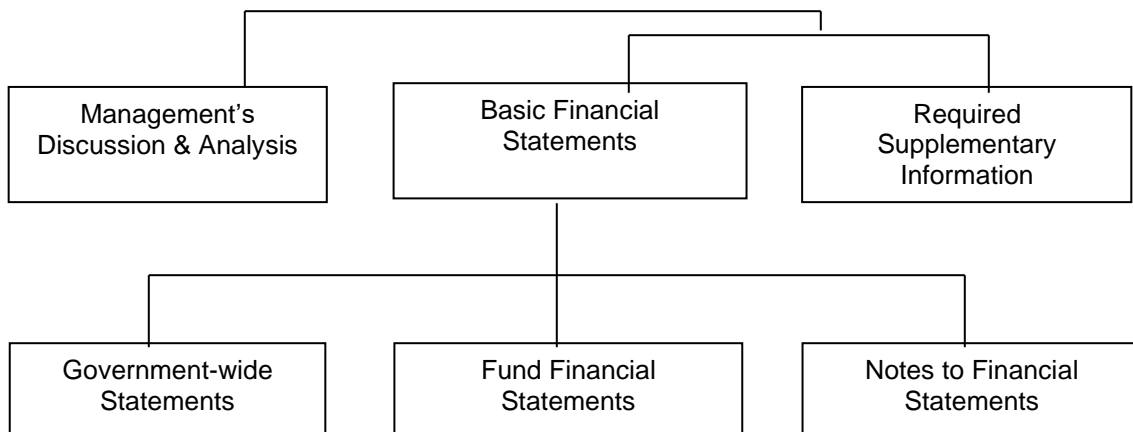
OVERVIEW OF THE FINANCIAL STATEMENTS

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 19, 20, and 21) 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 22 & 24) 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 26, 27, & 28) 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, 2020

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 Funds	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 balances	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, 2020

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 Funds	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, long term debt, or capital leases 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, 2020

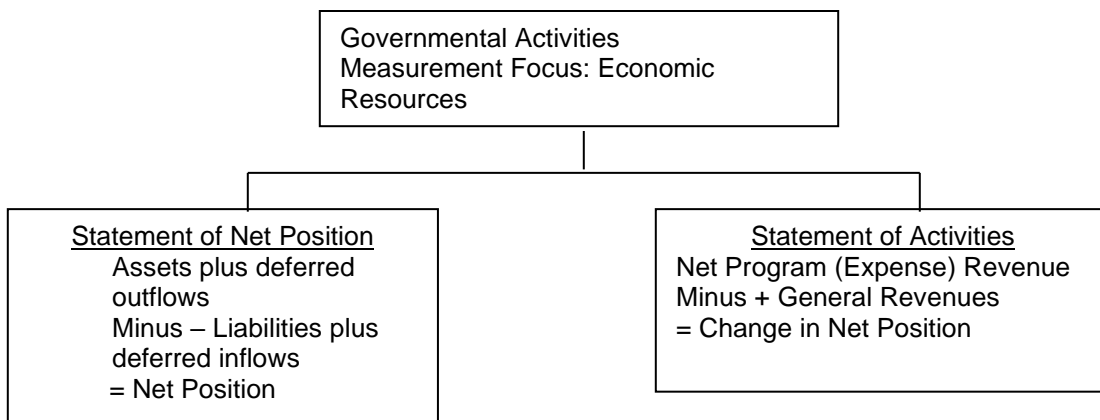
OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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)
Required Supplementary Information (RSI)
December 31, 2020

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 police pension plan. This plan covers all full-time police officers. The Township is responsible for ensuring that the assets reported in this fund are used for its 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, 2020

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	
	2020	2019
Current and other assets	\$ 49,254,242	\$ 45,740,879
Capital assets	75,848,263	69,195,154
Non-current assets	-	-
Total assets	<u>\$125,102,505</u>	<u>\$114,936,033</u>
Deferred losses on refundings	145,732	76,079
Deferred outflows - derivative	3,099,548	1,650,507
Deferred outflows - opeb	993,079	573,840
Deferred outflows - pension	<u>1,255,088</u>	<u>4,350,258</u>
Total deferred outflows	<u>5,493,447</u>	<u>6,650,684</u>
Current and other liabilities	5,688,051	5,869,462
Non-current liabilities	<u>81,650,599</u>	<u>72,547,430</u>
Total liabilities	<u>\$ 87,378,650</u>	<u>\$ 78,416,892</u>
Unamortized items	-	53,333
Deferred inflows - opeb	595,754	655,329
Deferred inflows - pension	<u>3,268,618</u>	<u>3,465,616</u>
Total deferred inflows	<u>\$ 3,864,372</u>	<u>\$ 4,174,278</u>
Net position:		
Net investment in capital assets	\$ 37,670,063	\$ 29,622,792
Restricted	12,857,861	18,065,162
Unrestricted	<u>(11,050,644)</u>	<u>(8,692,407)</u>
Total net position	<u>\$ 39,756,466</u>	<u>\$ 38,995,547</u>

Assets

At December 31, 2020, the Township's total governmental assets and deferred outflows of resources totaled \$130,595,952. Of this amount, \$76,127,449 is accounted for by capital assets, which include infrastructure and construction in progress. Net investment in capital assets totaled \$37,949,249 at December 31, 2020.

Increases in current and other assets resulted from the issuance of new long term debt to be used for capital projects and the cash currently on the books. Increases in liabilities resulted primarily from the issuance of new long term debt.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2020

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	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 2,236,369	\$ 3,099,895
Operating grants and contributions	3,410,346	1,381,768
Capital grants and contributions	340,767	405,750
General revenues		
Property taxes	5,478,646	5,010,275
Other taxes	10,880,216	12,774,848
Other	626,937	129,305
Total revenues	<u>\$ 23,144,658</u>	<u>\$ 22,801,841</u>
Program expenses		
General government	2,812,609	3,083,540
Public works	4,016,101	5,487,172
Health and human services	9,677	10,795
Culture and recreation	3,106,810	3,723,463
Public safety and community development	10,480,818	11,596,282
Recycling	946,757	324,374
Interest and fiscal charges	1,142,556	551,680
Total expenses	<u>22,515,328</u>	<u>24,777,306</u>
Change in net position	629,330	(1,975,465)
Net position beginning	<u>39,865,115</u>	<u>41,609,960</u>
Net position ending	<u>\$ 41,157,182</u>	<u>\$ 39,865,115</u>

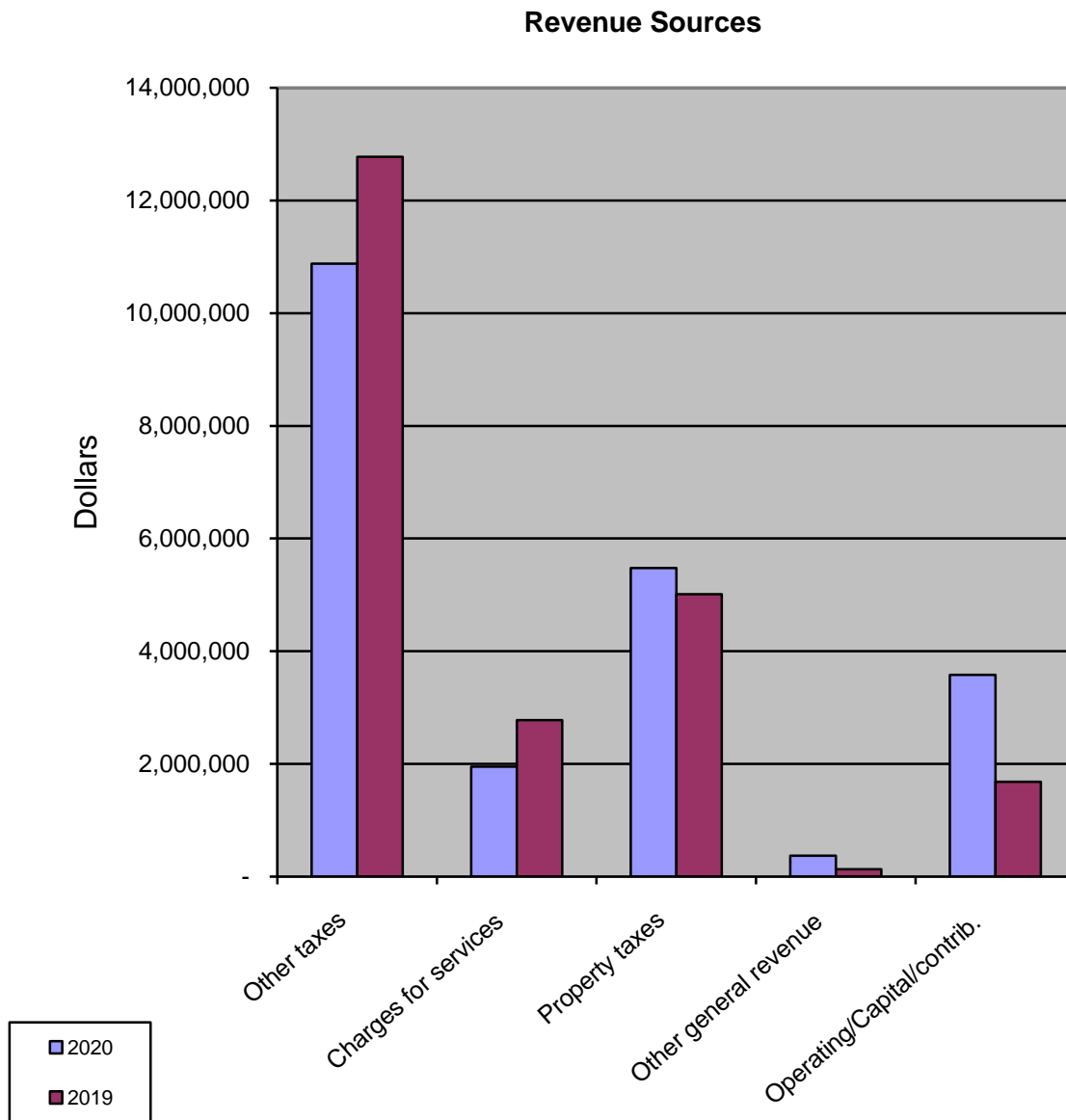
TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

Revenue Sources

Total governmental revenues of \$22,687,483, a 1.41% increase from 2019, were derived primarily from earned income tax, transfer taxes and other taxes, representing \$10,880,216 of the total. Property taxes made up the second largest source of revenue at \$5,478,646. Operating grants and contributions made up the third largest source of revenue at \$3,410,346, followed by charges for services of \$1,950,571. Other sources of revenue include capital grants and contributions of \$340,767 and other general revenues of \$371,920. In addition, funds were transferred in from the Township's proprietary fund in the amount of \$173,155.

The following chart graphically depicts the governmental sources of revenues for the fiscal years ended December 31:



TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2020

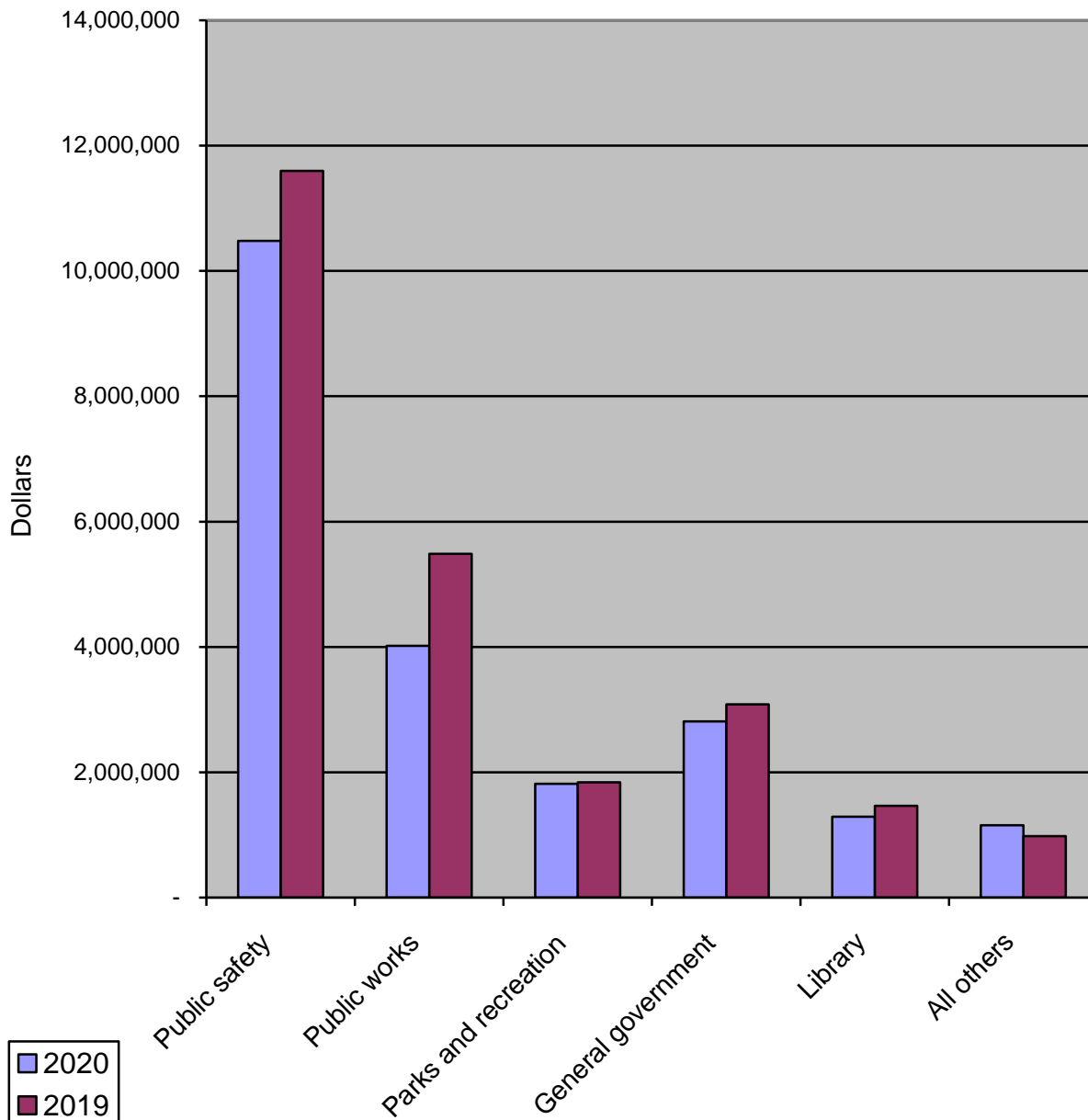
FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

Program Expenses:

Total expenses for all programs in 2020 were \$21,568,571, a decrease of 11.63% from 2019. The expenses cover a range of services, with the largest being public safety and community development at \$10,480,818. The second largest program area was public works at \$4,016,101, followed by general government at \$2,812,609, parks and recreation at \$1,818,113, library at \$1,288,411, and all others totaling \$1,152,519.

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

Program Expenses



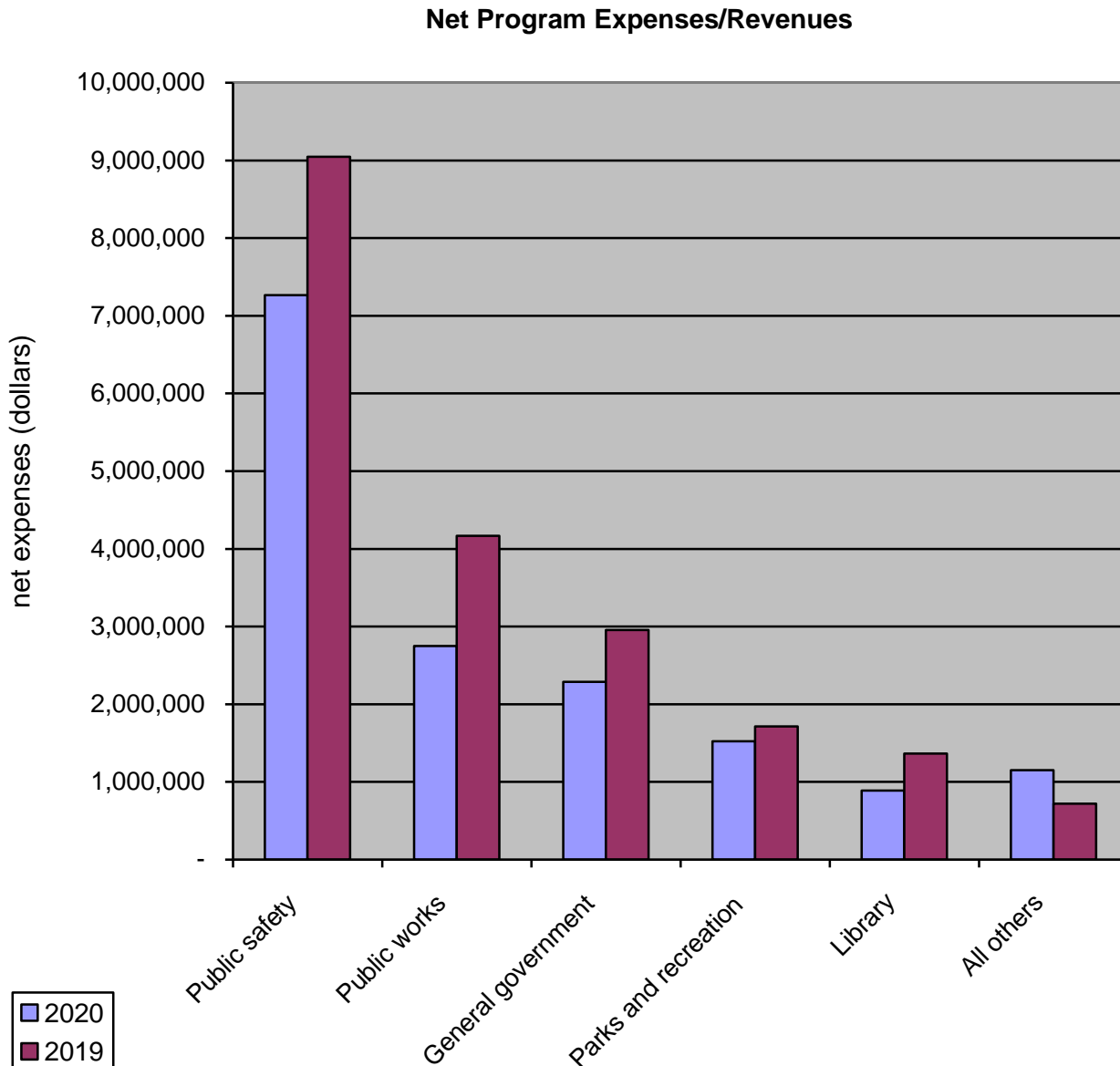
TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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December 31, 2020

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 \$7,236,764 in 2020. Public works required \$2,750,431 of general revenues for support, while general government required \$2,286,351, parks and recreation required \$1,522,490, library required \$889,325, community development required \$29,811, health and human services required \$8,873 and child care programs required \$286. Interest and fiscal charges required \$1,142,556.

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, 2020

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The Township's governmental funds reported a net decrease of \$5,990,094 in 2020 and a combined fund balance \$17,472,610 at year end. Of this combined fund balance \$1,193,691 or 6.83% represents unassigned fund balance, meaning it is available to meet the Township's current and future needs. Of the remaining fund balance, \$182,167 is nonspendable, \$12,857,861 is restricted, and \$3,238,891 is committed.

General Fund Budgetary Highlights

During 2020, actual expenditures and other financing uses were under budgeted appropriations by \$3,388,242. Additionally, actual revenues and other financing sources were lower than anticipated by \$975,690. The variance resulted primarily from occupation tax revenues, local service tax, amusement tax, parking tax and licenses and permits which were lower 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 grants and contributions and transfers from other funds. The largest 2020 expenditures were \$3,544,303 for debt service and \$7,352,836 related to parks and recreation, and the Township's ongoing capital projects.

In 2020, actual expenditures exceeded appropriations by \$8,760,620. 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 underperformed expectations totaled \$517,707.

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, 2020 totaled \$363,536 as compared to \$421,367 in the prior year. Operating revenue for the year ended December 31, 2020 was \$457,096 as compared to \$428,466 for the prior year. The fund also made a transfer of \$173,155 to the General Fund to provide additional funds for debt service.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2020

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 2020, plan net assets increased by \$2,866,393.

During 2020, contributions were required in both municipal pension plans. In the non-uniform plan and the cash balance plan, the actuarial accrued liability exceeds the actuarial value of assets by \$118,560 as of December 31, 2019, the date of the last actuarial valuation report. In the Police Pension plan, the actuarial accrued liability exceeds the actuarial value of assets by \$648,034 as of December 31, 2020, 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 ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's investment in capital assets at December 31, 2020, net of accumulated depreciation, amounted to \$75,848,263, an increase of 8.8% 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		
	2020	2019
Land	\$ 3,635,502	\$ 3,635,502
Construction in Progress	9,449,403	7,302,828
Held for Resale	1,653	3,217
Building, and land and building		
Improvements	28,576,485	31,129,453
Infrastructure	69,159,248	64,780,195
Furniture, equipment and other capital		
assets	15,534,170	13,956,743
Total capital assets	<u>\$ 126,356,461</u>	<u>\$ 120,807,938</u>
Less: accumulated depreciation for:		
Building, and land and building		
Improvements	13,907,398	15,419,794
Infrastructure	24,416,616	23,827,619
Furniture, equipment and other capital		
assets	12,184,184	11,871,715
Total accumulated depreciation	<u>50,508,198</u>	<u>51,119,128</u>
Total	<u>\$ 75,848,263</u>	<u>\$ 69,688,810</u>

More detailed information about the Township's capital assets can be found in Note 6 of the notes to financial statements.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2020

Long-term Debt

At December 31, 2020, the Township had \$62,798,551 of debt outstanding. This represents an increase of \$6,061,245 or 10.8% from the previous year which is primarily due to issuing a new bond that was not used to refund previous bonds. The new bond was for Derry Township Municipal Authority and was to be used for capital projects. The following table details activity related to long term debt activity during 2020 and 2019:

Summary of Long-term Debt Activity

	2020	2019
Beginning Balance at 1/1	\$ 56,252,131	\$ 38,091,728
New debt proceeds	25,657,272	27,436,779
Principal retirement	<u>(19,150,852)</u>	<u>(9,276,376)</u>
Ending Balance at 12/31	62,798,551	56,252,131
Less: Due from DTMA	<u>(26,200,000)</u>	<u>(18,305,000)</u>
Total	<u>\$ 36,558,551</u>	<u>\$ 37,947,131</u>

In addition to general obligation bond debt, compensated absences for December 31, 2020 and 2019 were \$748,891 and \$741,224, respectively.

BOND RATING

The Township investment bond rating of declined to AA- (negative 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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and cash equivalents	\$ 6,500,259	\$ 25	\$ 6,500,284	\$ 12,316,025
Receivables				
Accounts	465,360	61,353	526,713	528,968
Taxes, net	3,576,670	-	3,576,670	-
Component unit	26,200,000	-	26,200,000	-
Accrued interest	-	-	-	31
Due from other governments	10	-	10	-
Inventory	84,554	22,972	107,526	-
Prepaid expenses	97,613	-	97,613	270,802
Restricted cash and cash equivalents	12,235,300	-	12,235,300	22,535,372
Net Pension Asset	94,476	-	94,476	-
Capital assets				
Land and construction in progress	13,084,905	-	13,084,905	4,141,921
Held for resale	1,653	-	1,653	-
Depreciable capital assets, net	62,761,705	279,186	63,040,891	73,067,396
Capital assets, net	75,848,263	279,186	76,127,449	77,209,317
Total Assets	<u>125,102,505</u>	<u>363,536</u>	<u>125,466,041</u>	<u>112,860,515</u>
Deferred Outflows of Resources				
Accumulated decrease in fair value of derivative	3,099,548	-	3,099,548	-
Deferred amounts from refunding of debt	145,732	-	145,732	1,013,042
Deferred outflows - OPEB	993,079	-	993,079	77,729
Deferred Outflows - Pension	1,255,088	-	1,255,088	-
Total Deferred Outflows of Resources	<u>5,493,447</u>	<u>-</u>	<u>5,493,447</u>	<u>1,090,771</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 130,595,952</u>	<u>\$ 363,536</u>	<u>\$ 130,959,488</u>	<u>\$ 113,951,286</u>

See accompanying notes to the financial statements.

TOWNSHIP OF DERRY
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
Liabilities				
Accounts payable	\$ 2,600,197	\$ 105,948	\$ 2,706,145	\$ 1,193,556
Retainage Payable	677,767	-	677,767	-
Accrued wages	289,685	-	289,685	253,810
Accrued and withheld payroll tax	1,290	-	1,290	126,143
Internal balances	(410,512)	982,804	572,292	-
Accrued interest payable	216,045	-	216,045	67,002
Escrow payable, payable from restricted assets	332,674	-	332,674	-
Other short-term liabilities	-	500	500	-
Contingent Liability		675,000	675,000	-
Unearned revenue	216,653	-	216,653	-
Long-term liabilities				
Due within one year - capital leases	616,747	-	616,747	338,285
Due within one year - long term debt	1,998,175	-	1,998,175	2,680,000
Compensated absences	748,891	-	748,891	-
Other postemployment benefit liability	12,562,890	-	12,562,890	1,255,290
Unfunded Pension liability	861,070	-	861,070	-
Fair Value of Derivative	3,099,548	-	3,099,548	-
Due in more than one year - capital leases	1,706,768	-	1,706,768	2,566,534
Due in more than one year, net - long term debt	60,056,510	-	60,056,510	44,482,316
Long-term liabilities	81,650,599	-	81,650,599	51,322,425
Total Liabilities	85,574,398	1,764,252	87,338,650	52,962,936
Deferred Inflows of Resources				
Deferred Inflows - OPEB	595,754	-	595,754	8,829
Deferred Inflows - Pension	3,268,618	-	3,268,618	-
Total Deferred Inflows of Resources	3,864,372	-	3,864,372	8,829
Net Position				
Net investment in capital assets	37,670,063	279,186	37,949,249	45,053,280
Restricted for:				
Donor, grant and bond restrictions	11,668,067	-	11,668,067	-
Street improvements and equipment	1,189,794	-	1,189,794	1,693,006
Unrestricted	(9,370,742)	(1,679,902)	(11,050,644)	14,233,235
Total Net Position	41,157,182	(1,400,716)	39,756,466	60,979,521
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 130,595,952	\$ 363,536	\$ 130,959,488	\$ 113,951,286

See accompanying notes to the financial statements.

**TOWNSHIP OF DERRY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Governmental Activities:								
General government	\$ 2,812,609	\$ 308,848	\$ 217,410	\$ -	\$ (2,286,351)	\$ -	\$ (2,286,351)	\$ -
Public safety	9,756,093	728,290	1,791,039	-	(7,236,764)	-	(7,236,764)	-
Community development	724,725	579,158	56,600	59,156	(29,811)	-	(29,811)	-
Health and human services	9,677	-	804	-	(8,873)	-	(8,873)	-
Public works	4,016,101	203,205	1,062,465	-	(2,750,431)	-	(2,750,431)	-
Parks and recreation	1,818,113	121,864	173,759	-	(1,522,490)	-	(1,522,490)	-
Library	1,288,411	9,206	108,269	281,611	(889,325)	-	(889,325)	-
Child care programs	286	-	-	-	(286)	-	(286)	-
Interest and fiscal charges	<u>1,142,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,142,556)</u>	<u>-</u>	<u>(1,142,556)</u>	<u>-</u>
Total Governmental Activities	21,568,571	1,950,571	3,410,346	340,767	(15,866,887)	-	(15,866,887)	-
Business-Type Activities:								
Recycling	<u>946,757</u>	<u>285,798</u>	<u>171,298</u>	<u>-</u>	<u>-</u>	<u>(489,661)</u>	<u>(489,661)</u>	<u>-</u>
Total Primary Government	<u>\$ 22,515,328</u>	<u>\$ 2,236,369</u>	<u>\$ 3,581,644</u>	<u>\$ 340,767</u>	<u>(15,866,887)</u>	<u>(489,661)</u>	<u>(16,356,548)</u>	<u>-</u>
Component Unit:								
Derry Township Municipal Authority	<u>\$ 12,668,037</u>	<u>\$ 13,417,265</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ 749,228</u>
Total Component Unit	<u>\$ 12,668,037</u>	<u>\$ 13,417,265</u>	<u>\$ -</u>	<u>\$ -</u>				<u>\$ 749,228</u>
General Revenues:								
Taxes:								
General property taxes					5,478,646	-	5,478,646	-
Other					10,880,216	-	10,880,216	-
Payment in Lieu					255,096	-	255,096	-
Interest and investment earnings					226,201	79	226,280	190,934
Miscellaneous					13,976	-	13,976	-
Loss on disposal					(754,506)	-	(754,506)	-
Gain on Contingency					886,170	-	886,170	-
Transfers					<u>173,155</u>	<u>(173,155)</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>17,158,954</u>	<u>(173,076)</u>	<u>16,985,878</u>	<u>190,934</u>
Changes in Net Position					<u>1,292,067</u>	<u>(662,737)</u>	<u>629,330</u>	<u>940,162</u>
Net Position, January 1					<u>39,865,115</u>	<u>(737,979)</u>	<u>39,127,136</u>	<u>60,039,359</u>
Net Position, December 31					<u>\$ 41,157,182</u>	<u>\$ (1,400,716)</u>	<u>\$ 39,756,466</u>	<u>\$ 60,979,521</u>

See accompanying notes to the financial statements.

**TOWNSHIP OF DERRY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 5,310,465	\$ -	\$ 1,189,794	\$ 6,500,259
Receivables				
Accounts	157,049	308,311	-	465,360
Taxes, net	3,557,736	-	18,934	3,576,670
Due from other funds	893,189	444,140	-	1,337,329
Due from other governments	10	-	-	10
Inventory	84,554	-	-	84,554
Prepaid expenses	97,613	-	-	97,613
Restricted cash and cash equivalents	-	12,235,300	-	12,235,300
Total Assets	<u>\$ 10,100,616</u>	<u>\$ 12,987,751</u>	<u>\$ 1,208,728</u>	<u>\$ 24,297,095</u>
Liabilities and Fund Balance				
Accounts payable	\$ 728,135	\$ 1,799,843	\$ 72,219	\$ 2,600,197
Retainage Payable	-	677,767	-	677,767
Accrued wages	289,685	-	-	289,685
Accrued and withheld payroll tax	1,290	-	-	1,290
Due to other funds	101,932	824,885	-	926,817
Unearned revenue	25,865	190,788	-	216,653
Escrow payable, payable from restricted assets	332,674	-	-	332,674
Total Liabilities	<u>1,479,581</u>	<u>3,493,283</u>	<u>72,219</u>	<u>5,045,083</u>
Deferred Inflows of Resources				
Unavailable Revenue	1,457,330	308,311	13,761	1,779,402
Total Deferred Inflows of Resources	<u>1,457,330</u>	<u>308,311</u>	<u>13,761</u>	<u>1,779,402</u>
Fund Balance				
Nonspendable	182,167	-	-	182,167
Restricted				
Restricted for donor, grant and legislated restrictions	-	11,668,067	-	11,668,067
Restricted for street improvements and equipment	-	-	1,189,794	1,189,794
Committed	1,467,762	1,771,129	-	3,238,891
Assigned	-	-	-	-
Unassigned	5,513,776	(4,253,039)	(67,046)	1,193,691
Total Fund Balance	<u>7,163,705</u>	<u>9,186,157</u>	<u>1,122,748</u>	<u>17,472,610</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 10,100,616</u>	<u>\$ 12,987,751</u>	<u>\$ 1,208,728</u>	<u>\$ 24,297,095</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, 2020

Total Fund Balance - Governmental Funds		\$ 17,472,610
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.		75,848,263
Losses on refundings and unamortized swap costs are not financial resources and, therefore, are not reported in the funds.		145,732
Deferred Inflows and outflows related to pension activity are not financial resources and, therefore, are not reported in the funds.		(2,013,530)
Deferred Inflows and outflows related to other post employment benefits activity are not financial resources and, therefore, are not reported in the funds.		397,325
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Property taxes		1,779,402
Interest expense on long-term debt is not recognized on the fund statements until due.		(216,045)
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)	(38,178,200)	
Compensated absences	(748,891)	
Other postemployment benefit liability	(12,562,890)	
Net Pension Asset	94,476	
Unfunded Pension Liability	<u>(861,070)</u>	<u>(52,256,575)</u>
Net Position - Governmental Activities		<u>\$ 41,157,182</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, 2020

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 15,879,123	\$ -	\$ 266,251	\$ 16,145,374
Licenses and permits	375,851	6	-	375,857
Fines and forfeits	119,095	-	-	119,095
Interest and rents	35,354	135,074	2,210	172,638
Intergovernmental revenues	2,881,903	708,172	829,051	4,419,126
Charges for services	962,222	16,691	-	978,913
Miscellaneous revenues	482,408	117,369	-	599,777
Total Revenues	<u>20,735,956</u>	<u>977,312</u>	<u>1,097,512</u>	<u>22,810,780</u>
Expenditures				
General government	2,222,496	120,198	-	2,342,694
Public safety	9,558,965	749,344	-	10,308,309
Community development	681,534	-	-	681,534
Health and human services	9,677	-	-	9,677
Public works	2,810,594	609,175	1,104,911	4,524,680
Parks and recreation	847,299	7,352,836	-	8,200,135
Library	1,135,971	277,302	-	1,413,273
Debt service				
Principal	-	2,354,665	61,187	2,415,852
Interest and fiscal charges	-	1,189,638	1,679	1,191,317
Total Expenditures	<u>17,266,536</u>	<u>12,653,158</u>	<u>1,167,777</u>	<u>31,087,471</u>
Other Financing Sources (Uses)				
Operating transfers in	-	1,021,674	63,538	1,085,212
Operating transfers out	(316,601)	(595,456)	-	(912,057)
Proceeds from Sale of Assets	-	200,000	-	200,000
Loan proceeds	-	-	-	-
Lease Proceeds	-	1,027,272	-	1,027,272
Contingency Gain	-	886,170	-	886,170
Total Other Financing Sources (Uses)	<u>(316,601)</u>	<u>2,539,660</u>	<u>63,538</u>	<u>2,286,597</u>
Net Changes in Fund Balance	<u>3,152,819</u>	<u>(9,136,186)</u>	<u>(6,727)</u>	<u>(5,990,094)</u>
Fund Balance, January 1	<u>4,010,886</u>	<u>18,322,343</u>	<u>1,129,475</u>	<u>23,462,704</u>
Fund Balance, December 31	<u>\$ 7,163,705</u>	<u>\$ 9,186,157</u>	<u>\$ 1,122,748</u>	<u>\$ 17,472,610</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, 2020

Net change in fund balance - governmental funds	\$ (5,990,094)
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.	7,115,974
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.	74,676
Governmental funds report 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 swap proceeds and the guaranty fee for the current period.	53,333
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.	1,752,619
The decrease in the unfunded pension liability is reflected as an expense on the Statement of Activities, but is not included in the fund statements.	3,729,796
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 statement.	(2,898,172)
Capital lease payments are recorded as expenditures in the governmental funds, but are recorded as reductions of liabilities in the government-wide statements.	663,233
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 2015, but not collected in time to meet current obligations.	(306,101)
The loss on the disposal of assets is recorded on the Statement of Activities, but is not included in the fund statements.	(956,699)
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.	(25,915)
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.	(1,027,272)
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.	(1,364,458)
The Deferred Inflows and outflows for the other post employment benefits is reflected as an expense on the Statement of Activities, but is not included in the fund statements	478,814
The increase in compensated absence liabilities is reflected on the Statement of Activities, but is not included in the fund statements.	(7,667)
Change in net position of governmental activities	<u>\$ 1,292,067</u>

**TOWNSHIP OF DERRY
STATEMENT OF NET POSITION
PROPRIETARY FUND - RECYCLING
DECEMBER 31, 2020**

Assets

Current Assets

Cash and cash equivalents	\$ 25
Accounts receivable	<u>61,353</u>

Total Current Assets	<u>61,378</u>
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Other Assets

Inventory	22,972
Capital assets, net of accumulated depreciation	<u>279,186</u>

Total Assets	<u><u>\$ 363,536</u></u>
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Liabilities and Net Position

Current Liabilities

Accounts payable	\$ 105,948
Customer deposit	500
Contingent Liability	675,000
Due to other funds	<u>982,804</u>

Total Current Liabilities	<u>1,764,252</u>
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Net Position

Net investment in capital assets	279,186
Unrestricted	<u>(1,679,902)</u>

Total Net Position	<u>(1,400,716)</u>
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Total Liabilities and Net Position	<u><u>\$ 363,536</u></u>
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TOWNSHIP OF DERRY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND - RECYCLING
YEAR ENDED DECEMBER 31, 2020

Operating Revenues	
Charges for Service	\$ 285,798
Intergovernmental	<u>171,298</u>
Total Operating Revenues	<u>457,096</u>
Operating Expenses	
Wages and employee benefits	37,859
Materials and supplies	3,893
Contracted services and other charges	868,066
Depreciation	<u>36,939</u>
Total Operating Expenses	<u>946,757</u>
Operating Income	<u>(489,661)</u>
Non-Operating Revenue	
Interest income	<u>79</u>
	<u>79</u>
Income Before Transfers	(489,582)
Transfers out	<u>(173,155)</u>
Change in Net Position	(662,737)
Net Position, January 1	<u>(737,979)</u>
Net Position, December 31	<u><u>\$ (1,400,716)</u></u>

See accompanying notes to the financial statements.

**TOWNSHIP OF DERRY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - RECYCLING
YEAR ENDED DECEMBER 31, 2020**

Cash flows from operating activities:

Receipts from customers and users	\$ 279,380
State grants received	171,298
Payments to suppliers	(277,056)
Payments for employee services	<u>(37,859)</u>

Net cash provided by operating activities 135,763

Cash flow from noncapital financing activities:

Transfers out	<u>(173,155)</u>
	(173,155)

Cash flow from investing activities:

Interest Income	<u>79</u>
	<u>79</u>

Net (decrease) in cash and cash equivalents (37,313)

Cash and cash equivalents beginning of year 37,338

Cash and cash equivalents end of year \$ 25

**Reconciliation of operating income to net cash
provided by operating activities**

Operating income \$ (489,661)

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

Depreciation	36,939
Changes in assets and liabilities:	
Increase in accounts receivable	(6,418)
Increase in inventory	(10,003)
Increase in accounts payable	84,866
Increase in contingent liability	(325,000)
Increase in due to other funds	<u>845,040</u>

Net cash provided by operating activities \$ 135,763

**TOWNSHIP OF DERRY
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
DECEMBER 31, 2020**

	<u>Police Pension</u>
Assets	
Cash and Cash Equivalents	\$ 2,495,489
Investments	<u>24,295,246</u>
Total Assets	<u>\$ 26,790,735</u>
Liabilities	
Due to employees	\$ <u>-</u>
Total Liabilities	<u>-</u>
Net Position	
Restricted for pension benefits	<u>26,790,735</u>
Total Net Position	<u>26,790,735</u>
Total Liabilities and Net Position	<u>\$ 26,790,735</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, 2020

	<u>Police Pension</u>
Additions	
Contributions:	
Member contributions	\$ 425,212
Employer contributions	121,558
State aid	<u>1,066,550</u>
Total contributions	<u>1,613,320</u>
Investment income :	
Net appreciation	
in fair value of investments	2,453,571
Interest and dividends	<u>367,522</u>
Total investment income	<u>2,821,093</u>
Total Additions	<u>4,434,413</u>
Deductions	
Benefits	1,444,913
Administrative expenses	<u>123,107</u>
Total Deductions	<u>1,568,020</u>
Net Increase	2,866,393
Held in trust for pension benefits:	
January 1	<u>23,924,342</u>
December 31	<u>\$ 26,790,735</u>

See the accompanying notes to the financial statements.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020.

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 UNITS

Based on the above Criteria 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. 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.

Friends of Hershey Public Library

The Friends of Hershey Public Library, founded in 1994, mission is to promote and support the Hershey Public Library in the community through various programs and events for adults and children. The Friends economic resources almost entirely benefit the Township. The Friends fiscal year ends August 31. Information about the Friends is available upon request at the Hershey Public Library.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity –(Continued)

Hershey Public Library Endowment Trust

The Hershey Public Library Endowment Trust, founded in 1985, mission is to promote and support the Hershey Public Library and its various programs. The Trust economic resources almost entirely benefit the Township. The Trust fiscal year ends December 31. Information about the Friends is available upon request at the Hershey Public Library.

Friends of Derry Township Park and Recreation

The Friends of Derry Township Park and Recreation, founded in 2005, the express purpose of supporting and improving various facilities and programs administered by the Derry Township Department of Parks and Recreation. The Friends economic resources almost entirely benefit the Township. The Friends fiscal year ends December 31. Information about the Friends is available upon request at the Township office.

Derry Township Industrial Commercial Development Authority (ICDA)

Derry Township Industrial Commercial Development Authority, founded in 1999, was established for the purpose of exercising and enjoying all powers capable of being exercised by an industrial and commercial development authority under the Economic Development Financing Law, Act No. 74 of 1993, as amended and supplements. The ICDA fiscal year ends December 31. The Township has the ability to appoint, hire, reassign, or dismiss those persons responsible for the day to day operations of the organization. Information about the ICDA is available upon request at the Township office.

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.

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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

JOINT VENTURE (CONTINUED)

Township of Derry Tax Collection Commission (Continued)

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, 2020, 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.

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

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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Pending Governmental Accounting Standards Board (GASB) Pronouncements

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The Statement's objectives 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 2021 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 2022 financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The Statement's objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The Township will be required to adopt Statement No. 91 for its calendar year 2022 financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Statement's objectives are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The Township will be required to adopt Statement No. 96 for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The Statement's objective is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The Township will be required to adopt Statement No. 94 for its fiscal year 2023 financial statements.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Pending Governmental Accounting Standards Board (GASB) Pronouncements (Continued)

In March 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The Township will be required to adopt Statement No. 96 for its fiscal year 2023 financial statements.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The Statement's objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Township will be required to adopt Statement No. 92 for various financial statement years.

E. 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.

F. 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.

G. 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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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.

Investment purchases and sales are recorded as of the trade date. Dividend income is recognized on the ex-dividend date. Other investment income is recognized when earned.

Investments are reported at fair value. Fair value is the amount reasonably expected to be received for an investment in a current sale between a willing buyer and a willing seller. Fixed income securities, real estate investment trusts (REITs), bond and mutual funds, and common and preferred stocks are valued based on published market prices and quotations from national security exchanges and securities pricing services. Money market investments that have a remaining maturity at the time of purchase of one year or less are measured at amortized cost.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the beginning of the year and the end of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expenses consist of external expenses directly related to investment operations, as well as the internal administrative expenses associated with the investment program.

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs are those other than quoted prices within level 1 - that are observable for an asset or liability, either directly or indirectly.

Level 3 - Inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. 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 \$145,732 on the Township's Statement of Net Position relates to losses on refundings. The amount of \$993,079 relates to other post employment benefits activity for future periods. The amount of \$3,099,548 relates to derivative swap activity. The amount of \$2,985,815 relates to pension activity for future periods.

J. 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.

K. 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.

L. 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.

M. 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 Building 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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. 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.

O. 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.

P. 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 other post employment benefits activity related to future periods of \$595,754 and pension activity related to future periods of \$4,999,345.

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.

Q. 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.

R. 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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Equity Classifications (Continued)

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.

S. 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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. 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 2020. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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 \$75,000 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, 2020 to \$1,874,947. 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 2020 for medical, dental, and prescription expenses were \$2,827,756. Total administrative costs and claims for the fiscal year ended December 31, 2020 were \$2,923,690 including retiree costs of \$186,267.

Derry Township Municipal Authority

The Authority was incorporated April 20, 1971, under the Municipality Authorities Act of 1945 as amended, to acquire, hold, construct, improve, maintain, operate, own and lease, either in the capacity of lessor or lessee, sewers, sewer systems, interceptor lines, sewage treatment works and works for the treatment and disposal of industrial waste. The Authority is considered a component unit of the Township of Derry.

The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources and all liabilities associated with the operations are included in the statement of net position. The Authority has adopted the accrual basis of accounting to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public on a continuing basis be financed or recovered substantially through user charges. Revenues are recognized when they are earned and expenses are recognized when they are incurred. The Derry Township Municipal Authority complies with accounting principles generally accepted in the United States of America (GAAP). The Authority applies all relevant GASB pronouncements.

Cash Equivalents

For purposes of reporting cash flows, the Authority considers money market investments and all debt instruments with a maturity of 90 days or less when purchased to be cash equivalents.

Investments and fair value measurement

The Authority reports investments at fair value based on a hierarchy of valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derry Township Municipal Authority (Continued)

Other postemployment benefits plan

The Authority reports other postemployment benefits obligations (OPEB) as earned by participants using actuarial calculations, which allocate expected costs over employees' service periods.

Capital Assets

Capital Assets are carried at cost, except for sewer extensions contributed to the Authority, which are reported at acquisition value based on acquisition costs provided by developers at the date of contribution. Depreciation and amortization have been provided using the straight-line method over the expected economic useful life of the assets.

Compensated absences

The Authority records its obligation to compensate employees for paid time off (PTO) as the liability is incurred. Employees are permitted to accumulate a maximum of 320 hours of PTO, which they can carry forward each fiscal year. Upon termination, an employee will be paid for all accrued PTO at their current base rate.

Deferred outflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods, and thus, will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category. One item relates to the deferred loss on refunding debt. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item relates to the other postretirement benefit liability and changes in actuarial assumptions.

Use of estimates

The process of preparing financial statements in accordance 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, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, \$7,216,255 of the Township's bank balance of \$18,330,503 was exposed to custodial credit risk, but was collateralized by the pledging bank's trust department as permitted by Act 72. Of the bank balance, \$250,000 was covered by federal depository insurance.

As of December 31, 2020, proceeds of \$136,908 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, \$10,612,503 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, 2020, PLGIT carried a rating of AAAM and had an average maturity of less than one year.

The reconciliation of deposits to the financial statements at December 31, 2020 is as follows:

Uninsured but collateralized in accordance with Act 72	\$ 7,216,255
Plus: Amount insured by FDIC	500,003
	<u>7,716,258</u>
Plus: Deposits in pooled investments considered cash equivalents	10,612,503
Plus: Deposits in transit	707
Less: Outstanding checks	<u>(207,939)</u>
Total deposits	18,121,529
Plus: Cash on hand	1,745
Total cash and cash equivalents per financial statements	<u>\$ 18,123,274</u>
Cash and cash equivalents	\$ 6,500,284
Restricted cash and cash equivalents	12,235,300
Cash and cash equivalents Due to Other funds	<u>(612,310)</u>
Total cash and cash equivalents per financial statements	<u>\$ 18,123,274</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. CASH AND INVESTMENTS (CONTINUED)

Investments

Investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. The Township has no investments classified in Level 3.

The Township's fair value hierarchy of investments \$21,195,698 by type as of December 31, 2020 was as follows:

		<u>Fair Value Measurements</u>	
		<u>Using</u>	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
	<u>Fair Value</u>		
Commingled Equity Mutual Funds	\$ 18,496,747	\$ 18,496,747	\$ -
Commingled Fixed Income Mutual Funds	<u>5,798,499</u>	<u>5,798,499</u>	<u>-</u>
Total Investments Measured at the NAV	<u>\$ 24,295,246</u>	<u>\$ 24,295,246</u>	<u>\$ -</u>
Investment Derivative Instruments			
Interest Rate Swaps	<u>(\$ 3,099,548)</u>	\$ -	<u>(\$ 3,099,548)</u>
Total Investment Derivative Instruments	<u>(\$ 3,099,548)</u>	\$ -	<u>(\$ 3,099,548)</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, 2020**

2. CASH AND INVESTMENTS (CONTINUED)

Derry Township Municipal Authority

Investments

Custodial credit risk, deposits and investments:

For deposits, custodial credit risk is the risk that, in the event of bank failure, the Authority's deposits may not be returned to it. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral security that is in the possession of an outside party. The Authority's current investment policy follows the requirements set forth in Section 5611 of the Municipality Authorities Act of 1945.

The Authority holds its cash deposits and money market investments at three financial institutions. As of December 31, 2020, the cash balances reported by the financial institutions and included in investment accounts totaled approximately \$27,841,000. Cash held at each financial institution was covered by Federal Deposit Insurance Corporation (FDIC) insurance up to \$250,000 per financial institution. Approximately \$27,091,000 was covered by collateral held in accordance with Act 72 not in the Authority's name.

As of December 31, 2020, the Authority had the following deposits and money market investments:

<u>Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>2020</u>
Cash and money market investments			\$ 28,208,535
Accrued interest on government securities			70
Total deposits, including petty cash			<u>6,642,792</u>
Total deposits and investments			<u>\$ 34,851,397</u>

For cash flow purposes, cash and cash equivalents are comprised of cash, money market investments and total deposits.

Custodial credit risk, deposits and investments:

Reconciliation to the statement of net position

	<u>2020</u>
Current Assets:	
Cash and cash equivalents	\$ 6,642,792
Money market investments	<u>5,673,233</u>
Total	12,316,025
Other assets, cash and investments	22,535,372
Total cash and cash equivalents	<u>\$ 34,851,397</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. CASH AND INVESTMENTS (CONTINUED)

Derry Township Municipal Authority (Continued)

Investments

Custodial credit risk, deposits and investments:

The Authority has a formal investment policy that permits investments as authorized by law and requires that maturities of investments are consistent with cash flow requirements. The policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates since it is anticipated that investments will be held to maturity.

Custodial credit risk:

The Authority does not currently have a formal policy for custodial credit risk.

3. RECEIVABLES

Governmental Activities

Receivables as of December 31, 2020 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	\$ 7,307,736	\$ -	\$ 18,934	\$ 7,326,670
Allowance for uncollectibles	<u>(3,750,000)</u>	<u>-</u>	<u>-</u>	<u>(3,750,000)</u>
Taxes, net	\$ 3,557,736	-	\$ 18,934	\$ 3,576,670
Accounts	157,049	308,311	-	465,360
Intergovernmental	10	-	-	10
Due from Derry Township Municipal Authority	<u>26,200,000</u>	<u>-</u>	<u>-</u>	<u>26,200,000</u>
Total Receivables	<u>\$29,914,795</u>	<u>\$ 308,311</u>	<u>\$ 8,934</u>	<u>\$30,242,040</u>

Business-Type Activities

Receivables as of December 31, 2020 for the Township's business-type activity and allowance for uncollectible accounts are as follows:

	Recycling Fund
Receivables	
Accounts, gross	\$ 61,353
Total Receivables	<u>\$ 61,353</u>

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. RECEIVABLES (CONTINUED)

Derry Township Municipal Authority

	<u>2020</u>
Receivables	
Connection	\$ 27,017
Stormwater	64,486
Insurance Surplus	67,682
Miscellaneous	<u>34,376</u>
Total Receivables	<u>\$ 193,561</u>

4. PROPERTY TAXES

The Township's property tax is levied each February 1st on the assessed value (\$2,085,627,934 for 2020), listed as of January 1st on all taxable real property located in the Township. The property tax rate for the year ended December 31, 2020 was 2.5381 mills for general purposes and 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 2020 real property taxes were turned over to Dauphin County on January 13, 2021.

The full year property tax calendar is as follows:

Assessment date	January 1, 2020
Property tax bills rendered, lien date	February 1, 2020
Bills paid during February and March are granted a 2% discount	February 1, 2020 to March 31, 2020
Gross amount of levy is due	April 1, 2020 to May 31, 2020
Taxes delinquent and penalty of 5% of the face amount is charged	June 1, 2020 to July 31, 2020
Taxes delinquent and penalty of 10% of the face amount is charged	August 1, 2020 to January 12, 2021
Delinquent real property taxes are due to be turned over to Dauphin County	February 1, 2021

5. 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, 2020, the various components of unearned revenue are as follows:

	<u>Total</u>
Capital grants	\$ 499,099
Unearned rent	1,220
Police grants	<u>24,645</u>
Total	<u>\$ 524,964</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. CAPITAL ASSETS

Governmental Activities

A summary of general capital assets during 2020 for governmental activities is as follows:

	<u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>December 31</u>
General Government Assets					
Capital Assets, Not Being Depreciated:					
Land	\$ 3,635,502	\$ -	\$ -	\$ -	\$ 3,635,502
Construction in Progress	7,302,828	7,872,266	-	(5,725,691)	9,449,403
Held for Resale	<u>3,217</u>	<u>-</u>	<u>3,217</u>	<u>1,653</u>	<u>1,653</u>
Total Capital Assets Not Being Depreciated	<u>10,941,547</u>	<u>7,872,266</u>	<u>3,217</u>	<u>(5,724,038)</u>	<u>13,086,558</u>
Capital Assets, Being Depreciated:					
Land Improvements	6,058,556	-	406,612	-	5,651,944
Building and building Improvements	25,070,897	-	2,715,285	568,929	22,924,541
Equipment	13,956,743	882,519	609,856	1,304,764	15,534,170
Infrastructure	<u>64,780,195</u>	<u>528,708</u>	<u>-</u>	<u>3,850,345</u>	<u>69,159,248</u>
Total Capital Assets, Being Depreciated	<u>109,866,391</u>	<u>1,411,227</u>	<u>3,731,753</u>	<u>5,724,038</u>	<u>113,269,903</u>
Less: Accumulated Depreciation					
Land improvements	4,809,631	180,484	297,389	-	4,692,726
Building and building Improvements	10,610,163	586,756	1,982,247	-	9,214,672
Equipment	11,869,622	811,104	496,542	(1,653)	12,182,531
Held for Resale	2,093	-	2,093	1,653	1,653
Infrastructure	<u>23,827,619</u>	<u>588,997</u>	<u>-</u>	<u>-</u>	<u>24,416,616</u>
Total Accumulated Depreciation	<u>51,119,128</u>	<u>2,167,341</u>	<u>2,778,271</u>	<u>-</u>	<u>50,508,198</u>
Total Capital Assets, Net	<u>\$ 69,688,810</u>	<u>\$ 7,116,152</u>	<u>\$ 956,699</u>	<u>\$ -</u>	<u>\$ 75,848,263</u>

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

General Government	\$ 432,722
Public Safety	543,630
Community Development	5,945
Health and Human Services	-
Public Works	859,682
Parks and Recreation	206,834
Library	<u>118,528</u>
Total	<u>\$ 2,167,341</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. 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, 2020:

	<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>293,264</u>	<u>-</u>	<u>-</u>	<u>293,264</u>
Total capital assets, being depreciated	<u>660,244</u>	<u>-</u>	<u>-</u>	<u>660,244</u>
Less accumulated depreciation for:				
Buildings	232,386	9,125	-	241,511
Equipment	<u>111,733</u>	<u>27,814</u>	<u>-</u>	<u>139,547</u>
Total accumulated depreciation	<u>344,119</u>	<u>36,939</u>	<u>-</u>	<u>381,058</u>
Total capital assets, being depreciated, net	<u>\$ 316,125</u>	<u>\$ (36,939)</u>	<u>\$ -</u>	<u>\$ 279,186</u>

Derry Township Municipal Authority

	<u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>December 31</u>
Land and right of ways	\$ 2,370,024	\$ -	\$ -	\$ -	\$ 2,370,024
Collection lines	43,049,165	-	-	524,793	43,573,958
Sewage Treatment Plant	71,093,235	-	-	869,187	71,962,422
Plant Equipment	4,368,587	-	-	82,821	4,451,408
Vehicles	1,717,064	-	-	97,288	1,814,352
Office Equipment	1,245,835	-	-	85,874	1,331,709
Miscellaneous Equipment	76,448	-	-	-	76,448
Capitalized Interest	3,267,456	-	-	-	3,267,456
Stormwater System	7,835,940	-	-	1,442,991	9,278,931
Construction in Progress	1,255,065	4,305,852	(73,428)	(1,415,108)	4,072,381
Projects in Progress	<u>1,032,616</u>	<u>748,093</u>	<u>(23,323)</u>	<u>(1,687,846)</u>	<u>69,540</u>
Total Cost	137,311,435	5,053,945	(96,751)	-	142,268,629
Less: Accumulated Depreciation	<u>61,789,198</u>	<u>3,270,114</u>	<u>-</u>	<u>-</u>	<u>65,059,312</u>
Total Capital Assets, net	<u>\$ 75,522,237</u>	<u>\$ 1,783,831</u>	<u>\$ (96,751)</u>	<u>\$ -</u>	<u>\$ 77,209,317</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. FUND EQUITY

1. Government-wide statements

Net Position of the Primary Government reported on the government-wide statement of net position at December 31, 2020 include the following:

Net Investment in Capital Assets	
Land	\$ 3,635,502
Construction in Progress	9,449,403
Held for Resale	1,653
Land Improvements	959,218
Building and Building Improvements	13,835,338
Equipment	3,503,703
Infrastructure	<u>44,742,632</u>
Total capital assets	76,127,449
Less: Related long-term debt	<u>(38,178,200)</u>
Total - Net Investment in Capital Assets	<u>37,949,249</u>
Restricted	
Donor, grant, and bond restrictions	11,668,067
Street improvements and equipment	<u>1,189,794</u>
Total Restricted	12,857,861
Unrestricted	<u>(11,050,644)</u>
Total Governmental Activities Net Position	<u>\$ 39,756,466</u>

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, 2020 are detailed below:

Capital Projects Fund	
Restricted for Rt. 743 & Other Traffic	226,225
Restricted for DCIB Loan	68,457
Restricted for DCIB Note	68,451
Restricted for Land Acquisition	164,734
Restricted for GO Bond 2019	114,805
Restricted for GO Bond Series C of 2019	9,758,932
Restricted for Developer Traffic	488,773
Restricted for Open Space Fees	296,253
Restricted for Capital Reserve	481,434
Restricted for Sinking Fund	<u>3</u>
Total Capital Projects	11,668,067
Liquid Fuels Fund	
Restricted for Street Improvements & Equipment	<u>1,189,794</u>
Total Restricted Fund Balance	<u>\$12,857,861</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2020:

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020	Due in One Year
Compensated absences	\$ 741,224	\$ 610,370	\$ 602,703	\$ 748,891	\$ -
Capital Lease – Portable Lifts	11,371	-	11,371	-	-
Capital Lease – 2 Interceptors	14,375	-	14,375	-	-
Capital Lease – Jacobsen Mower	24,365	-	24,365	-	-
Capital Lease – International	61,867	-	30,387	31,480	31,480
Capital Lease – Toro Sand Pro	4,435	-	4,435	-	-
Capital Lease – 2017 F350	6,516	-	6,516	-	-
Capital Lease – Volvo Wheel Loader	68,982	-	34,028	34,954	34,954
Capital Lease – police interceptor	6,932	-	6,932	-	-
Capital Lease – police interceptor	8,903	-	8,903	-	-
Capital Lease – 2017 F350 - police	15,593	-	15,593	-	-
Capital Lease – 2018 Interceptor	15,821	-	7,765	8,056	8,056
Capital Lease – 2018 Interceptor	20,415	-	10,019	10,396	10,396
Capital Lease – 2018 Transit	30,003	-	14,725	15,278	15,278
Capital Lease – 2018 F350	18,012	-	8,693	9,319	9,319
Capital Lease – Police MDTs	9,155	-	2,862	6,293	3,048
Capital Lease – Ventrac Tractor	11,818	-	5,782	6,036	6,036
Capital Lease – Fire Truck	1,306,417	-	93,158	1,213,259	112,409
Capital Lease – 96" Exmark Lazer	21,148	-	10,281	10,867	10,867
Capital Lease – 2020 International Dump	111,568	-	35,804	75,764	37,172
Capital Lease – 2 - 2019 Police Interceptors	71,000	-	16,806	54,194	17,419
Capital Lease – 60" Exmark Lazer	6,546	-	3,182	3,364	3,364
Capital Lease – 2019 International Dump	114,238	-	36,661	77,577	38,061
Capital Lease – 2020 Chevy Tahoe	-	52,751	13,621	39,130	12,760
Capital Lease – 3 Police Interceptors	-	166,745	42,995	123,750	40,396
Capital Lease – 2021 International SFA	-	157,711	-	157,711	29,357
Capital Lease – 2 - 2020 Ford F-550 w/equipment	-	181,055	48,797	132,258	41,853
Capital Lease – 2 - Exmark Lasers w/accessories	-	20,201	7,178	13,023	6,299
Capital Lease – Motorola Radios	-	448,810	147,999	300,811	148,223
Bridge Project Loan	71,275	-	35,350	35,925	36,481
Pennsylvania Infrastructure Bank Loan	567,449	-	186,109	381,340	188,577
Dauphin County Infrastructure Bank Loan	104,250	-	25,836	78,414	25,965
Dauphin County Infrastructure Bank Loan 2017	2,692,087	-	136,308	2,555,779	136,308
Joint Management and Use Agreement	267,034	-	64,015	203,019	65,844
ICDA Bonds, Series 2015	7,620,000	-	7,620,000	-	-
General Obligation Bonds, Series 2012	830,000	-	-	830,000	240,000
General Obligation Bonds, Series 2015	7,160,000	-	7,160,000	-	-
General Obligation Bonds, Series 2016	2,460,000	-	460,000	2,000,000	485,000
General Obligation Note, Series 2016	1,980,000	-	1,980,000	-	-
General Obligation Note, Series 2017	450,000	-	50,000	400,000	55,000
General Obligation Bonds, Series 2018	5,005,000	-	5,000	5,000,000	5,000
General Obligation Bonds, Series 2019	5,140,000	-	5,000	5,135,000	5,000
General Obligation Bonds, Series 2019A	4,160,000	-	5,000	4,155,000	25,000
General Obligation Bonds, Series 2019B	1,385,000	-	5,000	1,380,000	5,000
General Obligation Bonds, Series 2019C	14,400,000	-	-	14,400,000	5,000
ICDA Bonds, Series 2020	-	6,835,000	-	6,835,000	70,000
General Obligation Bonds, Series 2020	-	8,915,000	750,000	8,165,000	645,000
General Obligation Bonds, Series 2020A	-	8,880,000	-	8,880,000	5,000
Total	\$ 56,992,799	\$ 26,267,643	\$ 19,753,554	\$ 63,506,888	\$ 2,614,922
Unfunded pension liability				861,070	
Other postemployment benefit liability				12,562,890	
Less: unamortized bond discount				-	
Add: unamortized bond premium				1,620,208	
Total long-term liabilities				\$ 78,551,056	

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020 the long-term accrued vacation and sick pay was \$748,891.

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 30, 2020, assets held through capital lease agreements totaled \$5,125,944 and accumulated depreciation for those assets totaled \$1,946,463.

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

- 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%.
- 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%.
- 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%.
- 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.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

8. LONG-TERM DEBT (CONTINUED)

Capital Leases (continued)

- 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.
- May 2018 lease – Present value cost of \$149,550
The lease is for a 2019 International Dump Truck and is to be paid in four consecutive annual payments of \$41,025 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.
- December 2018 lease – Present value cost of \$1,306,417
The lease is for a Fire Engine and is to be paid in ten consecutive annual payments of \$166,763 including implied interest.
- March 2019 lease – Present value cost of \$32,633
The lease is for a 96" Exmark Lazer and is to be paid in three consecutive annual payments of \$11,486 including implied interest.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. LONG-TERM DEBT (CONTINUED)

Capital Leases (continued)

- March 2019 lease – Present value cost of \$10,100
The lease is for a 60" Exmark Lazer and is to be paid in three consecutive annual payments of \$3,555 including implied interest.
- June 2019 lease – Present value cost of \$90,397
The lease is for 2, 2019 Police Interceptors and is to be paid in five consecutive annual payments of \$19,397 including implied interest.
- July 2019 lease – Present value cost of \$151,065
The lease is for a 2020 International Dump and is to be paid in four consecutive annual payments of \$40,066 including implied interest.
- June 2020 lease – Present value cost of \$52,751
The lease is for a 2020 Chevy Tahoe and is to be paid in four consecutive annual payments of \$13,621 including implied interest.
- August 2020 lease – Present value cost of \$166,745
The lease is for 3 Police Interceptors and is to be paid in four consecutive annual payments of \$42,995 including implied interest.
- August 2020 lease – Present value cost of \$157,711
The lease is for a 2020 International Dump and is to be paid in five consecutive annual payments of \$35,019 including interest.
- October 2020 lease – Present value cost of \$181,055
The lease is for 2 Ford F-550 with equipment and is to be paid in five consecutive annual payments of \$48,797 including interest.
- April 2020 lease – Present value cost of \$20,201
The lease is for 2 Exmark Lasers with accessories and is to be paid in five consecutive annual payments of \$7,178 including interest.
- June 2020 lease – Present value cost of \$448,810
The lease is for a Motorola Radios and is to be paid in three consecutive annual payments of \$157,070 including interest.

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>
36,481	584	1.625	2021
<u>\$ 36,481</u>	<u>\$ 584</u>		

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. LONG-TERM DEBT (CONTINUED)

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>
189,133	6,197	1.625	2021
192,206	3,123	1.625	2022
<u>\$ 381,339</u>	<u>\$ 9,320</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>
25,965	391	.50	2021
26,095	262	.50	2022
26,354	131	.50	2023
<u>\$ 78,414</u>	<u>\$ 784</u>		

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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (Continued)

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

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>
65,844	3,609	2.00	2021
67,673	2,240	2.10	2022
70,417	765	2.20	2023
<u>\$ 203,934</u>	<u>\$ 6,614</u>		

\$10,000,000 ICDA Bonds, Series of 2005/\$10,525,000 ICDA Bonds, Series of 2010/\$9,995,000 ICDA
Bonds, Series of 2015/\$6,835,000 ICDA Bonds, Series of 2020

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.

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.

In October 2020, the Township of Derry ICDA authorized the issuance of the Guaranteed Township Revenue Bonds, Series of 2020 in the amount of \$6,835,000 for the current refunding of the Series of 2015 Bonds. The 2020 Bonds begin to mature on November 15, 2021 and will continue to mature every year thereafter with final maturity on November 15, 2040. Interest is due semi-annually on May 15 and November 15 and the interest rates range from .350% to 4.00%.

The 2020 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 2020:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
70,000	251,019	0.35	2021
150,000	235,700	0.40	2022
210,000	235,100	1.00	2023
420,000	233,000	4.00	2024
440,000	216,200	1.00	2025
3,755,000	799,000	3.00 – 4.00	2026 – 2030
595,000	311,500	4.00	2031 – 2035
1,195,000	183,200	4.00	2035 – 2040
<u>\$ 6,835,000</u>	<u>\$ 2,464,719</u>		

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	16,600	2.00	2021
240,000	11,800	2.00	2022
240,000	7,000	2.00	2023
<u>110,000</u>	<u>2,200</u>	2.00	2024
<u>\$ 830,000</u>	<u>\$ 37,600</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>
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>\$ 2,000,000</u>	<u>\$ 98,975</u>		

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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/\$4,335,000 General Obligation Bonds, Series A of 2019

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.

In August 2019, the Township authorized the issuance of the General Obligation Bonds, Series A of 2019 in the amount of \$4,335,000 for a current refunding of the General Obligation Bond, Series of 2014. The Series A of 2019 Bonds begin to mature on December 15, 2019 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 1.16% to 3.00%. The present value savings of this issue was approximately \$249,185.

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 A of 2019:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
25,000	120,695	1.20	2021
15,000	120,395	1.25	2022
15,000	120,208	1.25	2023
15,000	120,020	1.30	2024
40,000	119,825	1.50	2025
<u>4,045,000</u>	<u>169,600</u>	3.00	2026 – 2027
<u><u>\$ 4,155,000</u></u>	<u><u>\$ 770,743</u></u>		

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (Continued)

\$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>
55,000	11,120	2.78	2021
55,000	9,591	2.78	2022
55,000	8,062	2.78	2023
55,000	6,533	2.78	2024
60,000	5,004	2.78	2025
120,000	5,004	2.78	2026 – 2027
<u>\$ 400,000</u>	<u>\$ 45,314</u>		

\$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	153,018	1.85	2021
5,000	152,925	2.00	2022
5,000	152,825	2.00	2023
5,000	152,725	2.50	2024
5,000	152,600	2.50	2025
4,975,000	596,400	2.50 - 4.00	2026 – 2030
<u>\$ 5,000,000</u>	<u>\$ 1,360,493</u>		

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (Continued)

\$5,140,000 General Obligation Bonds, Series of 2019

On May 22, 2019, the Township of Derry authorized the issuance of the General Obligation Bonds, Series of 2019. Proceeds of the Bond will be used for capital projects consisting of road improvements, landfill improvements, various other projects, currently refund the Line of Credit Note, Series of 2018, reimburse the township for design fees incurred in connection with the Recreation Center and to pay the costs of issuing the bonds. Payments are due in annual installments of \$5,000 to \$415,000 through December 15, 2040 plus interest at 1.625% to 5.00% per year.

The following is a maturity schedule for the General Obligation Bonds, Series of 2019:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
5,000	177,494	1.625	2021
5,000	177,413	1.625	2022
5,000	177,331	1.625	2023
100,000	177,250	2.000	2024
205,000	175,250	2.000	2025
1,065,000	794,650	2.000 – 5.000	2026 – 2030
1,745,000	519,450	3.125 – 5.000	2031 – 2035
<u>2,005,000</u>	<u>195,788</u>	<u>3.125 – 3.250</u>	<u>2036 – 2040</u>
<u>\$ 5,135,000</u>	<u>\$ 2,394,626</u>		

\$1,385,000 General Obligation Bonds, Series B of 2019

On November 14, 2019, the Township of Derry authorized the issuance of the General Obligation Bonds, Series B of 2019. Proceeds of the Bond will be used to currently refund portions of the Townships General Obligation Bonds, Series of 2012, the Township of Derry, Industrial and Commercial Development Authority, Guaranteed Township Revenue Bonds, Series of 2015, General Obligation Bonds, Series of 2016 and to pay the costs of issuing the bonds. Payments are due in annual installments of \$5,000 to \$565,000 through December 15, 2027 plus interest at 1.32% to 2.00% per year.

The following is a maturity schedule for the General Obligation Bonds, Series B of 2019:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
5,000	27,493	1.35	2021
5,000	27,425	1.50	2022
5,000	27,350	1.50	2023
5,000	27,275	1.50	2024
550,000	27,200	2.00	2025
<u>810,000</u>	<u>21,100</u>	<u>2.00</u>	<u>2026 – 2027</u>
<u>\$ 1,380,000</u>	<u>\$ 157,843</u>		

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (Continued)

\$14,400,000 General Obligation Bonds, Series C of 2019

On December 10, 2019, the Township of Derry authorized the issuance of the General Obligation Bonds, Series C of 2019. Proceeds of the Bond will be used for acquiring, designing, constructing, furnishing and equipping a new community center, capitalizing interest on a portion of the Bonds, and to pay the costs of issuing the bonds. Payments are due in annual installments of \$5,000 to \$1,680,000 through December 15, 2040 plus interest at 1.25% to 4.00% per year.

The following is a maturity schedule for the General Obligation Bonds, Series C of 2019:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
5,000	563,775	1.25	2021
5,000	563,713	1.25	2022
155,000	563,650	1.50	2023
35,000	561,325	1.50	2024
35,000	560,800	1.50	2025
1,080,000	2,766,625	2.00 – 4.00	2026 – 2030
5,845,000	2,167,400	4.00	2031 – 2035
<u>7,240,000</u>	<u>878,600</u>	4.00	2036 – 2040
<u>\$14,400,000</u>	<u>\$ 8,625,888</u>		

\$8,915,000 General Obligation Bonds, Series of 2020

On February 25, 2020, the Township of Derry authorized the issuance of the General Obligation Bonds, Series of 2020. Proceeds of the Bond will be used to currently refund the General Obligation Bonds, Series of 2015 and the General Obligation Note, Series of 2016 and to pay the costs of issuing the bonds. Payments are due in annual installments of \$250,000 to \$2,285,000 through December 15, 2028 plus interest at 1.00% 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 2020:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
645,000	197,425	2.00	2021
940,000	184,525	2.00	2022
960,000	165,725	2.00	2023
720,000	146,525	4.00	2024
2,660,000	117,725	4.00	2025
<u>2,240,000</u>	<u>80,350</u>	2.00	2026 – 2030
<u>\$ 8,165,000</u>	<u>\$ 892,275</u>		

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (Continued)

\$8,880,000 General Obligation Bonds, Series of A 2020

On July 16, 2020, the Township of Derry authorized the issuance of the General Obligation Bonds, Series A of 2020. 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 \$1,065,000 through December 15, 2040 plus interest at 1.00% 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 A of 2020:

<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
5,000	447,514	1.00	2021
5,000	316,463	1.00	2022
5,000	316,413	1.00	2023
5,000	316,363	1.00	2024
5,000	316,313	1.25	2025
2,175,000	1,526,425	1.50 – 3.00	2026 – 2030
4,275,000	945,350	3.00 – 4.00	2031 – 2035
<u>2,405,000</u>	<u>256,600</u>	4.00	2036 – 2040
<u>\$ 8,880,000</u>	<u>\$ 4,441,441</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 DCIB, 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>
136,308	37,493	2.00	2021
136,308	37,153	2.00	2022
136,308	36,812	2.00	2023
136,309	35,108	3.00	2024
139,716	33,404	3.00	2025
732,657	126,085	3.00 – 4.00	2026 – 2030
800,810	62,370	3.00 – 3.25	2031 – 2035
<u>337,363</u>	<u>8,251</u>	3.375	2036 – 2037
<u>\$ 2,555,779</u>	<u>\$ 376,676</u>		

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. LONG-TERM DEBT (CONTINUED)

Summary

The following summarizes the Township's future annual debt service requirements to maturity for the Township's long-term debt at December 31, 2020. 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 2018, 2019A, 2020 and 2020A.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	2,419,104	2,128,817	4,547,921
2022	2,639,875	1,933,818	4,573,693
2023	2,610,404	1,881,297	4,491,701
2024	2,297,147	1,829,867	4,127,014
2025	4,307,469	1,758,351	6,065,820
2026 – 2030	21,596,204	6,953,744	28,549,948
2031 – 2035	13,260,810	4,006,070	17,266,880
2036 – 2040	<u>13,182,363</u>	<u>1,522,438</u>	<u>14,704,801</u>
Total	<u>\$ 62,313,376</u>	<u>\$ 22,014,402</u>	<u>\$ 84,327,778</u>

Derry Township Municipal Authority

The Authority's long-term debt consists of three types of obligations. The Authority has issued its own debt instruments in the form of Sewer Revenue Bonds, which are typically guaranteed by the Township of Derry. In addition, in certain circumstances, the Authority has requested the Township of Derry to issue General Obligation Bonds or Notes to fund Authority projects and the Township has done so. This approach has provided certain financial benefits to the Authority. The Authority and Township have entered into subsidy agreements and amendments thereto which make the Authority fully responsible to the Township to repay the debt associated with the Authority's projects. Finally, the Authority has entered into capital lease obligations with neighboring Conewago Township and Conewago Municipal Authority.

The subsidy agreements with the Township of Derry contain various covenants of the Authority. Included in the subsidy agreements, as well as in the Guaranteed Sewer Revenue Bonds, are covenants to impose and collect sewer rentals, rates and other charges in each year sufficient, together with other available funds, to pay the administrative expenses and operation and maintenance expenses of the Authority's sewer system. Additionally, in accordance with the terms of the subsidy agreements, the Authority is bound to pay its share of the debt service on the related debt.

The Guaranteed Sewer Revenue Bonds are secured solely by the receipts and revenues of the sewer system.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. LONG-TERM DEBT (CONTINUED)

Derry Township Municipal Authority

Long-term bonds and leases outstanding at December 31, 2020 are as follows:

	Original Borrowing	Date of Issue / Maturity	Interest rates to Maturity	Annual Principal Payments to Maturity	Outstanding December 31, 2020
Guaranteed Sewer Revenue Bonds:					
Series of 2005	\$ 10,000,000	2005/2028	4.50%	\$5,000	\$ 5,000
Series of 2015	9,020,000	2015/2024	2.00% to 3.00%	\$900,000 to \$1,290,000	4,270,000
Series of 2016	8,850,000	2016/2025	2.00% to 4.00%	\$525,000 to \$1,120,000	4,830,000
Series of 2019	9,535,000	2019/2037	1.70% to 4.00%	\$5,000 to \$1,275,000	9,530,000
Township of Derry, General Obligation Bonds – Subsidy Agreements:					
Series of 2018	5,010,000	2018/2030	1.70% to 4.00%	\$5,000 to \$2,445,000	5,000,000
Series of 2019	4,335,000	2019/2027	1.16% to 3.00%	\$5,000 to \$2,295,000	4,155,000
Series of 2020	8,915,000	2020/2028	1.00% to 4.00%	\$610,000 to \$2,660,000	8,165,000
Series of 2020A	8,880,000	2020/2040	1.00% to 4.00%	\$5,000 to \$1,065,000	8,880,000
Capital Lease Obligations:					
Phase I	2,740,609	2007/2025	1.00%	\$119,230 to \$157,590	727,564
Phase II	<u>4,591,356</u>	2010/2032	1.00%	\$51,453 to \$204,524	<u>2,177,255</u>
Total	<u>\$ 71,876,965</u>				<u>\$ 47,739,819</u>

On April 30, 2019, Guaranteed Sewer Revenue Bonds, Series of 2019 were issued in the amount of \$9,535,000. Proceeds from the bonds were used to pay the costs of issuing the bonds and to finance certain capital projects of the Authority. The annual principal payments range from \$5,000 to \$1,275,000 with final payment due December 15, 2037 (with interest rates ranging from 1.70% to 4.00%).

An amendment to the subsidy agreement with the Township of Derry was signed in September 2019, and a General Obligation Bond, Series A of 2019 was issued on September 30, 2019 in the amount of \$4,335,000. Proceeds from the bonds were used to pay the costs of issuing the bonds and to refund the General Obligation Bonds, Series of 2014. The annual principal payments range from \$5,000 to \$2,295,000 with final payment due December 15, 2027 (with interest rates ranging from 1.16% to 3.00%). The present value savings from the issue of this bond was approximately \$249,000.

An amendment to the subsidy agreement with the Township of Derry was signed in April 2020, and a General Obligation Bond, Series of 2020 was issued on April 3, 2020 in the amount of \$8,915,000. Proceeds from the bond were used to pay the costs of issuing the bond and to refund the General Obligation bonds Series of 2015 and General Obligation bonds Series of 2016. The annual principal payments range from \$350,000 to \$2,285,000 with final payment due December 15, 2028 (with interest rates ranging from 1.00% to 4.00%). The present value savings from the issue of this bond was approximately \$436,000.

An amendment to the subsidy agreement with the Township of Derry was signed in July 2020, and a General Obligation Bond, Series of 2020A was issued on July 16, 2020 in the amount of \$8,880,000. Proceeds from the bond will be used to fund various capital improvement projects of the Authority. The annual principal payments range from \$5,000 to \$1,065,000 with final payment due December 15, 2040 (with interest rates ranging from 1.00% to 4.00%).

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. LONG-TERM DEBT (CONTINUED)

Derry Township Municipal Authority

Changes in long-term liabilities for the year ended December 31, 2020 are as follows:

	<u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31</u>
Sewer Revenue Bonds:				
Series of 2005	\$ 5,000	\$ -	\$ -	\$ 5,000
Series of 2015	5,215,000	-	(945,000)	4,270,000
Series of 2016	5,565,000	-	(735,000)	4,830,000
Series of 2019	9,535,000	-	(5,000)	9,530,000
Subsidy Agreements:				
Series of 2015	7,160,000	-	(7,160,000)	-
Series of 2016	1,980,000	-	(1,980,000)	-
Series of 2018	5,005,000	-	(5,000)	5,000,000
Series of 2019	4,160,000	-	(5,000)	4,155,000
Series of 2020	-	8,915,000	(750,000)	8,165,000
Series of 2020A	<u>-</u>	<u>8,880,000</u>	<u>-</u>	<u>8,880,000</u>
Total Bonds Payable	38,625,000	17,795,000	(11,585,000)	44,835,000
Capital Lease Obligations	<u>3,239,740</u>	<u>-</u>	<u>(334,921)</u>	<u>2,904,819</u>
Total Debt	41,864,740	<u>\$ 17,795,000</u>	<u>\$ (11,919,921)</u>	47,739,819
Current Maturities:				(3,018,285)
Unamortized Original Issue Premium, net				<u>2,327,316</u>
Long-term Debt, Net of Current Maturities and Premium				<u>\$ 47,048,850</u>

Capital lease obligations:

The Authority has entered into two capital leases with Conewago Township and Conewago Municipal Authority, respectively. Under two separate sewer service and lease agreements, Conewago Township and its Authority lease their sewer systems to the Derry Township Municipal Authority for operation and maintenance. The capital lease obligation to Conewago Township had a balance of \$879,105 at December 31, 2020. The cost of the related capital asset is \$4,229,548, with accumulated depreciation of \$789,444. The capital lease obligation to Conewago Municipal Authority had a balance of \$2,360,635 at December 31, 2020. The cost of the related capital asset is \$4,099,169, with accumulated depreciation of \$512,396.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. LONG-TERM DEBT (CONTINUED)

Derry Township Municipal Authority

Debt service requirements to maturity:

The annual requirements for the Authority's long-term debt are shown below:

Year Ended	Principal	Interest	Total
2021	\$ 3,018,285	\$ 1,504,595	\$ 4,522,880
2022	3,376,399	1,296,368	4,672,767
2023	3,439,829	1,232,411	4,672,240
2024	3,508,293	1,164,671	4,672,964
2025	3,551,849	1,079,221	4,631,070
2026-2030	16,042,509	4,112,413	20,154,922
2031-2035	10,192,655	2,077,058	12,269,713
2036-2040	<u>4,610,000</u>	<u>382,000</u>	<u>4,992,000</u>
	<u>\$ 47,739,819</u>	<u>\$ 12,848,737</u>	<u>\$ 60,588,556</u>

9. DERIVATIVE INSTRUMENTS, INTEREST RATE SWAP AGREEMENT

The Township utilizes interest rate swap agreements to manage variability in cash flows associated with interest rate risk exposure. The Township had one swap agreement in place as of December 31, 2020. The intention of the swap agreement was to assist in generating revenues while interest rates are low. The agreement is considered to be a derivative instrument and exposes the Township to the following risks:

Basis risk – A loss in cash flows may occur because of the differences in the indexes upon which a derivative instrument and the item it hedges are based – for example, the LIBOR (London Interbank Offered Rate) versus the SIFMA (Securities Industries and Financial markets Association) index.

Credit risk – There is a chance that the Township will not receive additional payments towards its interest payments if the counterparty to the swap defaults.

Interest rate risk – Changes in interest rates could reduce the value of the derivative instrument to the Township.

Termination risk – There is a possibility that the derivative instrument may end earlier than expected, thus depriving the government of the protection from risk and potentially requiring it to make a significant termination payment.

On March 13, 2018, the Township approved a Basis Swap with Royal Bank of Canada as the counterparty. The Swap was related to the Township's General Obligation Notes, Series of 2019. When the Township entered into the swap, the outstanding amount was \$25,000,000. Under the terms of the Basis Swap, the Township began to pay RBC the SIFMA Municipal Swap Index rate semi-annually on June 1, 2019 and received from RBC 80% of the three month LIBOR Index annually starting on the same day.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

9. DERIVATIVE INSTRUMENTS, INTEREST RATE SWAP AGREEMENT (CONTINUED)

On May 14, 2019, The Township adopted a resolution authorizing the extension of the effective date and mandatory early termination date of the swap agreement from June 1, 2019 to December 31, 2019 and reducing the beginning notional from \$25,000,000 to \$20,000,000. As a result of the partial termination, the Township made a termination payment to the Counterparty out of Township cash in the amount of \$343,000. As a result of the extension of the effective date, the Township will be a payer of a fixed swap rate of 2.513%, which is an increase from the original fixed swap rate of 2.4887%

On October 8, 2019, the Township adopted a new parameters bond ordinance for a maximum par amount of \$40,000,000 which was approved by the Department of Community and Economic Development on November 1, 2019. On November 1, 2019, the prior bonds which were deemed uncompleted and the Swap was transferred to this new series of bonds. On December 10, 2019, the Township priced its fixed rate bonds Series C of 2019 for a portion of its capital projects. On December 17, 2019, the Township adopted a resolution authorizing an extension of the effective date and mandatory early termination date of the Swap from December 31, 2019 to December 31, 2020 and reducing the beginning notional from \$20,000,000 to \$14,000,000. The Swap Amendment #2 is in conjunction with the Township's capital project plan. The Swap Amendment #2 was priced on December 18, 2019. On December 20, 2019, as a result of the partial termination, the Township made a termination payment to the Counterparty out of Township cash in the amount of \$704,400. As a result of the extension of the effective date, the Township will be a payer of a fixed swap rate of 2.622% which is an increase from the previous fixed swap rate of 2.513%.

A summary of the terms, objectives, effective dates, and fair value of the outstanding swap as of December 31, 2020 is presented below. The fair value of the swap agreement was determined by RBC Capital Markets using proprietary models that are based on financial principles and assumptions and does not indicate the price that the swap could be terminated.

	Swap for General Obligation Bonds, Series of 2019
Objective	Hedge of changes in cash flows
Notional amount as of 12/31/20	\$ 14,000,000
Effective date	March 13, 2018
Maturity date	January 12, 2040
Terms	Receive three month LIBOR index times 80%; pay SIFMA Municipal Swap Index rate
Fair value as of 12/31/19	Unrealized loss of \$1,650,507 as determined by RBC Capital Markets
Fair value as of 12/31/20	Unrealized loss of \$3,099,548 as determined by RBC Capital Markets
Counterparty credit ratings	AA- Standard & Poors A2 Moody's
Name of counterparty	Royal Bank of Canada

The swap agreement was designed to create additional cash flow for the Township and does not affect the interest payment requirements of the related general obligation bonds named in the agreement. Therefore, the effectiveness of the swap was based on whether the derivative met the Township's goal of significantly reducing financial risk by providing changes in cash flows that substantially offset the required interest payments. The swap was deemed to be effective for the year ended December 31, 2020.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

10. INTERFUND BALANCES

Interfund balances at December 31, 2020 consisted of the following:

\$ 410,501 due to the Capital Projects Fund from the Recycling Fund
 \$ 791,246 due to the General Fund from the Capital Projects
 \$ 11 due to the General Fund from the Recycling 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.

Interfund transfers for the year ended December 31, 2020 consisted of the following:

	Transfer From			Total
	General Fund	Capital Projects Fund	Recycling Fund	
<u>Transfer To</u>				
General Fund	\$ -	\$ 7,757	173,155	\$ 180,912
Capital Projects	433,974	-	-	433,974
Nonmajor Governmental Street Light Fund	63,538	-	-	63,538
Total	<u>\$ 497,512</u>	<u>\$ 7,757</u>	<u>\$ 173,155</u>	<u>\$ 678,424</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.

11. SUMMARY OF EXPENDITURES OVER APPROPRIATIONS

In the Capital Projects Fund, actual expenditures exceeded appropriations by \$8,720,620. The excess expenditures were a result of debt refinancing that was 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, 2020

12. DEFICIT FUND BALANCE

As of December 31, 2020, the Street Light Fund had a negative unassigned fund balance of \$67,046. 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, 2020, the Township assigned a portion of the General Fund fund balance to cover the deficit.

As of December 31, 2020, the Capital Projects Fund had a negative unassigned fund balance of \$4,253,039. 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, 2020, the Township assigned a portion of the General Fund fund balance to cover the deficit.

As of December 31, 2020, the Recycling Fund had a negative unrestricted fund balance of \$1,679,902. 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, 2020, 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 \$332,674. Of this amount, \$330,195 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, 2020, the Township was committed under contracts totaling \$1,771,129 for ongoing projects. This was recorded in accounts payable as of December 31, 2020.

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 these repairs but as an estimate they have recorded a contingent liability of \$675,000 in the Recycling Fund as of December 31, 2020.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

14. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

The Township has entered into a subsidy agreement between the Authority and the Township, the Authority agrees to pay the Township, from the receipts and revenues from the Authority's sewer system, amounts sufficient to pay the principal of and interest on the Bonds and the Prior Outstanding Subsidized Debt when and as the same become due on the Derry Township Municipal Authority Sewer Revenue Bonds, Series of 2018, 2019A, 2020 and 2020A when due and for such payment has pledged its full faith, credit and taxing powers. These bonds are scheduled to mature in 2030, 2027, 2028 and 2040, respectively. The outstanding principal balance of these bonds at December 31, 2020 was \$26,200,000.

The Subsidy Agreement contains various covenants of the Authority, among which is a covenant to impose and collect sewer rental, rates and other charges in each year sufficient, together with other available funds, to pay the administrative expenses and operation and maintenance expenses of the Authority's sewer system and to pay, in accordance with the terms of the Subsidy Agreement, the amounts payable in respect of the debt service on the Bonds and the Prior Outstanding Subsidized Debt. The Subsidy Agreement may be amended by the Township and the Authority at any time, and the covenants contained therein should not be considered as being for the benefit of the holders of the Bonds and the Prior Outstanding Subsidized Debt. While the Township intends to pay the debt service on the Bonds from the payments which it is to receive from the Authority under the Subsidy Agreement, the Township has nevertheless pledged its full faith, credit and taxing power to the payment of the principal of and interest on the Bonds.

Guarantee of Indebtedness of Others

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, 2020, the loan balance was \$2,725,000. The guaranty is scheduled to expire when the note matures on December 2034. The Township does not expect to have to make any payments on this debt.

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 2020 when due and for such payment has pledged its full faith, credit and taxing powers. The bond is scheduled to mature in 2040. The total outstanding principal balance of the bonds at December 31, 2020 was \$6,835,000.

The Liability recognized for the nonexchange financial guarantee at December 31, 2020 is as follows:

	<u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31</u>
Guaranteed Debt Issue:				
Guaranteed Township Revenue Bond - 2015	\$ 7,620,000	\$ -	\$ 7,620,000	\$ -
Guaranteed Township Revenue Bond - 2020	<u>-</u>	<u>6,835,000</u>	<u>-</u>	<u>6,835,000</u>
Total Guaranteed debt	<u>\$ 7,620,000</u>	<u>6,835,000</u>	<u>\$ 7,620,000</u>	<u>\$ 6,835,000</u>

The Township does not expect to recover any payments it makes on the Authority's guaranteed debt. During 2020, the Township recognized a contingency gain of \$886,170 for the refinancing of the guaranteed revenue bonds.

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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020:

	Police Pension <u>Plan</u>	Non-uniform Defined Benefit <u>Pension Plan</u>	Non-uniform Cash Balance <u>Pension Plan</u>
Active employees	33	62	0
Retirees and beneficiaries currently receiving benefits	31	30	5
Terminated employees entitled to benefits but not yet receiving them	2	7	5
Surviving Spouse	1	0	0
Collecting under disability	<u>1</u>	<u>0</u>	<u>0</u>
Total	<u>68</u>	<u>99</u>	<u>10</u>

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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

15. RETIREMENT PLANS (CONTINUED)

Derry Township Police Pension Plan (Continued)

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 2020, 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 2019.

The annual required contribution for the current year was determined through an actuarial calculation as mandated by Act 205 based on an estimated 2020 payroll of \$3,428,753.

Actuarial Assumptions

The total pension liability in the January 1, 2019 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 PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2018 to reflect mortality improvement.

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%

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

15. RETIREMENT PLANS (CONTINUED)

Derry Township Police Pension Plan (Continued)

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.

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 12/31/2019	\$ 25,873,705	\$ 23,930,370	\$ 1,943,335
Service Cost	607,853	-	607,853
Interest Cost	1,971,951	-	1,971,951
Changes of Benefit Terms	-	-	-
Changes of Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions – Employer	-	1,066,550	(1,066,550)
Contributions – Member	-	103,479	(103,479)
Net Investment Income	-	2,718,876	(2,718,876)
Benefit Payments, including refunds of member contributions	(991,864)	(991,864)	-
Administrative Expense	-	(13,800)	13,800
Other Changes	-	-	-
Net Changes	<u>1,587,940</u>	<u>2,883,241</u>	<u>(1,295,301)</u>
Balances at 12/31/20	<u>\$ 27,461,645</u>	<u>\$ 26,813,611</u>	<u>\$ 648,034</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.

	<u>Increase(Decrease)</u>		
	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	\$ 3,931,175	\$ 648,034	\$ (2,080,307)

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	\$ -	\$ 135,184
Change of Assumptions	502,227	-
Net Difference between Projected and Actual Investment Earnings on Police Pension Plan Investments	-	\$ 1,329,904
Total	<u>\$ 502,227</u>	<u>\$ 1,465,088</u>

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

Year ended December 31:	
2021	\$ (228,832)
2021	(66,567)
2023	(543,704)
2024	(123,758)
Total	<u>\$ (962,861)</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, 2020

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 2020.

The annual required contribution for the current year was determined through an actuarial calculation as mandated by Act 205 based on estimated 2020 payroll of \$3,387,790.

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	2.80%	
Salary Increases	3.30%	(average, including inflation)
Investment Rate of Return	5.25%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

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%	4.7%
Domestic Equity (small capitalized firms)	15%	7.1%
International Equity (international developed markets)	15%	2.9%
International Equity (emerging markets)	10%	7.6%
Real Estate	20%	5.3%
Fixed Income	15%	0.0%

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/2018	\$ 16,470,146	\$ 14,023,612	\$ 2,446,534
Adjustments	-	-	-
Service Cost	488,649	-	488,649
Interest Cost	869,688	-	869,688
Changes of Benefit Terms	-	-	-
Changes of Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions – Employer	-	540,744	(540,744)
Contributions – PMRS assessment	-	2,060	(2,060)
Contributions – Member	-	180,533	(180,533)
PMRS Investment Income	-	764,183	(764,183)
Market value investment income	-	2,132,790	(2,132,790)
Transfers	-	-	-
Benefit Payments, including refunds of member contributions	(796,802)	(796,802)	-
PMRS administrative expense	-	(2,060)	2,060
Additional administrative expense	-	(26,415)	26,415
Net Changes	<u>561,535</u>	<u>2,795,033</u>	<u>(2,233,498)</u>
Balances at 12/31/19	<u>\$ 17,031,681</u>	<u>\$ 16,818,645</u>	<u>\$ 213,036</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 (4.25%)	Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability	\$ 2,331,249	\$ 213,036	\$ (1,580,801)

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	\$ 45,738	\$ 116,525
Changes in Assumptions	263,534	-
Contributions Subsequent to Measurement Date	443,589	-
Net Difference between Projected and Actual Investment Earnings on Non-Uniform Pension Plan Investments	-	1,551,505
Total	<u>\$ 309,272</u>	<u>\$ 1,668,030</u>

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

Year ended December 31:	
2020	\$ 63,912
2021	(366,403)
2022	(171,609)
2023	(441,069)
2024	-
Thereafter	-
Total	<u>\$ (915,169)</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020, the Township made no contributions and paid an administrative fee of \$200.

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	2.80%	
Salary Increases	3.30%	(average, including inflation)
Investment Rate of Return	5.25%	(including inflation)
Postretirement Cost of Living Increase	0.00%	

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%	4.7%
Domestic Equity (small capitalized firms)	15%	7.1%
International Equity (international developed markets)	15%	2.9%
International Equity (emerging markets)	10%	7.6%
Real Estate	20%	5.3%
Fixed Income	15%	0.0%

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at 12/31/2018	\$ 1,491,710	\$ 1,385,189	\$ 106,521
Adjustments	-	-	-
Service Cost	-	-	-
Interest Cost	75,993	-	75,993
Changes of Benefit	-	-	-
Changes of Experience	-	-	-
Changes of Assumptions	-	-	-
Contributions – Employer	-	-	-
Contributions – PMRS assessment	-	200	(200)
Contributions – Member	-	-	-
PMRS Investment Income	-	75,792	(75,792)
Market value investment income	-	203,887	(203,887)
Transfers	-	-	-
Benefit Payments, including refunds of member contributions	(45,574)	(45,574)	-
PMRS administrative expense	-	(200)	200
Additional administrative expense	-	(2,689)	2,689
Net Changes	30,419	231,416	(200,997)
Balances at 12/31/19	\$ 1,522,129	\$ 1,616,605	\$ (94,476)

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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>		
	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability	\$ 121,544	\$ (94,476)	\$ (301,171)

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	-	135,500
Total	<u>\$ -</u>	<u>\$ 135,500</u>

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

Year ended December 31:	
2020	\$ (46,059)
2021	(39,817)
2022	(8,845)
2023	(40,779)
2024	-
Thereafter	-
Total	<u>\$ (135,500)</u>

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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.

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 2020, the Township made no contribution and instead elected to continue funding on a pay-as-you-go basis, which amounted to \$285,893 for 2020. These costs are recognized as an expense when claims or premiums are paid.

Plan Membership

Membership consisted of the following at December 31, 2020:

Active employees	102
Retirees and beneficiaries currently receiving benefits	<u>10</u>
Total	<u>112</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Actuarial methods and assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019, 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	3.26% (S&P Municipal Bond 20-Year High Grade Rate Index)
Healthcare Cost Trend Rates	5.5% 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	PubS-2010 mortality table, including rates for disabled retirees and contingent survivors

The following changes in actuarial assumption have been made since the prior measurement date: discount rate changed from 3.64% to 3.26%.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.26% for the plan, relating to the S&P Municipal Bond 20-Year High Grade Rate Index as of January 1, 2020. 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 12/31/19	\$ 11,198,432
Service Cost	731,453
Interest	429,403
Changes in Benefit Terms	-
Differences between Expected and Actual Experience	-
Changes of Assumptions	449,305
Benefit Payments	(245,703)
Other Charges	-
Net Changes	1,364,458
Balance as of 12/31/20	<u>\$ 12,562,890</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 3.64%, 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
	(2.26%)	(3.26%)	(4.26%)
Net OPEB Liability	\$ 13,627,473	\$ 12,562,890	\$ 11,584,936

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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 health care cost trend rate of 5.50%, as well as what the liability would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage point higher than the current rate.

		<u>Increase(Decrease)</u>	
	1% Decrease	Current Rate	1% Increase
Net OPEB Liability	\$ 11,054,018	\$ 12,562,890	\$ 14,343,268

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	\$ -	\$ 175,782
Changes in Assumptions	707,186	419,972
Contributions Subsequent to Measurement Date	285,893	-
Net Difference between Projected and Actual Investment Earnings on Non-Uniform Pension Plan Investments	-	-
Total	<u>\$ 993,079</u>	<u>\$ 595,754</u>

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

Year ended December 31:

2021	\$ 10,681
2022	10,681
2023	10,681
2024	10,681
2025	10,681
Thereafter	58,027
Total	<u>\$ 111,432</u>

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Derry Township Municipal Authority

The Authority applies GASB standards for the measurement, recognition and reporting of expenditures for OPEB other than pensions and the related liabilities in the financial reports of state and local governmental employers.

Plan description:

The Authority provides certain postemployment healthcare benefits to its employee retirees through one single-employer, defined benefit other postemployment benefit (OPEB) plan. The Authority's OPEB plan is governed by the Derry Township Municipal Authority Board, which may amend provisions, and which is responsible for the management of plan assets. The OPEB plan does not issue a separate report.

Eligibility: Any employee who retires after having at least 15 years of service and after attaining age 60, or who retires after having at least 10 years of service after attaining age 62.

Plan Membership

Membership consisted of the following at December 31, 2020:

Active employees	33
Retirees and beneficiaries currently receiving benefits	<u>2</u>
Total	<u><u>35</u></u>

Benefits provided:

Medical and prescription drug coverage is provided to the retiree until the earlier of Medicare age or five years maximum. The retiree is responsible for paying \$250 per year for coverage. Coverage will not be provided if the retiree is eligible for coverage from another employer, and upon loss of coverage, the retiree is not eligible to return to the plan. Spouses of retirees are also eligible for the same benefits under the same terms as long as they are not eligible for coverage from another employer.

Changes in net OPEB liability:

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend rate. Amounts determined are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future.

The net OPEB liability was measured as of December 31, 2020, and the net OPEB liability was determined by rolling forward the liability from an actuarial valuation as of January 1, 2020. No other significant events or changes in assumptions occurred between the valuation date and year end, except for the discount rate changing from 3.26% to 1.93%.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Derry Township Municipal Authority

Changes in the Total OPEB Liability

Balance as of 12/31/19	
Service Cost	\$ 93,969
Interest	39,121
Changes in Benefit Terms	-
Differences between Expected and Actual Experience	(9,565)
Changes of Assumptions	69,920
Benefit Payments	(96,487)
Other Charges	-
Net Changes	96,958
Net OPEB Liability:	
Beginning of Year	1,158,332
Balance as of 12/31/20	<u>\$ 1,255,290</u>
Covered employee payroll	\$ 2,220,118
Net OPEB Liability as a percentage of covered employee payroll	56.54%

Actuarial methods and assumptions:

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020 rolled forward to December 31, 2020, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified.

Valuation Date	1/1/20
Actuarial Cost Method	Entry Age Normal Cost Method
Actuarial Assumptions:	
Salary Increase/Inflation	Annual increase of 5.5%
Discount Rate	1.93% (S&P Municipal Bond 20-Year High Grade Rate Index)
Healthcare Cost Trend Rates	5.50% in 2020 through 2023. Rates gradually decrease from 5.40% in 2024 to 4.0% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.
Retiree Contributions	Retiree contributions, if any, are assumed to increase at the same rate as the Health Care Costs Trend Rate

Withdrawal rates:	Age	Rate
	20	5.50%
	25	5.00%
	30	4.00%
	35	2.50%
	40	1.00%
	45	0.50%
	50	0.00%
	55	0.00%
	60	0.00%

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Derry Township Municipal Authority

Actuarial methods and assumptions

Per Capita Claims Costs:

Medical and Prescription Drug Combined		
Age	Males	Females
45-49	\$ 7,412	\$ 10,704
50-54	9,816	12,097
55-59	11,955	12,658
60-64	15,601	14,541

Disability	No disability was assumed
Retirement	10% for age 60-62, 50% for ages 62-64, and 100% at age 65
Mortality	PubG-2010 mortality table, include rates for disabled retirees and contingent survivors
Eligible Retirees electing coverage	100%
Married at Retirement	80%
Spouse Age	Wives are assumed to be three years younger than their husbands

Currently, the Authority does not have an investment policy statement for the OPEB plan, since the Authority does not maintain investments for the OPEB plan. Therefore, the Authority's OPEB plan does not have a target allocation or a long-term expected real rate of return for investments.

Discount rate:

The discount rate used to measure the total OPEB liability was 1.93%. This is based on the S&P Bond 20-year High Grade Rate Index at December 31, 2020.

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

The following presents the net OPEB liability of the plan calculated using the discount rate described above, as well as what the plan's net OPEB liability would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rates:

	1% Decrease 0.93%	Increase(Decrease) Current Rate 1.93%	1% Increase 2.93%
Net OPEB Liability	<u>\$ 1,298,059</u>	<u>\$ 1,255,290</u>	<u>\$ 1,211,635</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

Derry Township Municipal Authority

Sensitivity of the net OPEB liability to changes in the Healthcare Cost Trend Rate:

The following presents the net OPEB liability of the plan calculated using the Healthcare Cost Trend Rate described above, as well as what the plan's net OPEB liability would be if they were calculated using Healthcare Cost Trend Rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Increase(Decrease) Current Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ <u>1,144,446</u>	\$ <u>1,255,290</u>	\$ <u>1,385,763</u>

OPEB expense:

The OPEB expense for the Authority for the years ended December 31, 2019 was as follows:

	2019
Changes of benefit terms	\$ -
Service Costs	93,969
Interest	39,121
Amortization of deferred outflows	6,697
Amortization of deferred inflows	<u>(736)</u>
Total OPEB Expense	\$ <u>139,051</u>

Deferred outflows of resources related to OPEB:

At December 31, 2019, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 77,729	\$ -
Difference between expected and actual experience	<u>-</u>	<u>8,829</u>
Total	\$ <u>77,729</u>	\$ <u>8,829</u>

The effect of the changes of assumptions are recognized over the average expected remaining service lives of active and inactive members. Amounts reported as deferred outflows of resources related to the OPEB plan will be recognized in OPEB expense as follows for the years ended December 31:

Year Ended	
2021	\$ 5,961
2022	5,961
2023	5,961
2024	5,961
2025	5,961
Thereafter	<u>39,095</u>
Total	\$ <u>68,900</u>

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

17. Lease with the Township of Derry Industrial and Commercial Development Authority

Derry Township Municipal Authority

On January 1, 2006, the Derry Township Municipal Authority entered into an agreement with the Township of Derry Industrial and Commercial Development Authority (the ICDA) to lease to the ICDA approximately 12 acres of land along Hershey park Drive, Hershey, Pennsylvania. The cost of the land was \$1,104,304. The ICDA has constructed three buildings to provide office and operational space for the Township of Derry's administrative staff, police force and Tax Collection Association. The lease is for a period of 40 years and provides for varying levels of rental payments over the term of the lease, currently \$2,000 per month. Rental income pertaining to the lease was \$24,000 for the years ended December 31, 2020.

The following is a schedule by years of minimum future rentals relating to the land leased to the ICDA:

<u>Year Ended</u>	<u>Amount</u>
2021	\$ 24,000
2022	24,000
2023	24,000
2024	24,000
2025	24,000
2026-2030	120,000
2031-2035	120,000
2036-2040	120,000
2041-2045	120,000

18. DEFERRED COMPENSATION PLAN

Derry Township Municipal Authority

In September 1992, the Authority entered into an agreement with The International City Management Association (ICMA) Retirement Corporation to provide a deferred compensation plan in accordance with Internal Revenue Code, Section 457 on a voluntary basis to full-time employees. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is only available to participants at employment termination, retirement, death or unforeseeable emergencies. In 2016, an employee loan provision was added to the plan. The Authority makes a matching contribution to the plan in the amount of 50% of the first 4% of salary deferred by the employee. In accordance with federal law, a trust fund was established for the deposit of Section 457 assets. The trust fund is for the exclusive benefit of plan participants and beneficiaries. Because the assets are not owned by the Authority, but are held in a trust, the deferred compensation assets and related liabilities are not recorded in the Authority's financial statements. The Authority's responsibilities are to submit participant payroll deductions and enrollment change forms to the plan administrator (ICMA Retirement Corporation) and review the quarterly statements for accuracy. Investments are managed by the plan's trustee, with various investment options available. The choice of the investment options is made by the employee.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

19. COMMITMENTS

The Township has active construction projects as of December 31, 2020. At year end, the financial commitments with contractors related to these projects are as follows:

Project	Remaining Commitment as of December 31, 2020
Community Center	\$ 14,356,539
Totals	<u>\$ 14,356,539</u>

Derry Township Municipal Authority

The Authority has active construction projects as of December 31, 2020. At year end, the financial commitments with contractors related to these projects are as follows:

Project	Remaining Commitment as of December 31, 2020
Relocation of Power Center #2 and Power Improvements	\$ 535,717
Energy enhancements	12,005,267
CHP Congregation Engines	968,080
Raw sewage pumps replacement	2,707,015
UV System Replacement	738,000
Vactor flush truck	<u>406,494</u>
Totals	<u>\$ 17,360,573</u>

20. PRIOR PERIOD ADJUSTMENTS

During 2020, management determined that the following prior period adjustments were required in the financial statements.

1. Management determined that capital projects accounts payable was understated by \$493,656.
2. Management determined that capital projects unearned revenue was understated by \$29,783.
3. Management determined that capital projects grants receivable was understated by \$839,785.
4. Management determined that capital projects unavailable revenue was understated by \$839,785.
5. Management determined that construction in progress as understated by \$493,656.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

20. PRIOR PERIOD ADJUSTMENT (CONTINUED)

	<u>Governmental Activities</u>	<u>Capital Projects</u>
Beginning Net Position, as Previously Reported, December 31, 2019	\$ 38,995,547	\$ 18,786,216
Prior Period Adjustments:		
Accounts Payable	(493,656)	(493,656)
Deferred revenue	29,783	29,783
Grants Receivable	839,785	839,785
Unavailable revenue	-	(839,785)
Construction in Progress	<u>493,656</u>	<u>-</u>
Net Position, as Restated, January 1, 2020	<u>\$ 39,865,115</u>	<u>\$ 18,322,343</u>

21. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 24, 2022, the date which the financial statements were available to be issued.

In April 2021, General Obligation Bonds, Series A of 2021 and Township Revenue Bonds, Series B of 2021 were issued by the Derry Township. 2021 Series A Bonds were issued in the amount of \$13,660,000 for the purpose of: (1) acquiring, designing, constructing, furnishing, and equipping a new community center, (2) improvements to the Township landfill, (3) the replacement of the Township's police department building roof, (4) installation of new HVAC systems for the Township's public works building, (5) IT Security System upgrades (6) capitalizing interest on a portion of the 2021 A Bonds, (7) pay the allocable costs of issuing the 2021A bonds. 2021 Series B Bonds were issued in the amount of \$2,140,000 for the purpose of: funding the termination payment of the interest rate hedge related to the 2021A bonds and pay the allocable costs of issuing the 2021B Bonds.

In April 2021, the township terminated the SWAP derivative for an amount of \$2,104,000.

Subsequent to December 31, 2020, the Township has been operating in an environment that has been economically impacted by the COVID-19 pandemic. The full impact of the pandemic on the Township is not known as of the release of these financial statements. However, management is monitoring the current conditions and their potential impact.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

21. SUBSEQUENT EVENTS (CONTINUED)

Derry Township Municipal Authority

In March 2021, Sewer Revenue Bonds 2021 Series A & B were issued by the Derry Township Municipal Authority as follows:

2021 Series A Bonds (Arb Yield 0.4136%) were issued in the amount of \$7,360,000 for the purpose of: (1) currently refund the Authority's outstanding Guaranteed Sewer Revenue Bonds, Series of 2005, (2) currently refund the Authority's outstanding Guaranteed Sewer Revenue Bonds, Series of 2015, (3) currently refund the Authority's outstanding Guaranteed Sewer Revenue Bonds, Series of 2016 and (4) pay the allocable costs of insuring and issuing the 2021A Bonds.

2021 Series B Bonds (Arb Yield 2.4014%) were issued in the amount of \$10,840,000 for the purpose of:

- (1) advance refund the Authority's outstanding Guaranteed Sewer Revenue Bonds, Series of 2019 and
- (2) pay the allocable costs of insuring and issuing the 2021B Bonds.

In May 2021, Sewer Revenue Bonds 2021 Series C were issued by the Derry Township Municipal Authority. 2021 Series C Bonds (Arb Yield 1.29932%) were issued in the amount of \$9,135,000 for the purpose of: (1) funding of a 2021 Capital Project fund for the Construction of Capital Additions to the Sewer System, including, but not limited to the Clearwater WWTF Energy Enhancements, Power and Control Systems Flood Mitigation, Southwest WWTF Upgrade and Clearwater Phase I Facility Improvements and (2) pay the allocable costs of insuring and issuing the 2021C Bonds.

The Authority has evaluated subsequent events through March 24, 2022, which is the date the financial statements were available to be issued.

TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Taxes				
Real estate taxes, net of discount	\$ 5,221,317	\$ 5,221,317	\$ 5,223,009	\$ 1,692
Real estate transfer tax	850,000	850,000	1,092,046	242,046
Earned income tax	5,100,000	5,100,000	5,436,054	336,054
Occupation tax	2,215,000	2,215,000	2,163,824	(51,176)
Local services tax	1,390,000	1,390,000	1,340,062	(49,938)
Amusement tax	1,500,000	1,500,000	366,834	(1,133,166)
Parking lot tax	800,000	800,000	257,294	(542,706)
Total taxes	<u>17,076,317</u>	<u>17,076,317</u>	<u>15,879,123</u>	<u>(1,197,194)</u>
Licenses and permits	<u>441,850</u>	<u>441,850</u>	<u>375,851</u>	<u>(65,999)</u>
Fines and forfeits	<u>188,885</u>	<u>188,885</u>	<u>119,095</u>	<u>(69,790)</u>
Interest and rents	<u>53,700</u>	<u>53,700</u>	<u>35,354</u>	<u>(18,346)</u>
Intergovernmental revenues	<u>1,330,575</u>	<u>1,330,575</u>	<u>2,881,903</u>	<u>1,551,328</u>
Charges for services	<u>1,915,375</u>	<u>1,915,375</u>	<u>962,222</u>	<u>(953,153)</u>
Miscellaneous revenues	<u>388,343</u>	<u>388,343</u>	<u>482,408</u>	<u>94,065</u>
Total revenues	<u>\$ 21,395,045</u>	<u>\$ 21,395,045</u>	<u>\$ 20,735,956</u>	<u>\$ (659,089)</u>
Other financing sources				
Operating transfers in	-	-	-	-
Loan Proceeds	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 21,395,045</u>	<u>\$ 21,395,045</u>	<u>\$ 20,735,956</u>	<u>\$ (659,089)</u>

TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (continued)
YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
General government				
Administration	\$ 934,755	\$ 934,755	\$ 1,124,173	\$ (189,418)
Financial administration	311,918	311,918	320,324	(8,406)
Tax collection	195,030	195,030	263,253	(68,223)
IT	241,619	241,619	246,015	(4,396)
Engineering	150,000	150,000	139,150	10,850
Municipal building	156,100	156,100	129,581	26,519
Total general government	<u>1,989,422</u>	<u>1,989,422</u>	<u>2,222,496</u>	<u>(233,074)</u>
Public safety				
Police protection	9,212,260	9,212,260	8,965,157	247,103
Fire protection	465,110	465,110	463,808	1,302
Emergency medical service	130,000	130,000	130,000	-
Total public safety	<u>9,807,370</u>	<u>9,807,370</u>	<u>9,558,965</u>	<u>248,405</u>
Community development	<u>774,987</u>	<u>774,987</u>	<u>681,534</u>	<u>93,453</u>
Health and human services	<u>12,631</u>	<u>12,631</u>	<u>9,677</u>	<u>2,954</u>
Public works - highways and streets	<u>2,852,496</u>	<u>2,852,496</u>	<u>2,810,594</u>	<u>41,902</u>
Parks and recreation	<u>1,309,302</u>	<u>1,309,302</u>	<u>847,299</u>	<u>462,003</u>
Library	<u>1,289,245</u>	<u>1,289,245</u>	<u>1,135,971</u>	<u>153,274</u>
Child care programs	<u>488,781</u>	<u>488,781</u>	<u>-</u>	<u>488,781</u>
Total expenditures	<u>18,524,234</u>	<u>18,524,234</u>	<u>17,266,536</u>	<u>1,257,698</u>
Other financing uses				
Transfers out	<u>2,628,056</u>	<u>2,628,056</u>	<u>316,601</u>	<u>2,311,455</u>
Total expenditures and other financing uses	<u>\$ 21,152,290</u>	<u>\$ 21,152,290</u>	<u>\$ 17,583,137</u>	<u>\$ 3,569,153</u>

TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
Real estate taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Licenses and permits	<u>50</u>	<u>50</u>	<u>6</u>	<u>(44)</u>
Charges for services	<u>-</u>	<u>-</u>	<u>16,691</u>	<u>16,691</u>
Interest and rents	<u>73,500</u>	<u>73,500</u>	<u>135,074</u>	<u>61,574</u>
Intergovernmental revenues	<u>-</u>	<u>-</u>	<u>708,172</u>	<u>708,172</u>
Miscellaneous revenues	<u>-</u>	<u>-</u>	<u>117,369</u>	<u>117,369</u>
Other financing sources				
Transfers in	2,577,349	2,577,349	426,218	(2,151,131)
Loan Proceeds	1,383,180	1,383,180	-	(1,383,180)
Lease Proceeds	-	-	1,027,272	1,027,272
Sale of Assets	-	-	200,000	200,000
Contingency Gain	<u>-</u>	<u>-</u>	<u>886,170</u>	<u>886,170</u>
Total other financing sources	<u>3,960,529</u>	<u>3,960,529</u>	<u>2,539,660</u>	<u>(1,420,869)</u>
Total revenues and other financing sources	<u>\$ 4,034,079</u>	<u>\$ 4,034,079</u>	<u>\$ 3,516,972</u>	<u>\$ (517,107)</u>

TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND (continued)
YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual Budgetary Basis	Variance with Final Budget Positive (Negative)
General government	<u>\$ 1,238,859</u>	<u>\$ 1,238,859</u>	<u>\$ 120,198</u>	<u>\$ 1,118,661</u>
Public safety				
Police protection	255,067	255,067	556,187	(301,120)
Fire Protection	<u>165,778</u>	<u>165,778</u>	<u>193,157</u>	<u>(27,379)</u>
Total public safety	<u>420,845</u>	<u>420,845</u>	<u>749,344</u>	<u>(328,499)</u>
Community development	<u>48,500</u>	<u>48,500</u>	<u>-</u>	<u>48,500</u>
Public works - highways and streets	<u>35,000</u>	<u>35,000</u>	<u>609,175</u>	<u>(574,175)</u>
Parks and recreation	<u>-</u>	<u>-</u>	<u>7,352,836</u>	<u>(7,352,836)</u>
Library	<u>107,891</u>	<u>107,891</u>	<u>277,302</u>	<u>(169,411)</u>
Debt service				
Principal	1,531,432	1,531,432	2,354,665	(823,233)
Interest and fiscal charges	<u>550,011</u>	<u>550,011</u>	<u>1,189,638</u>	<u>(639,627)</u>
Total Debt Service	<u>2,081,443</u>	<u>2,081,443</u>	<u>3,544,303</u>	<u>(1,462,860)</u>
Total expenditures	<u>\$ 3,932,538</u>	<u>\$ 3,932,538</u>	<u>\$ 12,653,158</u>	<u>\$ (8,720,620)</u>
Other financing uses				
Transfers Out	-	-	-	-
Refund of Prior years revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 3,932,538</u>	<u>\$ 3,932,538</u>	<u>\$ 12,653,158</u>	<u>\$ (8,720,620)</u>

TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS AND OPEB PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2020

Calendar Year	Police Pension		Non-uniform Defined Benefit Pension Plan		Non-uniform Cash Balance 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%	412,652	100%	200	100%		
2019	1,081,478	100%	542,893	100%	200	100%		
2020	1,066,550	100%	443,589	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, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability						
Service cost	\$ 607,853	\$ 576,164	\$ 622,612	\$ 590,154	\$ 558,805	\$ 529,673
Interest	1,971,951	1,841,985	1,679,393	1,579,711	1,454,441	1,357,661
Changes of experience	-	(102,875)	-	(199,801)	-	-
Changes of assumptions	-	461,859	-	582,970	-	-
Benefit payments, including refunds of member contributions	<u>(991,864)</u>	<u>(772,944)</u>	<u>(719,132)</u>	<u>(840,143)</u>	<u>(674,167)</u>	<u>(625,317)</u>
Net Change in total pension liability	1,587,940	2,004,189	1,582,873	1,712,891	1,339,079	1,262,017
Total pension liability, beginning	<u>25,873,705</u>	<u>23,869,516</u>	<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>27,461,645</u>	<u>25,873,705</u>	<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	1,066,550	1,081,478	987,638	987,226	959,589	1,111,782
Contributions - member	103,479	108,452	110,615	111,072	110,174	104,011
Net investment income	2,718,876	3,608,505	(545,831)	2,148,013	1,164,094	352,508
Benefit payments, including refunds of member contributions	<u>(991,864)</u>	<u>(772,944)</u>	<u>(719,132)</u>	<u>(840,143)</u>	<u>(674,167)</u>	<u>(625,317)</u>
Administrative expenses	<u>(13,800)</u>	<u>(7,000)</u>	<u>(12,038)</u>	<u>(17,307)</u>	<u>(4,000)</u>	<u>(6,300)</u>
Net Change in plan fiduciary net position	2,883,241	4,018,491	(178,748)	2,388,861	1,555,690	936,684
Plan fiduciary net position, beginning	<u>23,930,370</u>	<u>19,911,879</u>	<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>26,813,611</u>	<u>23,930,370</u>	<u>19,911,879</u>	<u>20,090,627</u>	<u>17,701,766</u>	<u>16,146,076</u>
Net pension liability	<u>\$ 648,034</u>	<u>\$ 1,943,335</u>	<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	97.64%	92.49%	83.42%	90.15%	86.04%	83.94%
Projected covered employee payroll	3,428,753	3,500,142	3,813,166	3,782,543	3,839,792	3,748,331
Net pension liability as a percentage of covered employee payroll	18.90%	55.52%	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, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 488,649	\$ 494,516	\$ 471,503	\$ 448,825	\$ 468,885	\$ 453,549
Interest	869,688	839,671	803,396	787,801	724,938	669,565
Changes of experience	-	(87,066)	-	(174,630)	(956)	320,154
Changes of assumptions	-	-	-	434,594	415,333	-
Transfers	-	-	-	-	-	19,219
Benefit payments, including refunds of member contributions	<u>(796,802)</u>	<u>(545,392)</u>	<u>(666,997)</u>	<u>(416,231)</u>	<u>(475,234)</u>	<u>(446,386)</u>
Net Change in total pension liability	561,535	701,729	607,902	1,080,359	1,132,966	1,016,101
Total pension liability, beginning	<u>16,470,146</u>	<u>15,768,417</u>	<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>17,031,681</u>	<u>16,470,146</u>	<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	540,744	410,672	417,434	358,880	333,163	248,273
Contributions - PMRS Assessment	2,060	1,980	1,940	1,880	1,780	-
Contributions - member	180,533	182,827	174,319	174,375	175,495	164,032
PMRS investment income	764,183	720,029	689,903	695,635	638,347	593,385
Market value investment income	2,132,790	(1,347,292)	1,486,606	295,038	(860,531)	39,022
Transfers	-	-	-	-	-	19,219
Benefit payments, including refunds of member contributions	<u>(796,802)</u>	<u>(545,392)</u>	<u>(666,997)</u>	<u>(416,231)</u>	<u>(475,234)</u>	<u>(446,386)</u>
PMRS administrative expense	<u>(2,060)</u>	<u>(1,940)</u>	<u>(1,820)</u>	<u>(1,800)</u>	<u>(1,780)</u>	<u>(1,720)</u>
Additional administrative expenses	<u>(26,415)</u>	<u>(32,132)</u>	<u>(31,728)</u>	<u>(34,080)</u>	<u>(26,611)</u>	<u>(22,757)</u>
Net Change in plan fiduciary net position	2,795,033	(611,248)	2,069,657	1,073,697	(215,371)	593,068
Plan fiduciary net position, beginning	<u>14,023,612</u>	<u>14,634,860</u>	<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>16,818,645</u>	<u>14,023,612</u>	<u>14,634,860</u>	<u>12,565,203</u>	<u>11,491,506</u>	<u>11,706,877</u>
Net pension liability	<u>\$ 213,036</u>	<u>\$ 2,446,534</u>	<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	98.75%	85.15%	92.81%	82.88%	81.61%	90.42%
Projected covered employee payroll	3,600,567	3,656,542	3,486,380	3,487,500	3,509,899	3,381,407
Net pension liability as a percentage of covered employee payroll	5.92%	66.91%	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, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	75,993	72,234	71,358	71,270	68,044	62,347
Changes of benefits	-	15,394	-	-	-	-
Changes of experience	-	4,646	-	1,237	1,149	5,340
Changes of assumptions	-	-	-	3,117	1,705	-
Transfers	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(45,574)	(25,026)	(12,231)	(12,231)	(12,231)	(11,876)
Net Change in total pension liability	30,419	67,248	59,127	63,393	58,667	55,811
Total pension liability, beginning	<u>1,491,710</u>	<u>1,424,462</u>	<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>1,522,129</u>	<u>1,491,710</u>	<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	200	200	-
Contributions - member	-	-	-	-	-	-
PMRS investment income	75,792	71,893	71,004	71,029	67,874	62,304
Market value investment income	203,887	(159,656)	154,863	31,208	(71,065)	(469)
Transfers	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(45,574)	(25,026)	(12,231)	(12,231)	(12,231)	(11,876)
PMRS administrative expense	(200)	(200)	(200)	(200)	(200)	(200)
Additional administrative expenses	(2,689)	(3,208)	(3,265)	(3,480)	(2,830)	(2,389)
Net Change in plan fiduciary net position	231,416	(115,997)	210,371	86,526	(18,252)	47,570
Plan fiduciary net position, beginning	<u>1,385,189</u>	<u>1,501,186</u>	<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>1,616,605</u>	<u>1,385,189</u>	<u>1,501,186</u>	<u>1,290,815</u>	<u>1,204,289</u>	<u>1,222,541</u>
Net pension liability	<u>\$ (94,476)</u>	<u>\$ 106,521</u>	<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	106.21%	92.86%	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	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, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability			
Service cost	\$ 731,453	\$ 766,590	\$ 677,210
Interest	429,403	368,941	386,404
Changes of Benefit Terms	-	-	-
Differences between Expected and actual Experience	-	(210,938)	-
Changes of assumptions	449,305	(503,966)	393,765
Benefit payments	<u>(245,703)</u>	<u>(285,754)</u>	<u>(287,626)</u>
Net Change in total OPEB liability	1,364,458	134,873	1,169,753
 Total OPEB liability, beginning	 <u>11,198,432</u>	 <u>11,063,559</u>	 <u>9,893,806</u>
 Total OPEB liability, ending	 <u><u>12,562,890</u></u>	 <u><u>11,198,432</u></u>	 <u><u>11,063,559</u></u>
 Projected covered employee payroll	 8,064,078	 8,064,078	 7,167,786
Net pension liability as a percentage of covered employee payroll	155.79%	138.87%	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
SCHEDULE OF CHANGES
IN THE NET OPEB
LIABILITY AND
RELATED RATIOS - DMTA
DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 93,969	\$ 88,850	\$ -
Interest	39,121	41,578	-
Changes of Benefit Terms	-	-	1,102,231
Differences between Expected and actual Experience	(9,565)	-	-
Changes of assumptions	69,920	15,825	-
Benefit payments	<u>(96,487)</u>	<u>(90,152)</u>	<u>-</u>
Net Change in total OPEB liability	96,958	56,101	1,102,231
 Total OPEB liability, beginning	 <u>1,158,332</u>	 <u>1,102,231</u>	 <u>-</u>
 Total OPEB liability, ending	 <u><u>1,255,290</u></u>	 <u><u>1,158,332</u></u>	 <u><u>1,102,231</u></u>
 Projected covered employee payroll	 2,220,118	 2,338,104	 2,338,104
Net pension liability as a percentage of covered employee payroll	56.54%	49.54%	47.14%

Notes to Schedule:

Changes in Assumptions

The discount rate changed annually as follows:

	<u>Discount Rate</u>
2018	3.64%
2019	3.26%
2020	193.00%

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, 2020

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	\$ 15,879,123	\$ 991	\$ 15,880,114
Licenses and permits	375,851	(92,667)	283,184
Fines and forfeits	119,095	(1,900)	117,195
Interest and rents	35,354	(13,697)	21,657
Intergovernmental revenues	2,881,903	-	2,881,903
Charges for services	962,222	(17,034)	945,188
Miscellaneous revenues	482,408	32,627	515,035
Loan Proceeds	-	-	-
Total Revenues	<u>\$ 20,735,956</u>	<u>\$ (91,680)</u>	<u>\$ 20,644,276</u>
Expenditures			
General Government	\$ 2,222,496	\$ 18,325	\$ 2,240,821
Public safety	9,558,965	(12,229)	9,546,736
Community development	681,534	(83,831)	597,703
Health and human services	9,677	(12)	9,665
Public works	2,810,594	(3,596)	2,806,998
Parks and recreation	847,299	(87,303)	759,996
Library	1,135,971	(1,453)	1,134,518
Child care programs	-	170,099	170,099
Total Expenditures	<u>\$ 17,266,536</u>	<u>\$ -</u>	<u>\$ 17,266,536</u>

TOWNSHIP OF DERRY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020

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

General Government	\$	233,074
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Capital Projects Fund

Public Safety	\$	328,499
Public Works		574,175
Parks and Recreation		7,352,836
Library		169,411
Debt service		1,462,860

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	1/1/2019	1/1/2019	1/1/2019	1/1/2019
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%	Age-related scale for merit and seniority	N/A	5.50%
Includes inflation based on	3.00%	2.80%	2.80%	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, 2020**

	Liquid Fuels	Street Light	Total
Assets			
Cash and cash equivalents	\$ 1,189,794	-	\$ 1,189,794
Taxes receivable	-	18,934	18,934
Total Assets	<u>\$ 1,189,794</u>	<u>\$ 18,934</u>	<u>\$ 1,208,728</u>
Liabilities			
Accounts payable	\$ -	\$ 72,219	\$ 72,219
Total Liabilities	<u>-</u>	<u>72,219</u>	<u>72,219</u>
Deferred Inflows of Resources			
Unavailable Revenue	-	13,761	13,761
Total Deferred Inflows of Resources	<u>-</u>	<u>13,761</u>	<u>13,761</u>
Fund Balance			
Restricted	1,189,794	-	1,189,794
Unassigned	-	(67,046)	(67,046)
Total Fund Balance	<u>1,189,794</u>	<u>(67,046)</u>	<u>1,122,748</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 1,189,794</u>	<u>\$ 18,934</u>	<u>\$ 1,208,728</u>

TOWNSHIP OF DERRY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	<u>Liquid Fuels</u>	<u>Street Light</u>	<u>Total</u>
Revenues			
Taxes	\$ -	\$ 266,251	\$ 266,251
Interest and rents	2,210	-	2,210
Intergovernmental revenues	<u>829,051</u>	<u>-</u>	<u>829,051</u>
Total Revenues	<u>831,261</u>	<u>266,251</u>	<u>1,097,512</u>
Expenditures			
Total Expenditures	<u>801,396</u>	<u>366,381</u>	<u>1,167,777</u>
Other Financing Sources			
Operating transfers in	<u>-</u>	<u>63,538</u>	<u>63,538</u>
Total Other Financing Sources	<u>-</u>	<u>63,538</u>	<u>63,538</u>
Net Change in Fund Balance	29,865	(36,592)	(6,727)
Fund Balance, January 1	<u>1,159,929</u>	<u>(30,454)</u>	<u>1,129,475</u>
Fund Balance, December 31	<u>\$ 1,189,794</u>	<u>\$ (67,046)</u>	<u>\$ 1,122,748</u>