

TOWNSHIP OF DERRY
BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2022
AND
INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Township of Derry
Hershey, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township of Derry (the "Township"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows 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) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Derry Township Municipal Authority were not audited in accordance with Government Auditing Standards. We are required to be independent of the Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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



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Board of Supervisors
Township of Derry
Hershey, Pennsylvania
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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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

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

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

Adoption of Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2022 the County adopted the provisions of GASB Statement No. 87, "*Leases*", No. 91, "*Conduit Debt Obligations*", No. 92, "*Omnibus 2020*", certain provisions of Statement No. 93, "*Replacement of Interbank Offered Rates*", and certain provisions of Statement No. 99, "*Omnibus 2022*". Our opinion is not modified with respect to these matters.



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Board of Supervisors
Township of Derry
Hershey, Pennsylvania
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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the net pension (asset) liability and related ratios, schedule of employer contributions, schedule of investment returns and schedule of changes in the net OPEB liability and related ratios on pages 4 through 17 and 94 through 104 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The combining and individual nonmajor fund financial statements, and capital project funds budget and actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and nonmajor governmental funds budget and actual schedules on pages 106-109 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and nonmajor governmental funds budget and actual schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2024, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Zelenkofske Axlerod LLC

ZELENKOFSCHE AXELROD LLC

Harrisburg, Pennsylvania
February 14, 2024

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2022

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, 2022. 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, 2022.

FINANCIAL HIGHLIGHTS

- The total assets of the primary government of Derry Township exceeded its liabilities at the close of 2022 by \$48,638,047 (*total net position*).
- At the close of 2022, the Township's governmental funds reported a combined ending total fund balance of \$16,856,060 which is a decrease of \$3,982,087 from 2021. Approximately 66.05% of this total, or \$11,133,793 is available for spending at the government's discretion (*unassigned fund balance*).
- Derry Township opened a newly constructed Community Center on June 13, 2022.
- The Township entered into new lease agreements for equipment and vehicles. The total principal amount of the agreements was \$684,248.
- The Township issued a General Obligation Note, Series of 2022 in the amount of \$3,000,000 to provide funds for capital projects. The Township disbursed \$955,410 during the year to purchase a fire truck and pay the issuance cost of the Note.
- The Township tax rates remained unchanged in 2022.
- The Township was the recipient of \$1,325,574 of funds from the American Rescue Plan Act of 2021.
- The Township's bond rating from Standard & Poor's Rating Service is AA with a stable outlook for long term general obligation bonds and AA- with a stable outlook for long term revenue bonds.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2022

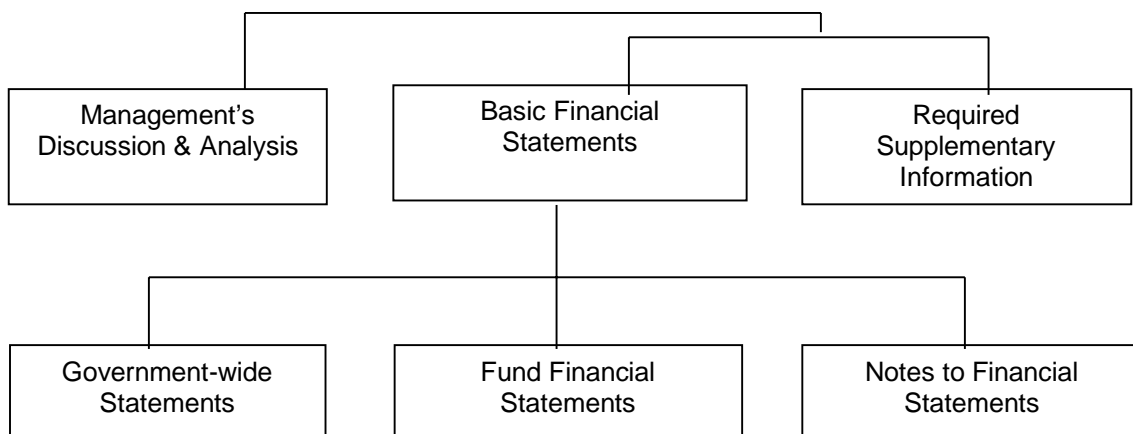
OVERVIEW OF THE FINANCIAL STATEMENTS

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 18, 19, and 20) 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 21 & 23) 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, and library programs.
- The remaining three statements (pages 25, 26, & 27) 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, 2022

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, 2022

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 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, 2022

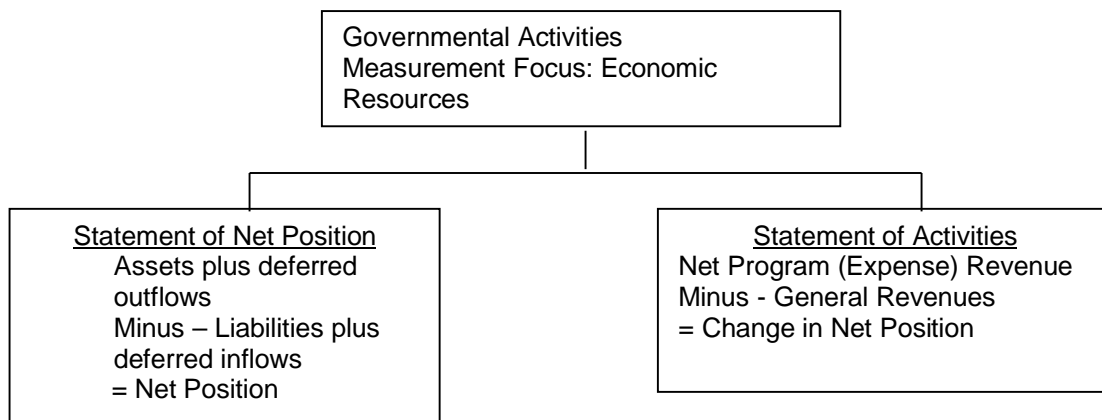
OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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, 2022

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, 2022

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 | |
| | 2022 | 2021 |
| Current and other assets | \$ 42,002,004 | \$ 51,289,665 |
| Capital assets | 94,845,374 | 91,428,159 |
| Non-current assets | <u>7,934,013</u> | <u>4,760,295</u> |
| Total assets | <u>\$144,781,391</u> | <u>\$147,478,119</u> |
| Deferred losses on refundings | 103,070 | 122,960 |
| Deferred loss Swap termination | 1,925,695 | 2,032,678 |
| Deferred outflows – OPEB | 2,243,630 | 2,429,350 |
| Deferred outflows – Pension | <u>5,230,403</u> | <u>1,727,836</u> |
| Total deferred outflows | <u>9,502,798</u> | <u>6,312,824</u> |
| Current and other liabilities | 2,746,868 | 7,008,732 |
| Non-current liabilities | <u>95,565,115</u> | <u>90,385,992</u> |
| Total liabilities | <u>\$ 98,311,983</u> | <u>\$ 97,394,724</u> |
| Deferred inflows - OPEB | 1,335,235 | 1,156,427 |
| Deferred inflows - Pension | <u>6,033,034</u> | <u>6,826,385</u> |
| Total deferred inflows | <u>\$ 7,368,269</u> | <u>\$ 7,982,812</u> |
| Net position: | | |
| Net investment in capital assets | \$ 44,782,041 | \$ 39,922,222 |
| Restricted | 5,013,462 | 12,116,139 |
| Unrestricted | <u>(1,191,566)</u> | <u>(3,624,954)</u> |
| Total net position | <u>\$ 48,603,937</u> | <u>\$ 48,413,407</u> |

Assets

At December 31, 2022, the Township's total governmental assets and deferred outflows of resources totaled \$154,284,189. Of this amount, \$94,845,374 is accounted for by capital assets, which include infrastructure and construction in progress. Net investment in capital assets totaled \$44,782,041 at December 31, 2022.

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, 2022

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 | |
| | 2022 | 2021 |
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 3,520,805 | \$ 2,187,434 |
| Operating grants and contributions | 2,607,140 | 3,721,753 |
| Capital grants and contributions | 1,063,490 | 2,092,133 |
| General revenues | | |
| Property taxes | 5,551,131 | 5,548,367 |
| Other taxes | 13,471,770 | 13,516,565 |
| Other | 665,971 | 212,985 |
| Transfers | (1,442,037) | - |
| Total revenues and transfers | <u>25,438,270</u> | <u>27,279,237</u> |
| Program expenses | | |
| General government | 2,781,137 | 2,469,338 |
| Public works | 6,182,517 | 5,021,077 |
| Health and human services | 19,199 | 11,738 |
| Culture and recreation | 4,377,279 | 2,133,189 |
| Public safety and community development | 10,152,653 | 8,787,031 |
| Interest and fiscal charges | <u>1,640,890</u> | <u>1,600,639</u> |
| Total expenses | <u>25,153,675</u> | <u>20,023,012</u> |
| Change in net position | 330,395 | 7,256,225 |
| Net position beginning | <u>48,273,542</u> | <u>41,157,182</u> |
| Net position ending | <u>\$ 48,603,937</u> | <u>\$ 48,413,407</u> |

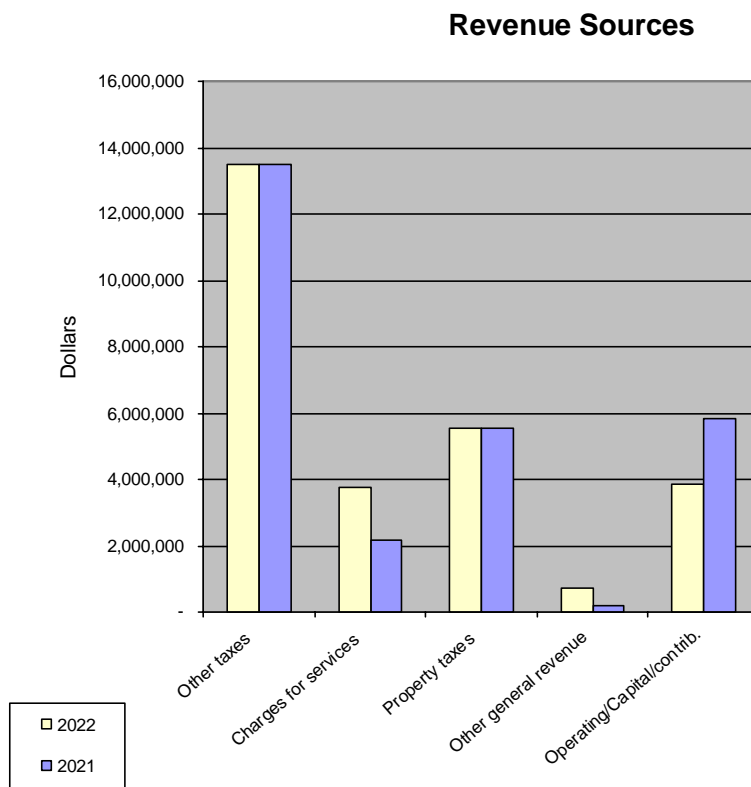
TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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December 31, 2022

FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

Revenue Sources

Total government-wide revenues of \$27,335,605, a 0.2% increase from 2021, were derived primarily from earned income tax, transfer taxes and other taxes, representing \$13,471,770 of the total. Property taxes made up the second largest source of revenue at \$5,551,131. Charges for services made up the third largest source of revenue at \$3,763,990, followed by operating grants and contributions of \$2,773,220. Other sources of revenue include capital grants and contributions of \$1,063,490, and other general revenues of \$665,971.

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



TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2022

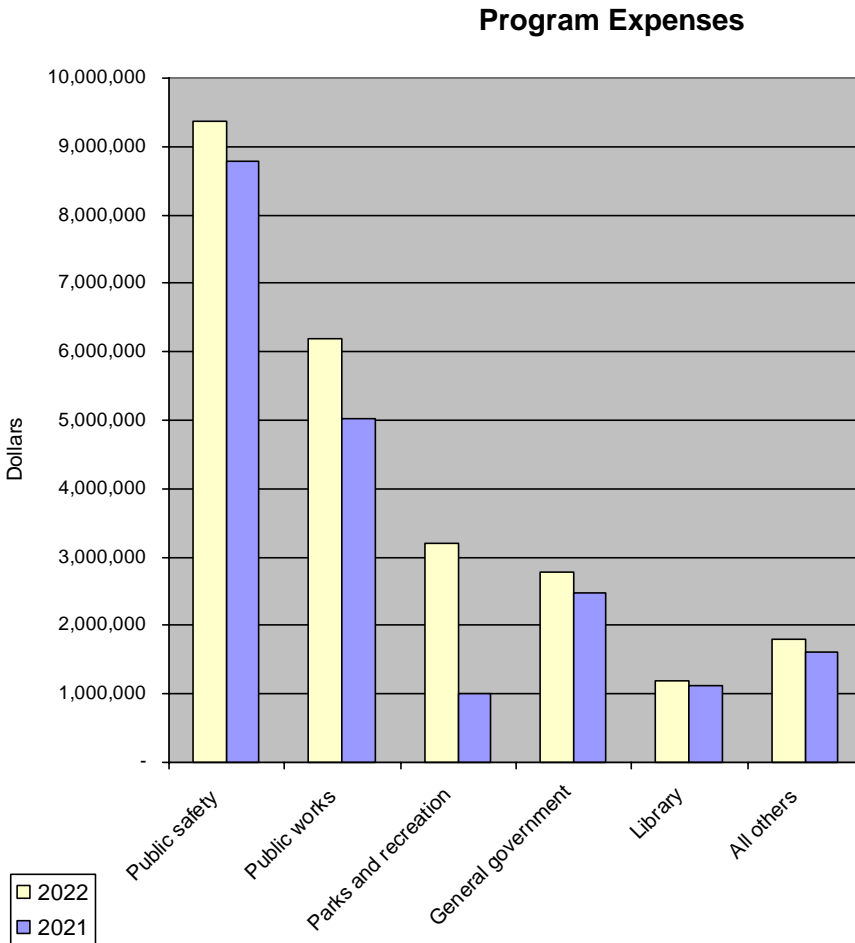
FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

Program Expenses:

Total expenses for all programs in 2022 were \$25,282,703, an increase of 22.2% from 2021. The expenses cover a range of services, with the largest being public safety and community development at \$9,373,516. The second largest program area was public works at \$6,182,517, followed by parks and recreation at \$3,191,679, general government at \$2,781,137, library at \$1,185,600, and all others totaling \$1,789,117.

In addition to program expenses, there is a \$1,442,037 transfer to Recycling fund to pay for landfill remediation.

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



TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2022

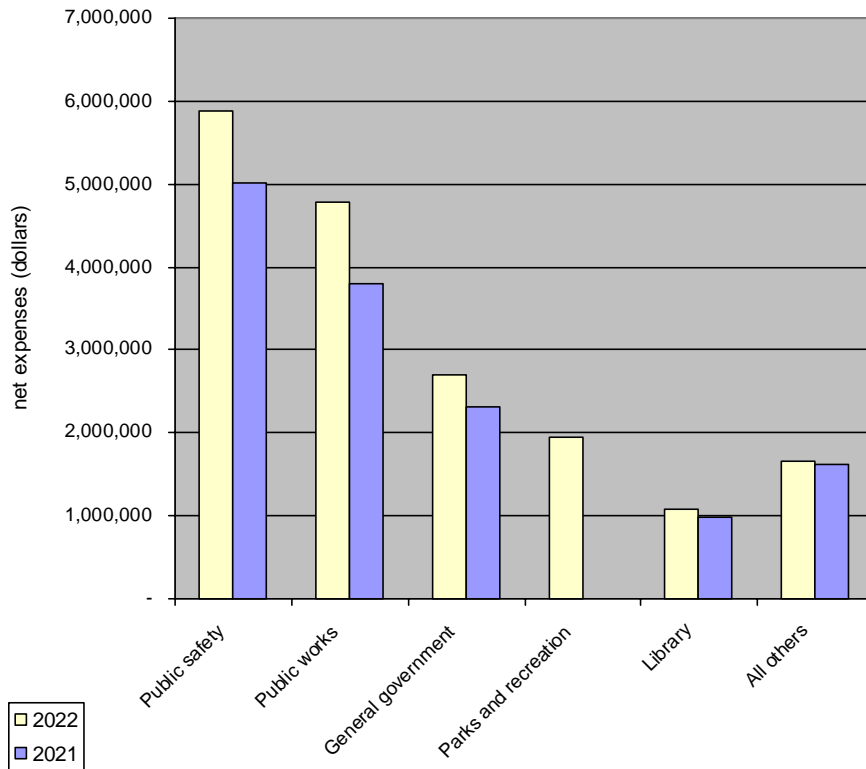
FINANCIAL ANALYSIS OF THE MUNICIPALITY AS A WHOLE (CONTINUED)

Net Program Expenses/Revenues

Net program expenses/revenues indicate the amount of support required from taxes and other general revenues for the year. Public works expenses required the most general revenue for support, utilizing \$4,773,948 in 2022. General government required \$2,690,950 of general revenues for support, while public safety and community development required \$5,820,861, parks and recreation required \$1,939,055, library required \$1,077,337, health and human services required \$19,199. Interest and fiscal charges required \$1,640,890.

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

Net Program Expenses/Revenues



TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2022

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The Township's governmental funds reported a net decrease of \$3,982,088 in 2022 and a combined fund balance \$16,856,060 at year end. Of this combined fund balance \$11,133,793 or 66.05% represents unassigned fund balance, meaning it is available to meet the Township's current and future needs. Of the remaining fund balance, \$166,947 is nonspendable, \$5,013,462 is restricted, and \$541,858 is committed.

General Fund Budgetary Highlights

During 2022, actual expenditures and other financing uses were under budgeted appropriations by \$2,727,222 as a result of lower operating expenses as compared to budget for Parks and Recreation in the first year of operation. Actual revenues and other financing sources were higher than anticipated by \$2,995,941. The variance resulted primarily from earned income tax revenues, amusement tax and parking tax which were higher than anticipated. The Township was also the recipient of a \$1,318,000 ARPA grant.

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, loan proceeds, and transfers from other funds. The largest 2022 expenditures were \$3,249,529 for debt service and \$4,960,009 for construction costs of the community center.

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, 2022 totaled \$270,137 as compared to \$316,010 in the prior year. Operating revenue for the year ended December 31, 2022 was \$409,265 as compared to \$373,632 for the prior year. The fund is also paying for the remediation of the Township's inactive landfill.

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2022

TRUST AND AGENCY OPERATIONS

Pension Trust Fund

The Township of Derry has two pension plans – general employees and police. It also has a cash balance plan. 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 2022, the plan's net pension asset/liability increased by \$831,372.

During 2022, contributions were required in both municipal pension plans. In the non-uniform plan and the cash balance plan, the actuarial value of assets exceeds the actuarial accrued liability by \$3,324,598 as of December 31, 2021, the date of the last actuarial valuation report. In the Police Pension plan, the actuarial value of assets exceeds the actuarial accrued liability of assets by \$2,267,069 as of December 31, 2022, 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 governmental investment in capital assets at December 31, 2022, net of accumulated depreciation, amounted to \$94,845,374, an increase of 3.1% from the prior year. Assets consist primarily of land, buildings and improvements, equipment and infrastructure. The Township adjusted beginning balances to include Right of use assets and accumulated depreciation as part of the implementation of GASB No. 87. Following is a summary of capital assets at December 31.

| Summary of Capital Assets | | |
|---|----------------------|----------------------|
| | 2022 | 2021 |
| Land | \$ 3,635,502 | \$ 3,635,502 |
| Construction in Progress | - | 26,938,725 |
| Held for Resale | 42,111 | 1,019 |
| Building, and land and building | | |
| Improvements | 59,300,386 | 28,501,856 |
| Infrastructure | 69,711,177 | 69,711,177 |
| Right of use | 803,933 | 789,922 |
| Furniture, equipment and other capital | | |
| assets | <u>16,926,397</u> | <u>15,019,866</u> |
| Total capital assets | <u>150,419,506</u> | <u>144,598,067</u> |
| Less: accumulated depreciation for: | | |
| Building, and land and building | | |
| Improvements | 16,173,927 | 14,603,651 |
| Infrastructure | 26,841,837 | 25,797,879 |
| Right of use | 307,038 | 211,420 |
| Furniture, equipment and other capital | | |
| assets | <u>12,251,330</u> | <u>11,978,456</u> |
| Total accumulated depreciation | <u>55,574,132</u> | <u>52,591,406</u> |
| Total | <u>\$ 94,845,374</u> | <u>\$ 92,006,661</u> |

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

TOWNSHIP OF DERRY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
December 31, 2022

Long-term Debt

At December 31, 2022, the Township had \$74,618,335 of debt outstanding. This represents a decrease of \$1,642,283 or 2.2% from the previous year which is primarily due the principal retirement of debt in excess of new bond issuances. The new bonds were used to fund the purchase of equipment and machinery. The following table details activity related to long term debt activity during 2022 and 2021:

Summary of Long-term Debt Activity

| | 2022 | 2021 |
|--------------------------|-----------------------------|-----------------------------|
| Beginning Balance at 1/1 | \$ 76,260,618 | \$ 62,757,997 |
| New debt proceeds | 1,639,658 | 15,909,618 |
| Principal retirement | (3,281,941) | (3,125,364) |
| GASB 87 Beginning | <u>-</u> | <u>718,367</u> |
| Ending Balance at 12/31 | 74,618,335 | 76,260,618 |
| Less: Due from DTMA | <u>(24,555,000)</u> | <u>(25,520,000)</u> |
| Total | <u>\$ 50,063,335</u> | <u>\$ 50,740,618</u> |

In addition to general obligation bond debt, compensated absences for December 31, 2022 and 2021 were \$703,378 and \$723,245, respectively.

BOND RATING

The Township bond rating from Standard and Poor's is AA with a stable outlook for long term general obligation bonds and AA- with a stable outlook for long term revenue bonds. 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 S. 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, 2022

| | Primary Government | | | Component Unit |
|--|-------------------------|--------------------------|-----------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents | \$ 12,732,222 | \$ 25 | \$ 12,732,247 | \$ 10,242,540 |
| Receivables | | | | |
| Accounts | 419,155 | 28,863 | 448,018 | 585,183 |
| Taxes, net | 4,128,669 | - | 4,128,669 | - |
| Lease | - | - | - | 401,690 |
| Component unit | 24,555,000 | - | 24,555,000 | - |
| Due from other governments | 11 | - | 11 | - |
| Inventory | 30,314 | 35,939 | 66,253 | - |
| Prepaid expenses | 136,633 | - | 136,633 | 168,501 |
| Restricted cash and cash equivalents | 4,609,415 | - | 4,609,415 | 26,559,803 |
| Net Pension Asset | 3,324,598 | - | 3,324,598 | - |
| Capital assets | | | | |
| Land and construction in progress | 3,635,502 | - | 3,635,502 | 25,470,480 |
| Held for resale | 42,111 | - | 42,111 | - |
| Depreciable capital assets, net | 91,167,761 | 205,310 | 91,373,071 | 69,705,553 |
| Capital assets, net | 94,845,374 | 205,310 | 95,050,684 | 95,176,033 |
| Total Assets | 144,781,391 | 270,137 | 145,051,528 | 133,133,750 |
| Deferred Outflows of Resources | | | | |
| Deferred loss - Debt refundings | 103,070 | - | 103,070 | 1,116,665 |
| Deferred loss - Swap termination | 1,925,695 | - | 1,925,695 | - |
| Deferred outflows - OPEB | 2,243,630 | - | 2,243,630 | 161,649 |
| Deferred outflows - Pension | 5,230,403 | - | 5,230,403 | - |
| Total Deferred Outflows of Resources | 9,502,798 | - | 9,502,798 | 1,278,314 |
| Total Assets and Deferred Outflows of Resources | \$ 154,284,189 | \$ 270,137 | \$ 154,554,326 | \$ 134,412,064 |

See accompanying notes to the financial statements.

TOWNSHIP OF DERRY
STATEMENT OF NET POSITION
DECEMBER 31, 2022

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|-----------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| Liabilities | | | | |
| Accounts payable | \$ 827,057 | \$ 32,251 | \$ 859,308 | \$ 2,841,362 |
| Retainage Payable | 61,030 | - | 61,030 | - |
| Accrued wages | 369,580 | - | 369,580 | 55,209 |
| Accrued and withheld payroll tax | 159,233 | - | 159,233 | - |
| Accrued interest payable | 166,457 | - | 166,457 | 93,243 |
| Escrow payable, payable from restricted assets | 756,984 | - | 756,984 | - |
| Other short-term liabilities | - | 500 | 500 | - |
| Contingent Liability | - | 203,276 | 203,276 | - |
| Unearned revenue | 406,527 | - | 406,527 | - |
| Long-term liabilities | | | | |
| Due within one year - finance purchases | 440,745 | - | 440,745 | - |
| Due within one year - long term debt | 2,662,662 | - | 2,662,662 | 3,017,000 |
| Current portion of long-term lease liabilities | 94,252 | - | 94,252 | 345,116 |
| Compensated absences | 703,378 | - | 703,378 | 216,180 |
| Net pension liability | 2,267,069 | - | 2,267,069 | - |
| Other postemployment benefit liability | 14,556,380 | - | 14,556,380 | 1,340,199 |
| Due in more than one year - lease liability | 547,991 | - | 547,991 | 1,879,734 |
| Due in more than one year - finance purchases | 1,335,417 | - | 1,335,417 | - |
| Due in more than one year, net - long term debt | 72,957,221 | - | 72,957,221 | 62,821,812 |
| Long-term liabilities | 95,565,115 | - | 95,565,115 | 69,620,041 |
| Total Liabilities | 98,311,983 | 236,027 | 98,548,010 | 72,609,855 |
| Deferred Inflows of Resources | | | | |
| Deferred inflows - OPEB | 1,335,235 | - | 1,335,235 | 396,139 |
| Deferred Inflows - Pension | 6,033,034 | - | 6,033,034 | 133,174 |
| Total Deferred Inflows of Resources | 7,368,269 | - | 7,368,269 | 529,313 |
| Net Position | | | | |
| Net investment in Capital assets | 44,782,041 | 205,310 | 44,987,351 | 34,619,114 |
| Restricted for: | | | | |
| Donor, grant and bond restrictions | 3,852,431 | - | 3,852,431 | - |
| Street improvements and equipment | 1,161,031 | - | 1,161,031 | - |
| Unrestricted | (1,191,566) | (171,200) | (1,362,766) | 26,653,782 |
| Total Net Position | 48,603,937 | 34,110 | 48,638,047 | 61,272,896 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 154,284,189 | \$ 270,137 | \$ 154,554,326 | \$ 134,412,064 |

See accompanying notes to the financial statements.

**TOWNSHIP OF DERRY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position | | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | Component Unit |
| Governmental Activities: | | | | | | | | |
| General government | \$ 2,146,358 | \$ 56,593 | \$ 33,594 | \$ - | \$ (2,056,171) | \$ - | \$ (2,056,171) | |
| Public safety | 10,008,295 | 1,054,176 | 1,695,632 | 742,461 | (6,516,026) | - | (6,516,026) | |
| Community development | 779,137 | 839,523 | - | - | 60,386 | - | 60,386 | |
| Health and human services | 19,199 | - | - | - | (19,199) | - | (19,199) | |
| Public works | 6,182,517 | 322,559 | 764,981 | 321,029 | (4,773,948) | - | (4,773,948) | |
| Parks and recreation | 3,191,679 | 1,235,265 | 17,359 | - | (1,939,055) | - | (1,939,055) | |
| Library | 1,185,600 | 12,689 | 95,574 | - | (1,077,337) | - | (1,077,337) | |
| Interest and fiscal charges | 1,640,890 | - | - | - | (1,640,890) | - | (1,640,890) | |
| Total Governmental Activities | 25,153,675 | 3,520,805 | 2,607,140 | 1,063,490 | (17,962,240) | - | (17,962,240) | |
| Business-Type Activities: | | | | | | | | |
| Recycling | 129,028 | 243,185 | 166,080 | - | - | 280,237 | 280,237 | |
| Total Primary Government | <u>\$ 25,282,703</u> | <u>\$ 3,763,990</u> | <u>\$ 2,773,220</u> | <u>\$ 1,063,490</u> | <u>\$ (17,962,240)</u> | <u>\$ 280,237</u> | <u>\$ (17,682,003)</u> | |
| Component Unit: | | | | | | | | |
| Derry Township Municipal Authority | \$ 14,658,752 | \$ 13,084,285 | \$ 102,054 | - | | | | \$ (1,472,413) |
| Total Component Unit: | <u>\$ 14,658,752</u> | <u>\$ 13,084,285</u> | <u>\$ 102,054</u> | <u>-</u> | | | | <u>\$ (1,472,413)</u> |
| General Revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| General property taxes | | | | | 5,551,131 | - | 5,551,131 | - |
| Other taxes | | | | | 13,471,770 | - | 13,471,770 | - |
| Payment in Lieu | | | | | 406,701 | - | 406,701 | - |
| Interest and investment earnings | | | | | 304,249 | 233 | 304,482 | 410,622 |
| Miscellaneous | | | | | 821 | - | 821 | 796,877 |
| Transfers | | | | | (1,442,037) | 1,442,037 | - | - |
| Total General Revenues | | | | | <u>18,292,635</u> | <u>1,442,270</u> | <u>19,734,905</u> | <u>1,207,499</u> |
| Changes in Net Position | | | | | <u>330,395</u> | <u>1,722,507</u> | <u>2,052,902</u> | <u>(264,914)</u> |
| Net Position, January 1, as restated | | | | | <u>48,273,542</u> | <u>(1,688,397)</u> | <u>46,585,145</u> | <u>61,537,810</u> |
| Net Position, December 31 | | | | | <u>\$ 48,603,937</u> | <u>\$ 34,110</u> | <u>\$ 48,638,047</u> | <u>\$ 61,272,896</u> |

See accompanying notes to the financial statements.

**TOWNSHIP OF DERRY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 11,571,191 | \$ - | \$ 1,161,031 | \$ 12,732,222 |
| Receivables | | | | |
| Accounts | 419,155 | - | - | 419,155 |
| Taxes, net | 4,122,573 | - | 6,096 | 4,128,669 |
| Due from other governments | 11 | - | - | 11 |
| Inventory | 30,314 | - | - | 30,314 |
| Prepaid expenses | 136,633 | - | - | 136,633 |
| Restricted cash and cash equivalents | 756,984 | 3,852,431 | - | 4,609,415 |
| Total Assets | <u>\$ 17,036,861</u> | <u>\$ 3,852,431</u> | <u>\$ 1,167,127</u> | <u>\$ 22,056,419</u> |
| Liabilities | | | | |
| Accounts payable | \$ 537,017 | \$ 259,573 | \$ 30,467 | \$ 827,057 |
| Retainage Payable | - | 61,030 | - | 61,030 |
| Accrued wages | 369,580 | - | - | 369,580 |
| Accrued and withheld payroll tax | 159,233 | - | - | 159,233 |
| Unearned revenue | 215,739 | 190,788 | - | 406,527 |
| Escrow payable, payable from restricted assets | 756,984 | - | - | 756,984 |
| Total Liabilities | <u>2,038,553</u> | <u>511,391</u> | <u>30,467</u> | <u>2,580,411</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue | 2,613,852 | - | 6,096 | 2,619,948 |
| Total Deferred Inflows of Resources | <u>2,613,852</u> | <u>-</u> | <u>6,096</u> | <u>2,619,948</u> |
| Fund Balance | | | | |
| Nonspendable | 166,947 | - | | 166,947 |
| Restricted | | | | |
| Restricted for donor, grant and legislated restrictions | - | 3,852,431 | | 3,852,431 |
| Restricted for street improvements and equipment | - | - | 1,161,031 | 1,161,031 |
| Committed | 541,858 | - | | 541,858 |
| Unassigned | 11,675,651 | (511,391) | (30,467) | 11,133,793 |
| Total Fund Balance | <u>12,384,456</u> | <u>3,341,040</u> | <u>1,130,564</u> | <u>16,856,060</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 17,036,861</u> | <u>\$ 3,852,431</u> | <u>\$ 1,167,127</u> | <u>\$ 22,056,419</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, 2022**

| | | |
|---|--------------|-----------------------------|
| Total Fund Balance - Governmental Funds | | \$ 16,856,060 |
| 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. | | 94,845,374 |
| Net Pension assets are not financial resources and, therefore, are not reported in the funds. | | 3,324,598 |
| Net Pension liability are not financial resources and, therefore, are not reported in the funds. | | (2,267,069) |
| Losses on refundings and unamortized swap costs are not financial resources and, therefore, are not reported in the funds. | | 2,028,765 |
| Deferred inflows and outflows related to pension activity are not financial resources and, therefore, are not reported in the funds. | | (802,631) |
| Deferred inflows and outflows related to other post employment benefits activity are not financial resources and, therefore, are not reported in the funds. | | 908,395 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | |
| Taxes | | 2,619,948 |
| Interest expense on long-term debt is not recognized on the fund statements until due. | | (166,457) |
| 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) | (52,841,045) | |
| Long-term lease liabilities | (642,243) | |
| Compensated absences | (703,378) | |
| Other postemployment benefit liability | (14,556,380) | |
| | | <u>(68,743,046)</u> |
| Net Position - Governmental Activities | | <u>\$ 48,603,937</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, 2022

| | General | Capital Projects | Other Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes | \$ 18,006,924 | \$ - | \$ 266,385 | \$ 18,273,309 |
| Licenses and permits | 482,606 | - | - | 482,606 |
| Fines and forfeits | 129,516 | - | - | 129,516 |
| Interest and rents | 316,521 | 75,058 | 22,111 | 413,690 |
| Intergovernmental revenues | 2,800,961 | 321,029 | 764,981 | 3,886,971 |
| Charges for services | 2,225,323 | 21,583 | - | 2,246,906 |
| Miscellaneous revenues | 742,778 | 821 | - | 743,599 |
| Total Revenues | <u>24,704,629</u> | <u>418,491</u> | <u>1,053,477</u> | <u>26,176,597</u> |
| Expenditures | | | | |
| General government | 2,233,345 | 75,330 | - | 2,308,675 |
| Public safety | 8,762,697 | 1,933,581 | - | 10,696,278 |
| Community development | 739,504 | - | - | 739,504 |
| Health and human services | 19,199 | - | - | 19,199 |
| Public works | 3,192,421 | 957,338 | 1,139,225 | 5,288,984 |
| Parks and recreation | 2,042,825 | 4,982,551 | - | 7,025,376 |
| Library | 1,034,459 | - | - | 1,034,459 |
| Debt service | | | | |
| Principal | - | 1,544,610 | - | 1,544,610 |
| Interest and fiscal charges | - | 1,704,919 | - | 1,704,919 |
| Total Expenditures | <u>18,024,450</u> | <u>11,198,329</u> | <u>1,139,225</u> | <u>30,362,004</u> |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in | - | 2,900,779 | 84,556 | 2,985,335 |
| Operating transfers out | (3,313,695) | (1,113,677) | - | (4,427,372) |
| Bond proceeds | - | 955,410 | - | 955,410 |
| Lease proceeds | - | 684,248 | - | 684,248 |
| Proceeds from sale of equipment | - | 5,699 | - | 5,699 |
| Total Other Financing Sources (Uses) | <u>(3,313,695)</u> | <u>3,432,459</u> | <u>84,556</u> | <u>203,320</u> |
| Net Changes in Fund Balance | <u>3,366,484</u> | <u>(7,347,379)</u> | <u>(1,192)</u> | <u>(3,982,087)</u> |
| Fund Balance, January 1 | <u>9,017,972</u> | <u>10,688,419</u> | <u>1,131,756</u> | <u>20,838,147</u> |
| Fund Balance, December 31 | <u>\$ 12,384,456</u> | <u>\$ 3,341,040</u> | <u>\$ 1,130,564</u> | <u>\$ 16,856,060</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, 2022

Net change in fund balance - governmental funds **\$ (3,982,087)**

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. 2,301,664

Governmental funds report bond premiums, losses on refundings and swap termination
fees 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. 76,858

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. 1,544,610

Payments on leased assets is an expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the statement of net position. 90,133

Amortization expense for leased assets in accordance with GASB No. 87 (95,618)

The decrease in the net pension asset is reflected as a reduction of expense on the
Statement of Activities, but is not included in the fund statements. (3,702,765)

The deferred inflows and outflows for the pension is reflected on the
Statement of Activities, but is not included in the fund statements. 4,295,918

Lease payments are recorded as expenditures in the governmental funds,
but are recorded as reductions of liabilities in the government-wide statements. 682,199

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 tax revenue that is
earned for 2022, but not collected in time to meet current obligations. 749,592

The loss on the disposal of assets is recorded on the Statement of Activities,
but is not included in the fund statements. (51,581)

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. 16,803

Revenues related to bond proceeds are reported as revenue in the fund statements
but are recorded as long term debt payable on the Statement of Net Position (955,410)

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. (295,260)

The deferred inflows and outflows for the other post employment benefits is reflected
as revenue on the Statement of Activities, but is not included in the fund statements. (364,528)

The decrease in compensated absence liabilities is reflected on the
Statement of Activities, but is not included in the fund statements. 19,867

Change in net position of governmental activities **\$ 330,395**

**TOWNSHIP OF DERRY
STATEMENT OF NET POSITION
PROPRIETARY FUND - RECYCLING
DECEMBER 31, 2022**

Assets

Current Assets

| | |
|---------------------------|--------|
| Cash and cash equivalents | \$ 25 |
| Accounts receivable | 28,863 |

| | |
|-----------------------------|--------|
| Total Current Assets | 28,888 |
|-----------------------------|--------|

Other Assets

| | |
|--|---------|
| Inventory | 35,939 |
| Capital assets, net of accumulated depreciation | 205,310 |

| | |
|---------------------------|---------|
| Total Other Assets | 241,249 |
|---------------------------|---------|

| | |
|---------------------|------------|
| Total Assets | \$ 270,137 |
|---------------------|------------|

Liabilities and Net Position

Current Liabilities

| | |
|----------------------|-----------|
| Accounts payable | \$ 32,251 |
| Customer deposit | 500 |
| Contingent Liability | 203,276 |

| | |
|----------------------------------|---------|
| Total Current Liabilities | 236,027 |
|----------------------------------|---------|

Net Position

| | |
|----------------------------------|-----------|
| Net investment in capital assets | 205,310 |
| Unrestricted | (171,200) |

| | |
|---------------------------|--------|
| Total Net Position | 34,110 |
|---------------------------|--------|

| | |
|---|------------|
| Total Liabilities and Net Position | \$ 270,137 |
|---|------------|

TOWNSHIP OF DERRY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND - RECYCLING
YEAR ENDED DECEMBER 31, 2022

| | |
|---|-------------|
| Operating Revenues | |
| Charges for Service | \$ 243,185 |
| Intergovernmental | 166,080 |
| | <hr/> |
| Total Operating Revenues | 409,265 |
| | <hr/> |
| Operating Expenses | |
| Wages and employee benefits | 37,981 |
| Materials and supplies | 11,344 |
| Contracted services and other charges | 42,765 |
| Depreciation | 36,938 |
| | <hr/> |
| Total Operating Expenses | 129,028 |
| | <hr/> |
| Operating Income | 280,237 |
| | <hr/> |
| Non-Operating Revenue (Expenses) | |
| Interest income | 233 |
| | <hr/> |
| Total Non-Operating Revenue | 233 |
| | <hr/> |
| Income Before Transfers | 280,470 |
| | |
| Transfers in | 1,442,037 |
| | <hr/> |
| Change in Net Position | 1,722,507 |
| | |
| Net Position, January 1 | (1,688,397) |
| | <hr/> |
| Net Position, December 31 | \$ 34,110 |
| | <hr/> |

See accompanying notes to the financial statements.

**TOWNSHIP OF DERRY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - RECYCLING
YEAR ENDED DECEMBER 31, 2022**

Cash flows from operating activities:

| | |
|--|------------------|
| Receipts from customers and users | \$ 278,582 |
| State grants received | 166,080 |
| Payments to suppliers | (560,589) |
| Payments for employee services | (37,981) |
| Net cash used in operating activities | <u>(153,908)</u> |

Cash flow from investing activities:

| | |
|--|----------------|
| Interest Income | 233 |
| Interfund activity | 153,675 |
| Net cash provided by investing activities | <u>153,908</u> |

| | |
|--|---|
| Net (decrease) in cash and cash equivalents | - |
|--|---|

| | |
|--|-----------|
| Cash and cash equivalents beginning of year | <u>25</u> |
|--|-----------|

| | |
|--|---------------------|
| Cash and cash equivalents end of year | <u><u>\$ 25</u></u> |
|--|---------------------|

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

| | |
|--|----------------------------|
| Operating income | \$ 280,237 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 36,938 |
| Changes in assets and liabilities: | |
| Decrease in receivables | 35,397 |
| Increase in inventory | (26,462) |
| Decrease in accounts payable | (8,294) |
| Decrease in contingent liabilities | (471,724) |
| Net cash used by operating activities | <u><u>\$ (153,908)</u></u> |

**TOWNSHIP OF DERRY
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUNDS
DECEMBER 31, 2022**

| | <u>Component Unit</u> |
|---|--------------------------------|
| | <u>Police Pension Fund</u> |
| Assets | |
| Cash and cash equivalents | \$ 3,190,252 |
| Investments | 22,549,533 |
| Due from employees | 12,816 |
| Accrued income | <u>37,587</u> |
| Total Assets | <u><u>\$ 25,790,188</u></u> |
| Total Liabilities | <u>\$ -</u> |
| Net Position | |
| Restricted for pension benefits | <u>25,790,188</u> |
| Total Net Position | <u><u>25,790,188</u></u> |
| Total Liabilities and Net Position | <u><u>\$ 25,790,188</u></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, 2022

| | <u>Component Unit</u> Police Pension Fund |
|------------------------------|---|
| Additions | |
| Contributions: | |
| Member contributions | \$ 224,252 |
| Employer contributions | <u>563,658</u> |
| Total contributions | <u>787,910</u> |
| Investment income : | |
| Net reduction | |
| in fair value of investments | (4,111,541) |
| Interest and dividends | <u>486,101</u> |
| Total investment income | <u>(3,625,440)</u> |
| Total Additions | <u>(2,837,530)</u> |
| Deductions | |
| Benefits | 1,407,838 |
| Administrative expenses | <u>143,367</u> |
| Total Deductions | <u>1,551,205</u> |
| Net Decrease | (4,388,735) |
| Net Position: | |
| January 1 | <u>30,178,923</u> |
| December 31 | <u><u>\$ 25,790,188</u></u> |

See the accompanying notes to the financial statements.

TOWNSHIP OF DERRY
COMBINING STATEMENT OF NET POSITION - DISCRETELY PRESENTED COMPONENT UNIT
DECEMBER 31, 2022

| | Derry Township Municipal Authority |
|---|---------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 10,242,540 |
| Receivables | |
| Accounts | 585,183 |
| Lease | 401,690 |
| Prepaid expenses | 168,501 |
| Restricted cash and cash equivalents | 26,559,803 |
| Capital assets | |
| Land and construction in progress | 25,470,480 |
| Depreciable capital assets, net | <u>69,705,553</u> |
| Capital assets, net | <u>95,176,033</u> |
| Total Assets | <u>133,133,750</u> |
| Deferred Outflows of Resources | |
| Deferred loss - Debt refundings | 1,116,665 |
| Deferred outflows - OPEB | <u>161,649</u> |
| Total Deferred Outflows of Resources | <u>1,278,314</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 134,412,064</u> |
| Liabilities | |
| Accounts payable | \$ 2,841,362 |
| Accrued wages | 55,209 |
| Accrued interest payable | 93,243 |
| Long-term liabilities | |
| Due within one year - leases | 345,116 |
| Due within one year - long term debt | 3,017,000 |
| Compensated absences | 216,180 |
| Other postemployment benefit liability | 1,340,199 |
| Due in more than one year - capital leases | 1,879,734 |
| Due in more than one year, net - long term debt | <u>62,821,812</u> |
| Long-term liabilities | <u>69,620,041</u> |
| Total Liabilities | <u>72,609,855</u> |
| Deferred Inflows of Resources | |
| Deferred inflows - Leases | 396,139 |
| Deferred inflows - OPEB | <u>133,174</u> |
| Total Deferred Inflows of Resources | <u>529,313</u> |
| Net Position | |
| Net investment in Capital assets | 34,619,114 |
| Unrestricted | <u>26,653,782</u> |
| Total Net Position | <u>61,272,896</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 134,412,064</u> |

See the accompanying notes to the financial statements.

TOWNSHIP OF DERRY
COMBINING STATEMENT OF ACTIVITIES - DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2022

| | <u>Derry Township Municipal Authority</u> |
|--|---|
| Revenues | |
| Charges for services | \$ 13,084,285 |
| Interest and investment earnings | 410,622 |
| Operating grants and contributions | 102,054 |
| Other | <u>796,877</u> |
| Total Revenues | <u>14,393,838</u> |
| Expenditures | |
| Current: | |
| Solid waste | <u>14,658,752</u> |
| Total Expenditures | <u>14,658,752</u> |
| Changes in Net Position | <u>(264,914)</u> |
| Net Position, January 1 (as restated) | 61,537,810 |
| Net Position, December 31 | <u><u>\$ 61,272,896</u></u> |

See the accompanying notes to the financial statements.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022.

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

The following entities are considered to be component units 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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity- (Continued)

Fiduciary Component Unit

In accordance with the guidance contained in GASB Statement No. 84, "Fiduciary Activities", the Township has determined the Police Pension Fund ("Fund") to be a fiduciary component unit. The Fund was established to provide retirement, disability and death benefits to eligible retirees of the Township. The Fund is included in the financial reporting entity as a fiduciary fund because the plan is (1) considered to be a separate legal entity, (2) the Township Supervisors function as the governing board, and (3) the Fund imposes a financial burden to the Township as it is legally obligate to make contributions to the plan.

JOINT VENTURE

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

Township of Derry Tax Collection Commission

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

The Commission is not reported as part of the Township's reporting entity. As a member of the Commission, the Township was required to make monthly contributions to the Commission. For the year ended December 31, 2022, the Township contributed \$156,000 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.

Beginning in January 2023, the Commission permanently closed and will no longer accept tax payments. Keystone Collection Group will collect occupational and local service taxes. Dauphin County Treasurer's office will collect real estate taxes and street light assessments.

RELATED ORGANIZATIONS

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

Township of Derry General Authority

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

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity- (Continued)

RELATED ORGANIZATIONS (Continued)

Township of Derry Industrial and Commercial Development Authority (ICDA)

The ICDA was founded in 1999 and exercises all powers of an industrial and commercial development authority as authorized under the Economic Development Financing Law, Act 74 of 1993, as amended and supplemented. The Board is composed of five members with terms expiring at differing intervals. Separately published financial statements are available on request at the Township office.

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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*.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Adoption of Governmental Accounting Standards Boards (GASB) Pronouncements

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 was 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 was required to adopt Statement No. 91 for its calendar year 2022 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 CASB Statements. The Township was required to adopt Statement No. 92 for its calendar year 2022 financial statements.

E. Pending Governmental Accounting Standards Board (GASB) Pronouncements

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. The Township will be required to adopt Statement No. 94 for its calendar year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Statement's objective is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The Township will be required to adopt Statement No. 96 for its calendar year 2023 financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. The Statement's objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Township will be required to adopt Statement No. 100 for its calendar year 2024 financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The Statement's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Township will be required to adopt Statement No. 101 for its calendar year 2024 financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The Statement's objective is to improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The Township will be required to adopt Statement No. 102 for its calendar year 2024 financial statements.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Interfund Activity in the Government-wide Statements

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

G. Revenue Classification on Government-wide Statement of Activities

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

H. Budget Information

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

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

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

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

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

I. Cash and Investments

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

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

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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Cash and Investments (Continued)

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 Borough 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.

J. Deferred Outflows of Resources

Deferred Outflows of Resources are a consumption of assets by the Township applicable to a future reporting period and have a positive effect on net position, similar to assets. This section of the financial statements includes items related to long-term debt which are amortized on the straight-line method (which approximates the interest method) over the terms of the bond issues and notes to which they relate. The amount of \$103,070 on the Township's Statement of Net Position relates to losses on refundings. The amount of \$1,925,695 relates to the SWAP termination fee. The amount of \$2,243,630 relates to other post employment benefits activity for future periods. The amount of \$5,230,403 relates to pension activity for future periods.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

L. Short-term Interfund Receivables/Payables

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

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Inventory

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

N. Capital Assets

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

| | |
|----------------------------|-------------|
| Buildings and Improvements | 20-40 years |
| Furniture and 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.

According to GASB 87, a lease contract in which ownership is transferred at the end of the lease is reported as a finance purchase (formerly capital lease). These leases transfer the benefits and risk of ownership to the lessee and are accounted for in the governmental activities as capital assets.

O. Leases

The Township of Derry has commitments under various operating leases, primarily for equipment. The lease agreements qualify as other than short-term leases under GASB 87 and therefore have been recorded at the present value of the future minimum lease payments as of the date of inception. Lease right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments at or before the lease commencement date, plus any initial direct costs, less any lease incentives received. Lease right of use assets represent the Township's right to use an underlying asset for the lease term and are presented net of accumulated amortization on the balance sheet. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

The discount rate used to determine the present value of the future lease payments is the Township's incremental borrowing rate available at the lease commencement date, as the rate implicit in most leases is not readily determinable.

P. 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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. 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.

R. 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 \$1,335,235 and pension activity related to future periods of \$6,033,034.

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 taxes, which must be received within 60 days of year end to be deemed available.

S. 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.

T. Equity Classifications

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

Net investment in capital assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of these assets.

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

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (continued)

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.

U. 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, which 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.

V. 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 2022. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risk Management (continued)

The Township provides medical (including prescription) insurance through the Pennsylvania Municipal Health Insurance Cooperative (PMHIC). PMHIC is the administrator of the plan, and Benecon Benefit Administrators and Consultants acts as a broker for the plan. Under the plan coverage, the Township's liability for claims is limited to \$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, 2022, to \$2,531,479. 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 2022 for medical, dental, and prescription expenses were \$1,105,395. Total administrative costs and claims for the fiscal year ended December 31, 2022, were \$2,624,344 including retiree costs of \$441,522.

W. Changes in Accounting Principles and Restatement of Net Position

Changes in Accounting Principles

During the year ended December 31, 2022, the Township of Derry implemented GASB No. 87, Leases, to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. Also, the Township reviewed its discretely presented component units and have determined the Friends of Derry Township Parks and Recreation no longer meets the criteria to be presented as part of the reporting entity as a discretely presented component unit.

Restatement of Net Position

As a result of the implementation of GASB No. 87, Leases, the Township of Derry restated beginning net position as of January 1, 2022, as part of these statements. The restatement of the net position is detailed below.

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Net Position, January 1, 2022 | \$ 48,413,407 |
| Right to Use Lease Assets, January 1, 2022 | 789,922 |
| Accumulated Amortization on Right to Use Lease Assets, January 1, 2022 | (210,420) |
| Lease Liability, January 1, 2022 | (718,367) |
| Restated Net Position, January 1, 2022 | <u>\$ 48,273,542</u> |

As a result of the Friends of Derry Township Parks and Recreation no longer meeting the criteria to be presented as a component unit, the Township of Derry restated beginning net position as of January 1, 2022, as part of these statements. The restatement of the net position is detailed below.

| | <u>Component Unit</u> |
|--|---------------------------|
| Net Position, January 1, 2022 | \$ 61,761,692 |
| Friends of Derry Township Parks and Recreation removal, January 1, 2022 | (223,882) |
| Restated Net Position, January 1, 2022 | <u>\$ 61,537,810</u> |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Component Unit – Summary of Significant Accounting Policies – Derry Township Municipal Authority

Nature of Operations

The 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.

Reporting Entity

Governmental Accounting Standards Board (“GASB”) Statement No. 61, *“The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34”* established the criteria used by the Authority to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. Based on the foregoing criteria, the Authority has no component units that are required to be included in the Authority’s financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority’s financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. The Authority applies Governmental Accounting Standards Board (GASB) pronouncements.

The Authority operations are reported as a proprietary fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets net of total liabilities) is segregated into “net investment in capital assets”, “restricted”, and “unrestricted” components.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary funds’ principal ongoing operations. The principal operating revenues and expenses of the Authority are sewer service charges, hauled waste process, stormwater fees, administrative, payroll taxes and employee benefits expense, plant operations expense and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed for their intended purposes.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Component Unit – Summary of Significant Accounting Policies – Derry Township Municipal Authority (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investments, including investments in external investment pools and money market mutual funds, with a maturity of three months or less when purchased to be cash equivalents.

Receivables

All receivables are shown net of an allowance for uncollectibles, as applicable, trade receivables are evaluated for collectability and an allowance is established, as deemed necessary based on the best information available and in an amount that management believes is adequate. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Investments and External Investment Pools

The Authority invests its idle funds in various instruments, including external investment pools which invest in government secured instruments and certificates of deposit with federally insured financial institutions. This investment is valued at fair value. The Authority's investment in external investment pools and government secured money market instruments are valued at fair value, or amortized cost, which approximates cost and is classified as cash and cash equivalents in the balance sheet.

Capital Assets and Depreciation

The Authority uses a capitalization threshold of \$5,000 to record capital assets purchased and constructed. The expenses are recorded at cost including any liability for contract retainage and construction costs payable except for intangible right-to-use lease assets which are discussed later. In addition, the Authority included any stormwater rights associated with a project as part of the cost of that project and depreciated them accordingly. Intangible assets with an indefinite life are not subject to amortization. The construction accounts have also been charged with applicable administrative expenses.

Contributed assets are carried at estimated acquisition value at the time of contribution. Depreciation is determined using the straight-line method based upon the following estimated useful lives:

| | <u>Years</u> |
|-------------------------|--------------|
| Collection Lines | 10 - 80 |
| Sewage treatment plant | 10 - 80 |
| Plant Equipment | 5 - 20 |
| Vehicles | 5 - 20 |
| Office equipment | 3 - 10 |
| Miscellaneous equipment | 3 - 20 |
| Stormwater system | 3 - 80 |

Normal maintenance and repairs are charged to operations as incurred. Renewals and betterments are capitalized and depreciated based upon the expected life of such improvements.

Non-exchange transactions, such as donated system assets and assets acquired by contributions, are recognized as capital contributions in accordance with GASB Statement No. 33.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Component Units – Summary of Significant Accounting Policies – Derry Township Municipal Authority (continued)

Leases

The Authority is a lessee for a noncancellable leases of sewer systems. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in its financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$250,000 or more.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstance that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position

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 can carry forward each year. Upon termination of, an employee will be paid for all accrued PTO at their current base rate.

The following table summarizes unused compensated absences liability:

| | <u>2022</u> |
|------------------------------|-------------------|
| Balance at Beginning of Year | \$ 211,260 |
| Additions | 216,180 |
| Retirements | <u>(211,260)</u> |
| Balance at End of Year | <u>\$ 216,180</u> |

Unused PTO are generally utilized within 12 months and are reported in current liabilities.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

X. Component Unit – Summary of Significant Accounting Policies – Derry Township Municipal Authority (continued)

Deferred Outflows of Resources

The statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has two items that qualify for reporting in this category: deferred outflows related to OPEB and refunding losses on bonds.

Deferred Inflows of Resources

The statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category: deferred inflows related to OPEB.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

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.

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) obligations of United States government and federal agencies; (3) insured savings and checking accounts and certificates of deposit in banks, savings and loan associations and credit unions; (4) general obligations bonds of the federal government, the Commonwealth of Pennsylvania or any state agency or of any Pennsylvania political subdivision; (5) shares of mutual funds whose investments are restricted to the above categories; (6) repurchase agreements collateralized by United States treasury bills or federal agency securities; (7) commercial paper issued by corporations or other business entities organized in accordance with federal and state law, with a maturity not to exceed 270 days and the issuing corporation or business entity is rated in the top short-term category by at least two nationally recognized statistical ratings organizations; (8) bankers' acceptances that do not exceed 180 days' maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations and (9) negotiable certificates of deposit with a remaining maturity of three years or less, issued by a nationally or state-chartered bank, a federal or state savings and loan association or a state-licensed branch of a foreign bank.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. CASH AND INVESTMENTS (CONTINUED)

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, \$3,462,615 of the Township's bank balance of \$20,901,097 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 (FDIC), and \$250,000 was covered by federal credit union insurance (NCAU).

As of December 31, 2022, proceeds of \$104,746 from Dauphin County Infrastructure Bank Loans were held in accounts at First National Bank and Wilmington Trust a wholly owned subsidiary of M&T bank by the Dauphin County Industrial Development Authority. The accounts are covered by Act 72 and are monitored by the Commonwealth of Pennsylvania.

In addition, \$16,938,482 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, 2022, 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, 2022, is as follows:

| | |
|--|-----------------------------|
| Uninsured but collateralized in accordance with Act 72 | \$ 3,462,615 |
| Plus: Amount insured by FDIC and NCAU | 500,000 |
| | <u>3,962,615</u> |
| Plus: Deposits in pooled investments considered cash equivalents | 16,938,482 |
| Less: Outstanding checks | <u>(371,453)</u> |
| Total deposits | 20,529,644 |
| Plus: Cash on hand | 2,270 |
| Total cash per financial statements | <u><u>\$ 20,531,914</u></u> |
| Cash and cash equivalents | \$ 15,922,499 |
| Restricted cash and cash equivalents | <u>4,609,415</u> |
| Total cash per financial statements | <u><u>\$ 20,531,914</u></u> |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 \$22,549,533 by type as of December 31, 2022, 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 | \$ 16,561,652 | \$ 16,561,652 | \$ - |
| Commingled Fixed Income Mutual Funds | 5,987,881 | 5,987,881 | - |
| Total Investments Measured at the NAV | <u>\$ 22,549,533</u> | <u>\$ 22,549,533</u> | <u>\$ -</u> |

The Bryn Mawr Trust Company is a wholly owned subsidiary of Bryn Mawr Bank Corporation. Effective January 1, 2022, Wilmington Savings Fund Society (WSFS) Financial Corporation completed the acquisition of the Bryn Mawr Bank Corporation. WSFS Financial 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.

3. RECEIVABLES

Governmental Activities

Receivables as of December 31, 2022, 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 | \$ 8,122,573 | \$ - | \$ 6,096 | \$ 8,128,669 |
| Allowance for uncollectibles | (4,000,000) | - | - | (4,000,000) |
| Taxes, net | \$ 4,122,573 | \$ - | \$ 6,096 | \$ 4,128,669 |
| Accounts | 419,155 | - | - | 419,155 |
| Intergovernmental | 11 | - | - | 11 |
| Due from Derry Township Municipal Authority | 24,555,000 | - | - | 24,555,000 |
| Total Receivables | <u>\$29,096,739</u> | <u>\$ -</u> | <u>\$ 6,096</u> | <u>\$29,102,835</u> |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. RECEIVABLES (CONTINUED)

Business-Type Activities

Receivables as of December 31, 2022, for the Township's business-type activity and allowance for uncollectible accounts are as follows:

| | Recycling Fund |
|--------------------------|------------------|
| Receivables | |
| Accounts, gross | \$ 28,863 |
| Total Receivables | <u>\$ 28,863</u> |

4. PROPERTY TAXES

The Township's property tax is levied each February 1st on the assessed value (\$2,114,751,490 for 2022), listed as of January 1st on all taxable real property located in the Township. The property tax rate for the year ended December 31, 2022, was 2.5381 mills for general purposes and capital improvements. Current tax collections for the year ended were approximately 98% of the tax levied.

Dauphin County is responsible for the collection of delinquent real property taxes and property tax assessment. Delinquent 2022 real property taxes were turned over to Dauphin County on January 13, 2023.

The full year property tax calendar is as follows:

| | |
|--|------------------------------------|
| Assessment date | January 1, 2022 |
| Property tax bills rendered, lien date | February 1, 2022 |
| Bills paid during February and March are granted a 2% discount | February 1, 2022 to March 31, 2022 |
| Gross amount of levy is due | April 1, 2021 to May 31, 2022 |
| Taxes delinquent and penalty of 5% of the face amount is charged | June 1, 2022 to July 31, 2022 |
| Taxes delinquent and penalty of 10% of the face amount is charged | August 1, 2022 to January 13, 2023 |
| Delinquent real property taxes are due to be turned over to Dauphin County | February 1, 2023 |

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, 2022, the various components of unearned revenue are as follows:

| | <u>Total</u> |
|--------------------------------|--------------------------|
| Capital grants | \$ 190,788 |
| Unearned rent | 1,220 |
| Police grants | 8,551 |
| Health Insurance reimbursement | <u>205,968</u> |
| Total | <u>\$ 406,527</u> |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. CAPITAL ASSETS

Governmental Activities

A summary of general capital assets during 2022 for governmental activities is as follows:

| | <u>January 1</u> | <u>Additions</u> | <u>Deletions</u> | <u>December 31</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| General Government Assets | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 3,635,502 | \$ - | \$ - | \$ 3,635,502 |
| Construction in Progress | 26,938,725 | - | 26,938,725 | - |
| Held for Resale | 1,019 | 41,092 | - | 42,111 |
| Total Capital Assets Not Being Depreciated | <u>30,575,246</u> | <u>41,092</u> | <u>\$ 26,938,725</u> | <u>3,677,613</u> |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 5,477,425 | 5,540,899 | - | 11,018,324 |
| Building and Building Improvements | 23,024,431 | 25,257,631 | - | 48,282,062 |
| Equipment | 15,019,866 | 2,658,812 | 752,281 | 16,926,397 |
| Right of Use | 789,922 | 14,011 | - | 803,933 |
| Infrastructure | <u>69,711,177</u> | <u>-</u> | <u>-</u> | <u>69,711,177</u> |
| Total Capital Assets, Being Depreciated | <u>114,022,821</u> | <u>33,471,353</u> | <u>752,281</u> | <u>146,741,893</u> |
| Less: Accumulated Depreciation | | | | |
| Land improvements | 4,795,738 | 413,113 | - | 5,208,851 |
| Building and Building Improvements | 9,807,913 | 1,157,163 | - | 10,965,076 |
| Held for Resale | 1,019 | 41,092 | - | 42,111 |
| Equipment | 11,977,437 | 932,482 | 700,700 | 12,209,219 |
| Right of Use | 211,420 | 95,618 | - | 307,038 |
| Infrastructure | <u>25,797,879</u> | <u>1,043,958</u> | <u>-</u> | <u>26,841,837</u> |
| Total Accumulated Depreciation | <u>52,591,406</u> | <u>3,683,426</u> | <u>700,700</u> | <u>55,574,132</u> |
| Total Capital Assets, Net | <u>\$ 92,006,661</u> | <u>\$ 29,829,019</u> | <u>\$ 26,990,306</u> | <u>\$ 94,845,374</u> |

The beginning balances have been restated for GASB No. 87, Leases.

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

| | |
|-----------------------|---------------------|
| General Government | \$ 412,742 |
| Public Safety | 614,623 |
| Community Development | 3,193 |
| Public Works | 1,344,401 |
| Parks and Recreation | 1,107,701 |
| Library | 105,148 |
| Total | <u>\$ 3,587,808</u> |

Amortization expense for right to use lease assets was allocated to the various functions as follows:

| | |
|----------------------|------------------|
| General Government | \$ 637 |
| Public Safety | 39,155 |
| Parks and Recreation | 55,826 |
| Total | <u>\$ 95,618</u> |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022:

| | <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 | 250,636 | 9,125 | - | 259,761 |
| Equipment | <u>167,360</u> | <u>27,813</u> | <u>-</u> | <u>195,173</u> |
| Total accumulated depreciation | <u>417,996</u> | <u>36,938</u> | <u>-</u> | <u>454,934</u> |
| Total capital assets, being depreciated, net | <u>\$ 242,248</u> | <u>\$ (36,938)</u> | <u>\$ -</u> | <u>\$ 205,310</u> |

7. FUND EQUITY

1. Government-wide statements

Net assets of the governmental activities reported on the government-wide statement of net position at December 31, 2022, include the following:

| | |
|--|----------------------|
| Net Investment in Capital Assets | |
| Land | \$ 3,635,502 |
| Land Improvements | 5,809,473 |
| Building and Building Improvements | 37,316,986 |
| Equipment | 4,717,178 |
| Right of Use | 496,895 |
| Infrastructure | <u>42,869,340</u> |
| Total capital assets | 94,845,374 |
| Less: Related long-term debt | <u>(50,063,333)</u> |
| Total Net Investment in Capital Assets | <u>44,782,041</u> |
| Restricted | 3,852,431 |
| Donor, grant and bond restrictions | <u>1,161,031</u> |
| Total Restricted | 5,013,462 |
| Unrestricted | <u>(1,191,566)</u> |
| Total Governmental Activities Net Position | <u>\$ 48,603,937</u> |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

7. FUND EQUITY (CONTINUED)

2. Fund Statements

In the fund financial statements, portions of governmental fund balances are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. Restricted fund balances at December 31, 2022, are detailed below:

| | | |
|--|------------------|----------------------------|
| Capital Projects Fund | | |
| Restricted for Bicycle Trail | \$ 105,210 | |
| Restricted for Rt. 743 & Other Traffic | 230,253 | |
| Restricted for DCIB Loan | 42,100 | |
| Restricted for DCIB Note | 62,646 | |
| Restricted for Land Acquisition | 167,667 | |
| Restricted for GO Bond 2019 | 95,409 | |
| Restricted for GO Bond Series A of 2021 | 123,233 | |
| Restricted for Developer Traffic | 497,473 | |
| Restricted for Open Space Fees | 437,890 | |
| Restricted for Community Center | <u>2,090,550</u> | |
| Total Capital Projects | | 3,852,431 |
| Liquid Fuels Fund | | |
| Restricted for Street Improvements & Equipment | | <u>1,161,031</u> |
| Total Restricted Fund Balance | | <u><u>\$ 5,013,462</u></u> |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2022:

| | Balance January 1, 2022 | Additions | Deletions | Balance December 31, 2022 | Due in One Year |
|--|----------------------------|---------------------|---------------------|------------------------------|---------------------|
| Compensated absences | \$ 723,245 | \$ 592,864 | \$ 612,731 | \$ 703,378 | \$ - |
| Lease Liabilities | 718,367 | 14,011 | 90,135 | 642,243 | 94,252 |
| Financed Purchase–Police MDTs | 3,245 | - | 3,245 | - | - |
| Financed Purchase–2020 International Dump | 38,592 | - | 38,592 | - | - |
| Financed Purchase–Fire Truck | 1,100,850 | - | 117,445 | 983,405 | 122,706 |
| Financed Purchase–2 - 2019 Police Interceptors | 36,775 | - | 18,055 | 18,720 | 18,720 |
| Financed Purchase–2019 International Dump | 39,516 | - | 39,516 | - | - |
| Financed Purchase–Chevy Tahoe | 26,370 | - | 13,041 | 13,329 | 13,329 |
| Financed Purchase–3 Police Interceptors | 83,354 | - | 41,244 | 42,110 | 42,110 |
| Financed Purchase–2021 Internation SFA | 128,354 | - | 30,411 | 97,943 | 31,503 |
| Financed Purchase–2 - 2020 Ford F-550 w/equipment | 90,405 | - | 44,051 | 46,354 | 46,354 |
| Financed Purchase–2 - Exmark Lazars w/ accessories | 6,724 | - | 6,724 | - | - |
| Financed Purchase–Motorola Radios | 152,586 | - | 152,586 | - | - |
| Financed Purchase - 2 - 2021 Police Interceptors | 81,353 | - | 26,555 | 54,798 | 27,114 |
| Financed Purchase - 2 - Exmark Lazer | - | 23,300 | 6,448 | 16,852 | 5,230 |
| Financed Purchase - Galaxy Street Sweeper | - | 216,930 | 39,330 | 177,600 | 33,122 |
| Financed Purchase - Skid Loader | - | 108,404 | 23,650 | 84,754 | 19,797 |
| Financed Purchase - John Deere Tractor w/ Loader | - | 50,024 | 10,817 | 39,207 | 9,224 |
| Financed Purchase - 2 - 2021 Chevrolet Tahoe | - | 110,478 | 37,848 | 72,630 | 35,814 |
| Financed Purchase - Police Interceptor | - | 43,841 | 11,815 | 32,026 | 10,134 |
| Financed Purchase - 2022 Ford F-150 | - | 49,917 | 13,389 | 36,528 | 11,599 |
| Financed Purchase - Tasers | - | 67,343 | 7,434 | 59,909 | 13,989 |
| Pennsylvania Infrastructure Bank Loan | 192,207 | - | 192,207 | - | - |
| Dauphin County Infrastructure Bank Loan | 52,449 | - | 26,095 | 26,354 | 26,354 |
| Dauphin County Infrastructure Bank Loan 2017 | 2,419,471 | - | 136,308 | 2,283,163 | 136,308 |
| General Obligation Bonds, Series 2012 | 590,000 | - | 240,000 | 350,000 | 240,000 |
| General Obligation Bonds, Series 2016 | 1,515,000 | - | 490,000 | 1,025,000 | 495,000 |
| General Obligation Bonds, Series 2018 | 4,995,000 | - | 5,000 | 4,990,000 | 5,000 |
| General Obligation Bonds, Series 2019 | 5,130,000 | - | 5,000 | 5,125,000 | 5,000 |
| General Obligation Bonds, Series 2019A | 4,130,000 | - | 15,000 | 4,115,000 | 15,000 |
| General Obligation Bonds, Series 2019B | 1,375,000 | - | 5,000 | 1,370,000 | 5,000 |
| General Obligation Bonds, Series 2019C | 14,395,000 | - | 5,000 | 14,390,000 | 155,000 |
| ICDA Bonds, Series 2020 | 6,765,000 | - | 150,000 | 6,615,000 | 210,000 |
| General Obligation Bonds, Series 2020 | 7,520,000 | - | 940,000 | 6,580,000 | 960,000 |
| General Obligation Bonds, Series 2020A | 8,875,000 | - | 5,000 | 8,870,000 | 5,000 |
| General Obligation Bonds, Series 2021A | 13,660,000 | - | 205,000 | 13,455,000 | 310,000 |
| General Obligation Bonds, Series 2021B | 2,140,000 | - | 90,000 | 2,050,000 | 95,000 |
| General Obligation Bonds, Series 2022 | - | 955,410 | - | 955,410 | - |
| Total | \$ 76,983,863 | \$ 2,232,522 | \$ 3,894,672 | \$ 75,321,713 | \$ 3,197,659 |
| Other postemployment benefit liability | | | | 14,556,380 | |
| Net pension liability | | | | 2,267,069 | |
| Add: unamortized bond premium | | | | 3,419,953 | |
| Total long-term liabilities | | | | \$ 95,565,115 | |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, the long-term accrued vacation and sick pay was \$703,378.

Long-term Lease Liabilities

The Township has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and therefore have been recorded at the present value of the future minimum lease payments as of the date of their inception. Lease agreements with a term less than twelve months have been excluded in the liability.

The following list provides detail about the Township leases:

- June 2005 – Lease agreement for 11.7 acres of land together with all buildings, structures and other improvements was executed. The sublease agreement is by and between the Township of Derry Commercial and Industrial Development Authority and Township of Derry. The master ground lease is made by and between the Derry Township Municipal Authority and Township of Derry Industrial and Commercial Development Authority dated June 14, 2005. The ground lease agreement requires 480 monthly payments. The variable monthly payments of the lease are as follows:
 - Inception of the lease through the end of month 36 payments are \$833 per month
 - Inception of month 37 through the end of month 60 payments are \$1,000 per month
 - Inception of month 61 through the end of month 480 payments are \$2,000 per month

The lease liability is measured at a discount rate of 4.3%. As a result of the lease, the right of use asset has a net book value of \$208,727 at December 31, 2022.

- March 2020 – Postage equipment was leased and the agreement requires 60 monthly payments of \$59. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4.3%. As a result of the lease, the right of use asset has a net book value of \$1,381 at December 31, 2022.
- June 2020 – Copier equipment was leased and the agreement requires 60 monthly payments of \$2,524. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4.3%. As a result of the lease, the right of use asset has a net book value of \$65,997 at December 31, 2022.
- October 2021 – Fitness equipment was leased and the agreement requires 60 monthly payments of \$5,160. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4.3%. As a result of the lease, the right of use asset has a net book value of \$209,348 at December 31, 2022.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. LONG-TERM DEBT (CONTINUED)

Long-term Lease Liabilities (continued)

- February 2022 – Public Safety equipment was leased and the agreement requires 60 monthly payments of \$259. There are no variable payment components of the lease. The lease liability is measured at a discount rate of 4.3%. As a result of the lease, the right of use asset has a net book value of \$11,442 at December 31, 2022.

Finance Purchase Agreements

The Township has entered into finance purchase agreements for vehicles and equipment. Finance purchase agreements transfer the benefit 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, 2022, assets held through lease agreements totaled \$5,809,869 and accumulated depreciation for those assets totaled \$3,104,349.

The following list provides detail about the Township's finance purchase agreements:

- 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. The final payment was made in 2022.
- May 2018 lease – Present value cost of \$23,399
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. The final payment was made in 2022.
- 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.
- June 2019 lease – Present value cost of \$90,397
The lease is for two 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. The final payment was made in 2022.
- April 2020 lease – Present value cost of \$20,201
The lease is for two Exmark Lazars with accessories and is to be paid in five consecutive annual payments of \$7,178 including interest. The final payment was made in 2022.
- June 2020 lease – Present value cost of \$448,810
The lease is for Motorola Radios and is to be paid in three consecutive annual payments of \$157,070 including interest. The final payment was made in 2022.
- 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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. LONG-TERM DEBT (CONTINUED)

Finance Purchase Agreements (continued)

- August 2020 lease – Present value cost of \$166,745
The lease is for three 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 two Ford F-550 trucks with equipment to be paid in five consecutive annual payments of \$48,797 including interest.
- June 2021 lease – Present value cost of \$109,618
The lease is for two Police Interceptors and is to be paid in four consecutive annual payments of \$28,265 including implied interest.
- December 2021 lease – Present value cost of \$67,343
The lease is for Tasers and is to be paid in five consecutive annual payments of \$16,727 including interest.
- February 2022 lease – Present value cost of \$23,300
The lease is for two Exmark Lasers to be paid in five consecutive annual payments of \$7,178 including interest.
- April 2022 lease – Present value cost of \$110,478
The lease is for two 2021 Chevrolet Tahoe's and is to be paid in three consecutive annual payments of \$37,848 including interest.
- April 2022 lease – Present value cost of \$216,930
The lease is for a Galaxy Street Sweeper and is to be paid in five consecutive annual payments of \$39,330 including interest.
- May 2022 lease – Present value cost of \$50,024
The lease is for a John Deere Tractor with Loader and is to be paid in four consecutive annual payments of \$10,817 including interest.
- May 2022 lease – Present value cost of \$108,404
The lease is for a Skid Loader and is to be paid in five consecutive annual payments of \$23,650 including interest.
- November 2022 lease – Present value cost of \$43,841
The lease is for a 2022 Police Interceptor and is to be paid in four consecutive annual payments of \$11,815 including interest.
- December 2022 lease – Present value cost of \$49,917
The lease is for a 2022 Ford F150 and is to be paid in four consecutive annual payments of \$13,389 including interest.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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%. This loan was paid off in 2022.

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 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> |
|------------------|-----------------|----------------------|----------------------|
| 26,354 | 131 | .50 | 2023 |
| <u>\$ 26,354</u> | <u>\$ 131</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 obligated the Township to pay a portion of the related bond issue based on the Township's utilization of the facility. The Township and School were also jointly responsible for any sums, expenses, or costs incurred with regard to the operation and maintenance of the gymnasium.

On July 26, 2021, the Township and School District signed a termination agreement which ends the Joint Management and Use Agreement and negates Township's obligation to pay any portion of the outstanding bonds, or any costs associated with the operation and maintenance of the gymnasium.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (continued)

\$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 began 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 1.00% 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 2015:

| <u>Principal</u> | <u>Interest</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|---------------------|---------------------|----------------------|----------------------|
| \$ 210,000 | \$ 235,100 | 1.00 | 2023 |
| 420,000 | 233,000 | 4.00 | 2024 |
| 440,000 | 216,200 | 1.00 | 2025 |
| 440,000 | 211,800 | 4.00 | 2026 |
| 3,425,000 | 657,700 | 3.00 – 4.00 | 2027 – 2031 |
| 620,000 | 288,800 | 4.00 | 2033 – 2036 |
| 1,060,000 | 135,400 | 4.00 | 2037 – 2040 |
| <u>\$ 6,615,000</u> | <u>\$ 1,978,000</u> | | |

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 | \$ 7,000 | 2.00 | 2023 |
| 110,000 | 2,200 | 2.00 | 2024 |
| <u>\$ 350,000</u> | <u>\$ 9,200</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> |
|---------------------|------------------|----------------------|----------------------|
| \$ 495,000 | \$ 20,500 | 2.00 | 2023 |
| 530,000 | 10,600 | 2.00 | 2024 |
| <u>\$ 1,025,000</u> | <u>\$ 31,100</u> | | |

\$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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (continued)

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 1.25% 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> |
|---------------------|-------------------|----------------------|----------------------|
| \$ 15,000 | \$ 120,208 | 1.25 | 2023 |
| 15,000 | 120,020 | 1.30 | 2024 |
| 40,000 | 119,825 | 1.50 | 2025 |
| 2,295,000 | 119,225 | 3.00 | 2026 |
| 1,750,000 | 50,375 | 3.00 | 2027 |
| <u>\$ 4,115,000</u> | <u>\$ 529,653</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 2.00% 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 2018:

| <u>Principal</u> | <u>Interest</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|---------------------|---------------------|----------------------|----------------------|
| \$ 5,000 | \$ 152,825 | 2.00 | 2023 |
| 5,000 | 152,725 | 2.50 | 2024 |
| 5,000 | 152,600 | 2.50 | 2025 |
| 5,000 | 152,475 | 2.50 | 2026 |
| 4,970,000 | 443,925 | 2.50 - 4.00 | 2027 – 2030 |
| <u>\$ 4,990,000</u> | <u>\$ 1,054,550</u> | | |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 \$177,250 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 | \$ 177,331 | 1.625 | 2023 |
| 100,000 | 177,250 | 2.000 | 2024 |
| 205,000 | 175,250 | 2.000 | 2025 |
| 205,000 | 171,150 | 2.000 | 2026 |
| 1,180,000 | 754,150 | 2.000 – 5.000 | 2027 – 2031 |
| 1,815,000 | 452,975 | 3.125 – 5.000 | 2032 – 2036 |
| 1,615,000 | 131,614 | 3.125 – 3.250 | 2037 – 2040 |
| <u>\$ 5,125,000</u> | <u>\$ 2,039,720</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 1.50% 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 | \$ 27,350 | 1.50 | 2023 |
| 5,000 | 27,275 | 1.50 | 2024 |
| 550,000 | 27,200 | 2.00 | 2025 |
| 565,000 | 16,200 | 2.00 | 2026 |
| 245,000 | 4,900 | 2.00 | 2027 |
| <u>\$ 1,370,000</u> | <u>\$ 102,925</u> | | |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 \$35,000 to \$1,680,000 through December 15, 2040, plus interest at 1.50% 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> |
|---------------------|---------------------|----------------------|----------------------|
| \$ 155,000 | \$ 563,650 | 1.50 | 2023 |
| 35,000 | 561,325 | 1.50 | 2024 |
| 35,000 | 560,800 | 1.50 | 2025 |
| 40,000 | 560,275 | 2.00 | 2026 |
| 2,120,000 | 2,729,750 | 2.00 – 4.00 | 2027 – 2031 |
| 6,075,000 | 1,936,600 | 4.00 | 2032 – 2036 |
| 5,930,000 | 589,000 | 4.00 | 2037 – 2040 |
| <u>\$14,390,000</u> | <u>\$ 7,501,400</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 \$610,000 to \$2,660,000 through December 15, 2028, plus interest at 2.00% 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> |
|---------------------|-------------------|----------------------|----------------------|
| \$ 960,000 | \$ 165,725 | 2.00 | 2023 |
| 720,000 | 146,525 | 2.00 | 2024 |
| 2,660,000 | 117,725 | 4.00 | 2025 |
| 1,015,000 | 43,550 | 4.00 | 2026 |
| 1,225,000 | 36,800 | 2.00 | 2027 – 2028 |
| <u>\$ 6,580,000</u> | <u>\$ 510,325</u> | | |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (continued)

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

Under 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 payment of bond principal of and interest.

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 | \$ 316,413 | 1.00 | 2023 |
| 5,000 | 316,363 | 1.00 | 2024 |
| 5,000 | 316,313 | 1.00 | 2025 |
| 5,000 | 316,313 | 1.25 | 2026 |
| 3,235,000 | 1,466,725 | 1.50 – 3.00 | 2027 – 2031 |
| 3,825,000 | 785,000 | 3.00 – 4.00 | 2032 – 2036 |
| 1,790,000 | 160,400 | 4.00 | 2037 – 2040 |
| <u>\$ 8,870,000</u> | <u>\$ 3,677,527</u> | | |

\$13,660,000 General Obligation Bonds, Series A of 2021

On March 9, 2021, the Township of Derry authorized the issuance of the Guaranteed Obligation Bonds, Series A of 2021 in the amount of \$13,660,000, for (1) acquiring, designing, constructing, furnishing and equipping a new community center, (2) improvements to the Township landfill, (3) replacement of the Township police department building roof, (4) installation of new HVAC systems for the Township public works building, (5) IT Security System upgrades (collectively, the "Capital Project") (6) capitalizing interest on a portion of the 2021 A Bonds, and (7) pay the allocable costs of issuing the 2021 A Bonds. Annual payments of \$310,000 to \$3,365,000 through December 2041 plus interest at 2.00% to 4.00% per year.

The following is a maturity schedule for the General Obligation Bonds, Series A of 2021:

| <u>Principal</u> | <u>Interest</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|----------------------|---------------------|----------------------|----------------------|
| \$ 310,000 | \$ 509,600 | 2.00 | 2023 |
| 400,000 | 503,400 | 3.00 | 2024 |
| 410,000 | 491,400 | 4.00 | 2025 |
| 430,000 | 475,000 | 1.00 | 2026 |
| 2,550,000 | 2,157,500 | 3.00 – 4.00 | 2027 – 2031 |
| 3,060,000 | 1,635,600 | 4.00 | 2032 – 2036 |
| 6,295,000 | 971,800 | 4.00 | 2037 – 2041 |
| <u>\$ 13,455,000</u> | <u>\$ 6,744,300</u> | | |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. LONG-TERM DEBT (CONTINUED)

General Obligation Bonds and Notes (continued)

\$955,410 General Obligation Note, Series of 2022

On November 15, 2022, the Township authorized the issuance a Guaranteed Obligation Note, Series of 2022 in the amount of \$3,000,000 and utilized \$955,410 in 2022, for the purchase of fire trucks, police vehicles, and public works equipment, with an estimated completion date of May 31, 2024. Terms of the note require principal and interest payments in May and November, commencing on May 15, 2023. Final maturity is on November 15, 2038. Annual payments of \$150,000 to \$180,000 through November 2029 plus interest at 4.30% per year.

The following is a maturity schedule for the General Obligation Note, Series of 2022:

| <u>Principal</u> | <u>Interest</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|-------------------|-------------------|----------------------|----------------------|
| \$ - | \$ 41,592 | 4.30 | 2023 |
| 150,000 | 41,132 | 4.30 | 2024 |
| 160,000 | 34,682 | 4.30 | 2025 |
| 165,000 | 27,802 | 4.30 | 2026 |
| 175,000 | 20,706 | 4.30 | 2027 |
| 180,000 | 13,182 | 4.30 | 2028 |
| 125,410 | 5,440 | 4.30 | 2029 |
| <u>\$ 955,410</u> | <u>\$ 184,536</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 2.00% 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 | \$ 36,812 | 2.00 | 2023 |
| 136,309 | 35,108 | 2.00 | 2024 |
| 139,716 | 33,404 | 3.00 | 2025 |
| 139,716 | 31,658 | 3.00 | 2026 |
| 749,695 | 111,134 | 3.00 – 4.00 | 2027 – 2031 |
| 811,034 | 51,145 | 3.00 – 3.25 | 2032 – 2036 |
| 170,385 | 2,769 | 3.375 | 2037 |
| <u>\$ 2,283,163</u> | <u>\$ 302,030</u> | | |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds

\$2,140,000 Revenue Bonds, Series B of 2021

On March 9, 2021, the Township of Derry authorized the issuance of Revenue Bonds, Series B of 2021 in the amount of \$2,140,000 to fund the termination payment of the interest rate hedge related to the 2021 A Bonds and pay the allocable costs of issuing the 2021 B Bonds. Payments are due in annual installments of \$95,000 to \$145,000 through December 15, 2040, plus interest at .834% to 3.642% per year.

The following is a maturity schedule for the Revenue Bonds, Series B of 2021:

| <u>Principal</u> | <u>Interest</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|---------------------|-------------------|----------------------|----------------------|
| \$ 95,000 | \$ 58,767 | .834 | 2023 |
| 95,000 | 57,975 | .834 | 2024 |
| 95,000 | 57,183 | .834 | 2025 |
| 95,000 | 54,706 | .834 | 2026 |
| 520,000 | 234,685 | .834 – 2.607 | 2027 – 2031 |
| 600,000 | 157,014 | 2.607 – 3.107 | 2032 – 2036 |
| 550,000 | 50,988 | 3.107 – 3.642 | 2037 – 2040 |
| <u>\$ 2,050,000</u> | <u>\$ 671,318</u> | | |

Summary

The following summarizes the Township's future annual debt service requirements to maturity for the Township's long-term debt at December 31, 2022. The schedule below includes all finance purchase 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> |
|---------------------------------|----------------------|----------------------|----------------------|
| 2023 | \$ 3,103,407 | \$ 2,507,129 | \$ 5,610,537 |
| 2024 | 3,059,293 | 2,441,985 | 5,501,277 |
| 2025 | 5,024,870 | 2,346,386 | 7,371,256 |
| 2026 | 5,625,395 | 2,211,699 | 7,837,094 |
| 2027 | 5,052,344 | 2,063,047 | 7,115,391 |
| 2028 – 2032 | 21,266,118 | 7,984,413 | 29,250,531 |
| 2033 – 2037 | 16,794,665 | 4,664,451 | 21,459,116 |
| 2038 – 2041 | 14,050,000 | 1,364,182 | 15,414,182 |
| Total | <u>\$ 73,976,092</u> | <u>\$ 25,583,292</u> | <u>\$ 99,559,384</u> |

The following summarizes the Township's future annual debt service requirements to maturity for the Township's lease liabilities at December 31, 2022.

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------|-------------------|-------------------|-------------------|
| 2023 | \$ 94,252 | \$ 25,773 | \$ 120,025 |
| 2024 | 98,386 | 21,640 | 120,026 |
| 2025 | 84,242 | 17,525 | 101,767 |
| 2026 | 59,244 | 14,304 | 73,548 |
| 2027 | 11,322 | 12,937 | 24,259 |
| 2028-2032 | 63,040 | 56,960 | 120,000 |
| 2033-2037 | 78,131 | 41,869 | 120,000 |
| 2038-2042 | 96,835 | 23,165 | 120,000 |
| 2043-2047 | 56,791 | 3,209 | 60,000 |
| Total | <u>\$ 642,243</u> | <u>\$ 217,382</u> | <u>\$ 859,625</u> |

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

9. INTERFUND BALANCES AND TRANSFERS

There are no interfund balances at December 31, 2022.

Interfund transfers from the General Fund for the year ended December 31, 2022, consisted of the following:

| <u>Transfer To</u> | <u>General Fund</u> | <u>Capital Projects Fund</u> |
|-------------------------------|---------------------|----------------------------------|
| Capital Projects | \$ 2,900,779 | \$ - |
| Nonmajor Governmental | | |
| Street Light Fund | 84,556 | - |
| Proprietary Funds - Recycling | 328,360 | 1,113,677 |
| Total | <u>\$ 3,313,695</u> | <u>\$ 1,113,677</u> |

Transfers from the General Fund 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.

Transfers from the Capital Projects fund are used for the remediation of the landfill.

10. DEFICIT FUND BALANCE

As of December 31, 2022, the Street Light Fund had a negative unassigned fund balance of \$30,467. 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, 2022, the Township assigned a portion of the General Fund balance to cover the deficit.

As of December 31, 2022, the Capital Projects Fund had a negative unassigned fund balance of \$511,391. 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, 2022, the Township assigned a portion of the General Fund balance to cover the deficit.

11. ESCROW PAYABLE

The Township holds funds in escrow totaling \$756,984. Of this amount, \$754,505 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.

12. 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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

12. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

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 \$203,276 in the Recycling Fund as of December 31, 2022.

Guarantee of Indebtedness of Others

The Township has, as additional security, unconditionally guaranteed payment of the full amount of all principal of and interest on the Derry Township Municipal Authority Sewer Revenue Bonds, Series of 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 on December 31, 2022, was \$24,555,000.

In October 2014, the Township approved a \$5 million guarantee relating to the debt service for the Hershey Volunteer Fire Company construction project. As of December 31, 2022, the loan balance was \$2,340,000. The guaranty is scheduled to expire when the note matures on December 2034.

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, 2022, was \$6,615,000.

Litigation

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

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. 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, 2022:

| | Police Pension <u>Plan</u> | Non-uniform Defined Benefit <u>Pension Plan</u> | Non-uniform Cash Balance <u>Pension Plan</u> |
|--|----------------------------------|--|---|
| Active employees | 37 | 48 | 0 |
| Retirees and beneficiaries currently receiving benefits | 30 | 35 | 7 |
| Terminated employees entitled to benefits but not yet receiving them | 2 | 15 | 3 |
| Surviving Spouse | 3 | 0 | 0 |
| Collecting under disability | <u>1</u> | <u>0</u> | <u>0</u> |
| Total | <u>73</u> | <u>98</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 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.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

13. RETIREMENT PLANS (CONTINUED)

Derry Township Police Pension Plan (Continued)

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

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

Funding Policy

As a condition of participation, each member may contribute to the Plan up to 5% of earnings. The Township may, on an annual basis, by resolution, reduce or eliminate payments into the Police Pension Plan by participants. For 2022, 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 2022.

The annual required contribution for the current year was determined through an actuarial calculation as mandated by Act 205 based on an estimated 2022 payroll of \$3,770,244.

Actuarial Assumptions

The total pension liability in the January 1, 2021, 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-2020 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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. RETIREMENT PLANS (CONTINUED)

Derry Township Police Pension Plan (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

Changes in the Net Pension Liability

| | <u>Increase(Decrease)</u> | | |
|--|------------------------------------|--|----------------------------------|
| | <u>Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
| | <u>(a)</u> | <u>(b)</u> | <u>(a)-(b)</u> |
| Balances at 12/31/2021 | \$ 26,885,818 | \$ 30,178,923 | \$ (3,293,105) |
| Service Cost | 590,420 | - | 590,420 |
| Interest Cost | 1,988,857 | - | 1,988,857 |
| Changes of Benefit Terms | - | - | - |
| Changes of Experience | - | - | - |
| Changes of Assumptions | - | - | - |
| Contributions – Employer | - | 563,658 | (563,658) |
| Contributions – Member | - | 224,252 | (224,252) |
| Net Investment Income | - | (3,768,807) | 3,768,807 |
| Benefit Payments, including refunds of member contributions | (1,407,838) | (1,407,838) | - |
| Administrative Expense | - | - | - |
| Other Changes | - | - | - |
| Net Changes | <u>1,171,439</u> | <u>(4,388,735)</u> | <u>5,560,174</u> |
| Balances at 12/31/2022 | <u>\$ 28,057,257</u> | <u>\$ 25,790,188</u> | <u>\$ 2,267,069</u> |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. RETIREMENT PLANS (CONTINUED)

Derry Township Police Pension Plan (Continued)

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 | \$ 5,585,858 | \$ 2,267,069 | \$ (501,907) |

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 | \$ - | \$ 870,747 |
| Change of Assumptions | 153,951 | - |
| Net Difference between Projected and Actual Investment Earnings on Police Pension Plan Investments | <u>4,807,183</u> | <u>1,907,075</u> |
| Total | <u>\$ 4,961,134</u> | <u>\$ 2,777,822</u> |

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

| | | |
|-------------------------|----|------------------|
| Year ended December 31: | | |
| 2023 | \$ | 75,660 |
| 2024 | | 495,606 |
| 2025 | | 619,365 |
| 2026 | | <u>992,681</u> |
| Total | \$ | <u>2,183,312</u> |

Rate of return. For the year ended December 31, 2022, the annual money-weighted rate of return (loss) on the police pension plan investments, net of Plan investment expense, was (12.49) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. RETIREMENT PLANS (CONTINUED)

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.

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 Annual Comprehensive Financial Report (ACFR). A copy of the ACFR 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 2022.

The annual required contribution for the current year was determined through an actuarial calculation as mandated by Act 205 based on estimated 2021 payroll of \$2,857,680.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. RETIREMENT PLANS (CONTINUED)

Derry Township Non-uniform Pension Plans (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

| | | |
|--|-------|--------------------------------|
| Inflation | 2.20% | |
| Salary Increases | 4.06% | (average, including inflation) |
| Investment Rate of Return | 5.25% | (including inflation) |
| Postretirement Cost of Living Increase | 2.20% | |

Mortality Rates were based on the RP2006 Table for males and females. This table does not include projected mortality improvements.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--|--------------------------|---|
| Domestic Equity (large capitalized firms) | 25% | 5.0% |
| Domestic Equity (small capitalized firms) | 8% | 5.7% |
| International Equity (international developed markets) | 15% | 5.6% |
| International Equity (emerging markets) | 8% | 5.3% |
| Real Estate | 15% | 4.3% |
| Fixed Income | 29% | 3.6% |

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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. RETIREMENT PLANS (CONTINUED)

Derry Township Non-uniform Pension Plans (Continued)

Changes in the Net Pension Liability/(Asset)

| | Total Pension Liability (a) | <u>Increase (Decrease)</u> Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a)-(b) |
|--|-----------------------------------|---|---|
| Balances at 12/31/2020 | \$ 17,666,207 | \$ 18,943,643 | \$ (1,277,436) |
| Adjustments | - | - | - |
| Service Cost | 423,735 | - | 423,735 |
| Interest Cost | 920,127 | - | 920,127 |
| Changes of Benefit Terms | - | - | - |
| Changes of Experience | - | - | - |
| Changes of Assumptions | - | - | - |
| Contributions – Employer | - | 515,814 | (515,814) |
| Contributions – PMRS assessment | - | 2,160 | (2,160) |
| Contributions – Member | - | 142,884 | (142,884) |
| PMRS Investment Income | - | 885,780 | (885,780) |
| Market value investment income | - | 1,567,303 | (1,567,303) |
| Transfers | - | - | - |
| Benefit Payments, including refunds of member contributions | (1,142,031) | (1,142,031) | - |
| PMRS administrative expense | - | (2,160) | 2,160 |
| Additional administrative expense | - | (50,169) | 50,169 |
| Net Changes | <u>201,831</u> | <u>1,919,581</u> | <u>(1,717,750)</u> |
| Balances at 12/31/2021 | <u>\$ 17,868,038</u> | <u>\$ 20,863,224</u> | <u>\$ (2,995,186)</u> |

Sensitivity of the net pension liability/(asset) to changes in the discount rate

The following presents the net pension liability/(asset) 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.

| | 1% Decrease (4.25%) | <u>Increase(Decrease)</u> Current Discount Rate (5.25%) | 1% Increase (6.25%) |
|-------------------------------|------------------------|--|------------------------|
| Net Pension Liability/(Asset) | \$ (778,780) | \$ (2,995,186) | \$ (4,855,721) |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. RETIREMENT PLANS (CONTINUED)

Derry Township Non-uniform Pension Plans (Continued)

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 | \$ - | \$ 265,290 |
| Changes in Assumptions | 269,269 | - |
| Net Difference between Projected and Actual Investment Earnings on Non-Uniform Pension Plan Investments | - | 2,738,516 |
| Total | <u>\$ 269,269</u> | <u>\$ 3,003,806</u> |

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

| | |
|-------------------------|-----------------------|
| Year ended December 31: | |
| 2022 | \$ (777,158) |
| 2023 | (1,046,618) |
| 2024 | (605,550) |
| 2025 | (305,211) |
| Total | <u>\$ (2,734,537)</u> |

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 Annual Comprehensive Financial Report (ACFR). A copy of the ACFR 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, 2021, the Township made no contributions and paid an administrative fee of \$200.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. RETIREMENT PLANS (CONTINUED)

Derry Township Non-uniform Pension Plans (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

| | | |
|--|-------|--------------------------------|
| Inflation | 2.20% | |
| Salary Increases | 4.06% | (average, including inflation) |
| Investment Rate of Return | 5.25% | (including inflation) |
| Postretirement Cost of Living Increase | 2.20% | |

Mortality Rates were based on the RP2006 Table for males and females. This table does not include projected mortality improvements.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|---|--------------------------|---|
| Domestic Equity (large capitalized firms) | 25% | 5.0% |
| Domestic Equity (small capitalized firms) | 8% | 5.7% |
| International Equity (international developed markets) | 15% | 5.6% |
| International Equity (emerging markets) | 8% | 5.3% |
| Real Estate | 15% | 4.3% |
| Fixed Income | 29% | 3.6% |

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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. RETIREMENT PLANS (CONTINUED)

Derry Township Non-uniform Pension Plans (Continued)

Changes in the Net Pension Liability/(Asset)

| | Total Pension Liability (a) | <u>Increase(Decrease)</u> Plan Fiduciary Net Position (b) | Net Pension Liability/(Asset) (a)-(b) |
|--|-----------------------------------|--|---|
| Balances at 12/31/2020 | \$ 1,580,419 | \$ 1,770,173 | \$ (189,754) |
| Adjustments | - | - | - |
| Service Cost | - | - | - |
| Interest Cost | 80,956 | - | 80,956 |
| Changes of Benefit | - | - | - |
| Changes of Experience | - | - | - |
| Changes of Assumptions | - | - | - |
| Contributions – Employer | - | - | - |
| Contributions – PMRS assessment | - | 200 | (200) |
| Contributions – Member | - | - | - |
| PMRS Investment Income | - | 80,939 | (80,939) |
| Market value investment income | - | 144,259 | (144,259) |
| Transfers | - | - | - |
| Benefit Payments, including refunds of member contributions | (73,672) | (73,672) | - |
| PMRS administrative expense | - | (200) | 200 |
| Additional administrative expense | - | (4,584) | 4,584 |
| Net Changes | <u>7,284</u> | <u>146,942</u> | <u>(139,658)</u> |
| Balances at 12/31/2021 | <u>\$ 1,587,703</u> | <u>\$ 1,917,115</u> | <u>\$ (329,412)</u> |

Sensitivity of the net pension liability/(asset) to changes in the discount rate

The following presents the net pension liability/(asset) 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 Discount Rate (5.25%) | 1% Increase (6.25%) |
|-------------------------------|--|------------------------|
| Net Pension Liability/(Asset) | \$ (134,371) | \$ (509,951) |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

13. RETIREMENT PLANS (CONTINUED)

Derry Township Non-uniform Pension Plans (Continued)

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 |
|--|--------------------------------------|-------------------------------------|
| Net Difference between Projected and Actual Investment Earnings on Non-Uniform Pension Plan Investments | \$ - | \$ 251,406 |
| Total | <u>\$ -</u> | <u>\$ 251,406</u> |

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

| | |
|-------------------------|---------------------|
| Year ended December 31: | |
| 2022 | \$ (66,488) |
| 2023 | (98,422) |
| 2024 | (57,645) |
| 2025 | (28,851) |
| Total | <u>\$ (251,406)</u> |

14. 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 2021, the Township made no contribution and instead elected to continue funding on a pay-as-you-go basis, which amounted to \$441,522 for 2022. These costs are recognized as an expense when claims or premiums are paid.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Plan Membership

Membership consisted of the following at December 31, 2022:

| | |
|---|------------|
| Active employees | 85 |
| Retirees and beneficiaries currently receiving benefits | <u>16</u> |
| Total | <u>101</u> |

Actuarial methods and assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, rolled forward to December 31, 2022, 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 | 2.25% (S&P Municipal Bond 20-Year High Grade Rate Index) |
| Healthcare Cost Trend Rates | 6.5% per year graded down by the Society of Actuaries Long-Run Medical Cost Trend Model to an ultimate rate of 3.9% 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 1.93% to 2.25%.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.25% for the plan, relating to the S&P Municipal Bond 20-Year High Grade Rate Index as of January 1, 2022. No assets have been accumulated in an irrevocable trust, so the municipal rate has been applied to all periods.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Changes in the Total OPEB Liability

| | |
|--|----------------------|
| Balance as of 12/31/21 | \$ 14,261,120 |
| Service Cost | 863,989 |
| Interest | 286,543 |
| Changes in Benefit Terms | - |
| Differences between Expected and Actual Experience | - |
| Changes of Assumptions | (341,443) |
| Benefit Payments | (513,829) |
| Other Charges | - |
| Net Changes | <u>295,260</u> |
| Balance as of 12/31/22 | <u>\$ 14,556,380</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 2.25%, 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 (1.25%) | Discount Rate (2.25%) | 1% Increase (3.25%) |
| Net OPEB Liability | \$ 15,752,782 | \$ 14,556,380 | \$ 13,463,708 |

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 6.50%, 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> | |
|--------------------|---------------|---------------------------|---------------|
| | | Current | |
| | 1% Decrease | Rate | 1% Increase |
| Net OPEB Liability | \$ 12,915,831 | \$ 14,556,380 | \$ 16,483,166 |

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between Expected and Actual Experience | \$ - | \$ 691,958 |
| Changes in Assumptions | 1,703,199 | 643,277 |
| Contributions Subsequent to Measurement Date | 540,431 | - |
| Net Difference between Projected and Actual Investment Earnings on Non-Uniform Pension Plan Investments | - | - |
| Total | <u>\$ 2,243,630</u> | <u>\$ 1,335,235</u> |

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

| | | |
|-------------------------|----|-------------------|
| Year ended December 31: | | |
| 2023 | \$ | 49,687 |
| 2024 | | 49,687 |
| 2025 | | 49,687 |
| 2026 | | 49,687 |
| 2027 | | 49,687 |
| Thereafter | | 119,529 |
| Total | | <u>\$ 367,964</u> |

15. EXCESS EXPENDITURES OVER APPROPRIATIONS IN MAJOR FUNDS

The following major fund had an excess actual expenditures over budget for the year ended December 31, 2022:

| | <u>Appropriations</u> | <u>Expenditures</u> | <u>Percentage of Excess Over Appropriations</u> |
|--------------|-----------------------|---------------------|---|
| General Fund | \$ 17,553,020 | \$ 18,024,450 | 2.69% |

16. DEPOSITS AND INVESTMENTS – DERRY TOWNSHIP MUNICIPAL AUTHORITY

The carrying amounts of the cash and investments at December 31 consist of the following:

| <u>Investments</u> | <u>2022</u> |
|---|----------------------|
| Cash and money market investments | \$ 31,863,395 |
| Accrued interest on government securities | 7,056 |
| Total deposits, including petty cash | <u>4,931,892</u> |
| Total deposits and investments | <u>\$ 36,802,343</u> |

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

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

16. DEPOSITS AND INVESTMENTS – DERRY TOWNSHIP MUNICIPAL AUTHORITY (CONTINUED)

| <u>Reconciliation to the Statements of Net Position</u> | | <u>2022</u> |
|---|----|--------------------------|
| Current assets: | | |
| Cash | \$ | 2,044,001 |
| Money Market Investments | | <u>8,198,539</u> |
| | | 10,242,540 |
| Non-current | | |
| Money Market Investments | | <u>26,559,803</u> |
| Total deposits and investments | \$ | <u><u>36,802,343</u></u> |

Deposits:

The Authority has a policy that requires all deposits and investments, other than U.S. government obligations, to be covered by Federal insurance or to be fully collateralized by the financial institution issuing the investment or acquiring the deposit. Deposits that are not insured by the Federal Deposit Insurance Corporation are collateralized using the pooled asset method to 100% of value as required by Pennsylvania Law.

The securities pledged as collateral are held by the trust department of a financial institution or by its agent in the financial institution's name. When certificates of deposit are purchased, the Authority or its agent either holds the actual certificate of deposit or receives a safekeeping certificate as its proof of ownership.

The Authority has custodial credit risk on cash and investment deposits. This is the risk that, in the event of a financial institution failure, the Authority's deposits may not be returned. On December 31, 2022, the carrying amounts of the Authority's bank deposits were \$36,802,343 and the bank balance of \$37,221,276. As of December 31, 2022, \$10,287,875 of deposits were exposed to custodial risk because they were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Authority's name.

PLGIT is a common law trust organized to provide Pennsylvania local governments with a convenient method of pooling their cash for temporary investment. PLGIT functions similar to a money market fund, seeking to maintain a net asset value of \$1 per share. Participants purchase "shares" in PLGIT, which invests the proceeds in: obligations of the United States Government, its agencies or instrumentalities; obligations of the Commonwealth of Pennsylvania, its agencies, instrumentalities or political subdivisions; and deposits in savings accounts, time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured, and for any amounts above the insured maximum, provided that approved collateral as provided by law is pledged by the depository. Shares may be withdrawn at any time, in any amount, with no liquidity fee or redemption gates. PLGIT/PLGIT PLUS have received an "AAAm" rating from Standard & Poor's, an independent credit rating agency. At December 31, 2022, the carrying amount of the Authority's deposits with PLGIT were \$26,408,608.

Interest Rate Risk:

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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

16. DEPOSITS AND INVESTMENTS – DERRY TOWNSHIP MUNICIPAL AUTHORITY (CONTINUED)

Credit Risk:

The Authority limits the type of investments permitted as defined in the Municipality Authorities Act and the related trust indentures. Permitted investments are defined above. The Authority's investment policy is consistent with these limitations. As of December 31, 2022, the Authority does not hold any investments which are subject to credit risk.

17. CAPITAL ASSETS – DERRY TOWNSHIP MUNICIPAL AUTHORITY

Capital assets of the Authority for 2022 consist of the following:

| | <u>Beginning</u> | <u>Additions</u> | <u>Deletions</u> | <u>Reclassifications</u> | <u>Ending</u> |
|-------------------------------|---------------------|---------------------|---------------------|--------------------------|---------------------|
| Land and right-of-ways | \$ 2,370,024 | \$ - | \$ - | \$ - | \$ 2,370,024 |
| Collection lines | 43,618,494 | 419,899 | - | - | 44,038,393 |
| Sewage treatment plant | 74,709,777 | 1,189,707 | - | - | 75,899,484 |
| Plant equipment | 4,492,670 | 411,528 | - | - | 4,904,198 |
| Vehicles | 2,222,034 | - | - | - | 2,222,034 |
| Office equipment | 1,389,949 | 18,909 | - | - | 1,408,858 |
| Miscellaneous equipment | 3,343,904 | - | - | - | 3,343,904 |
| Stormwater system | 9,278,931 | 361,026 | - | - | 9,639,957 |
| Construction in progress | 11,948,357 | 11,644,897 | (632,299) | - | 22,960,955 |
| Projects in progress | <u>237,969</u> | <u>-</u> | <u>(98,468)</u> | <u>-</u> | <u>139,501</u> |
| | 153,612,109 | 14,045,966 | (730,767) | - | 166,927,308 |
| Less accumulated depreciation | <u>68,372,928</u> | <u>3,378,347</u> | <u>-</u> | <u>-</u> | <u>71,751,275</u> |
| | <u>\$85,239,181</u> | <u>\$10,667,619</u> | <u>\$ (730,767)</u> | <u>\$ -</u> | <u>\$95,176,033</u> |

18. LONG-TERM DEBT – 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.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

18. LONG-TERM DEBT – DERRY TOWNSHIP MUNICIPAL AUTHORITY (CONTINUED)

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.

Long-term bonds and leases outstanding at December 31, 2022 are as follows:

| | <u>Original borrowing</u> | <u>Date of issue/maturity</u> | <u>Interest rates to maturity</u> | <u>Annual principal payments to maturity</u> | <u>Outstanding December 31, 2022</u> |
|---------------------------------------|-------------------------------|-------------------------------|---------------------------------------|--|--|
| Sewer Revenue Bonds and Notes: | | | | | |
| Series of 2021A | \$ 7,360,000 | 2021/2025 | 1.00% to 4.00% | \$180,000 to \$2,040,000 | \$ 3,930,000 |
| Series of 2021B | 10,840,000 | 2021/2037 | 0.437% to 2.760% | \$100,000 to \$1,295,000 | 10,575,000 |
| Series of 2021C | 9,135,000 | 2021/2035 | 1.50% to 3.00% | \$60,000 to \$1,950,000 | 9,135,000 |
| Series of 2022 | 9,375,000 | 2022/2039 | 3.00% to 4.00% | \$5,000 to \$3,725,000 | 9,375,000 |
| Series A of 2022 | 3,269,000 | 2022/2042 | 1.74% | \$133,000 to \$192,000 | 3,269,000 |
| Series B of 2022 | 2,045,000 | 2022/2042 | 1.74% | \$84,000 to \$120,000 | 2,045,000 |
| 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 | 4,990,000 |
| Series of 2019 | 4,335,000 | 2019/2027 | 1.16% to 3.00% | \$5,000 to \$2,295,000 | 4,115,000 |
| Series of 2020 | 8,915,000 | 2020/2028 | 1.00% to 4.00% | \$610,000 to \$2,660,000 | 6,580,000 |
| Series of 2020A | 8,880,000 | 2020/2040 | 1.00% to 4.00% | \$5,000 to \$1,065,000 | 8,870,000 |
| Capital Lease Obligations: | | | | | |
| Phase I | 2,740,609 | 2007/2025 | 1.00% | \$119,230 to \$157,590 | 466,485 |
| Phase II | <u>4,591,356</u> | 2010/2032 | 1.00% | \$51,453 to \$204,524 | <u>1,758,365</u> |
| | <u>\$76,495,965</u> | | | | <u>\$ 65,108,850</u> |

In March 2022, the Authority issued Sewer Revenue Bonds, Series of 2022, in the amount of \$9,375,000. The principal on these bonds is payable in annual installments ranging from \$5,000 to \$3,725,000 in 2039. Interest payments on the outstanding principal shall be due semi-annually, on June 15 and December 15 of each year, beginning June 15, 2022. The bonds bear fixed interest rates ranging from 3.00% to 4.00% and included a premium of \$620,386. The proceeds of the bonds were used for capital projects, fund capitalized interest on the bonds and to pay issuance costs.

In October 2022, the Authority issued Revenue Notes, Series A and B of 2022, in the amounts of \$3,269,000 and \$2,045,000, respectively. The principal on these bonds is payable in annual installments ranging from \$84,000 to \$192,000 in 2042. Interest payments on the outstanding principal shall be due semi-annually, on May 1 and November 1 of each year, beginning May 1, 2023. The bonds bear a fixed interest rate of 1.74%. The proceeds of the bonds were used to fund capital improvements and to pay issuance costs.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

18. LONG-TERM DEBT – DERRY TOWNSHIP MUNICIPAL AUTHORITY (CONTINUED)

| | Balance as of December 31, 2021 | Additions | Retirements | Balance as of December 31, 2022 |
|---|---------------------------------------|----------------------|-----------------------|---------------------------------------|
| Sewer Revenue Bonds: | | | | |
| Series 2021A | \$ 5,590,000 | \$ - | \$ (1,660,000) | \$ 3,930,000 |
| Series 2021B | 10,675,000 | - | (100,000) | 10,575,000 |
| Series 2021C | 9,135,000 | - | - | 9,135,000 |
| Series of 2022 | - | 9,375,000 | - | 9,375,000 |
| Series A of 2022 | - | 3,269,000 | - | 3,269,000 |
| Series B of 2022 | - | 2,045,000 | - | 2,045,000 |
| Subsidy Agreements: | | | | |
| Series 2018 | 4,995,000 | - | (5,000) | 4,990,000 |
| Series 2019 | 4,130,000 | - | (15,000) | 4,115,000 |
| Series 2020 | 7,520,000 | - | (940,000) | 6,580,000 |
| Series 2020A | 8,875,000 | - | (5,000) | 8,870,000 |
| Total bonds payable | 50,920,000 | 14,689,000 | (2,725,000) | 62,884,000 |
| Lease obligations | 2,566,534 | - | (341,684) | 2,224,850 |
| | <u>\$ 53,486,534</u> | <u>\$ 14,689,000</u> | <u>\$ (3,066,684)</u> | <u>\$ 65,108,850</u> |
| Current Maturities | (3,066,684) | | | (3,362,116) |
| Unamortized original issue premium, net | <u>2,673,122</u> | | | <u>2,954,812</u> |
| Long-term debt, net of current maturities | <u>\$ 53,092,972</u> | | | <u>\$ 64,701,546</u> |

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

| Years Ended | Debt from Direct Borrowings | | |
|-------------|-----------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2023 | \$ 3,362,116 | \$ 1,627,822 | \$ 4,989,938 |
| 2024 | 3,467,293 | 1,526,619 | 4,993,912 |
| 2025 | 3,543,849 | 1,411,019 | 4,954,868 |
| 2026 | 3,756,553 | 1,328,974 | 5,085,527 |
| 2027 | 3,582,508 | 1,236,601 | 4,819,109 |
| 2028-2032 | 19,117,531 | 4,940,216 | 24,057,747 |
| 2033-2037 | 21,072,000 | 3,071,740 | 24,143,740 |
| 2038-2042 | 7,207,000 | 369,390 | 7,576,390 |
| Totals | <u>\$ 65,108,850</u> | <u>\$ 15,512,381</u> | <u>\$ 80,621,231</u> |

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

19: OTHER POSTEMPLOYMENT BENEFITS – 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:

As of December 31, 2022, the OPEB plan membership consisted of the following (actual number of plan members):

| | <u>2022</u> |
|--|------------------|
| Active plan members | 36 |
| Inactive plan members or beneficiaries currently receiving benefits | <u>3</u> |
| Total | <u><u>39</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.

Contributions: The contribution requirements of the plan members and the Authority are established and may be amended by the Authority. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75. The plan is funded on a pay-as-you-go basis, i.e. premiums are paid annually to fund the healthcare benefits provided to current retirees, primarily through annual appropriations.

Changes in Total 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 total OPEB liability was measured as of January 1, 2021, and the total OPEB liability was determined by rolling forward the liability from an actuarial valuation as of January 1, 2021. No other significant events or changes in assumptions occurred between the valuation date and year end, except for the discount rate changing from 2.25% to 4.31%.

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**19: OTHER POSTEMPLOYMENT BENEFITS – DERRY TOWNSHIP MUNICIPAL AUTHORITY
(CONTINUED)**

The Authority's annual change in total OPEB liability to the plan for the years ended December 31, 2022 was as follows:

| | <u>2022</u> |
|---|--------------------|
| Service Cost | \$ 115,478 |
| Interest | 30,879 |
| Difference between expected and actual experience | 104,800 |
| Changes in assumptions | (125,494) |
| Benefit payments | <u>(92,503)</u> |
| Change in Total OPEB liability | 33,160 |
| Total OPEB Liability: | |
| Beginning of the year | <u>1,307,039</u> |
| End of the year | <u>\$1,340,199</u> |
| Covered employee payroll | \$2,509,726 |
| Total OPEB liability as a percentage of covered employee payroll | 53.40% |

Actuarial methods and assumptions:

The Authority's net OPEB liability was determined as part of an actuarial valuation at January 1, 2022, applied to all periods included in the measurement.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of the valuation and on the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

**19: OTHER POSTEMPLOYMENT BENEFITS – DERRY TOWNSHIP MUNICIPAL AUTHORITY
(CONTINUED)**

Information as of the latest actuarial valuation is as follows:

| Valuation date | January 1, 2022 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|----------|--|--|------|--|----|-------|-------|---------|-------|-------|----------|----------|--|-------|--------|--------|----|-------|--------|--------|-------|-------|--------|--------|--|----|-------|--|----|-------|--|
| Actuarial cost method | Entry age normal | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Actuarial assumptions: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary | Annual increase of 5.50% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Discount rate | 4.31%, based on S&P Municipal Bond 20-Year High Grade Rate Index at December 31, 2022. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Health Care Cost Trend Rate | 6.5% in 2022 to 7.0% in 2023 then decrease 0.5% per year until 5.5% in 2026. Rates gradually decrease from 5.4% in 2027 to 4.1% 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 Cost Trend Rate. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Withdraw rates | <table><tr><th>Age</th><th colspan="2">Rate</th></tr><tr><td>20</td><td colspan="2">5.50%</td></tr><tr><td>25</td><td colspan="2">5.00%</td></tr><tr><td>30</td><td colspan="2">4.00%</td></tr><tr><td>35</td><td colspan="2">2.50%</td></tr><tr><td>40</td><td colspan="2">1.00%</td></tr><tr><td>45</td><td colspan="2">0.50%</td></tr><tr><td>50</td><td colspan="2">0.00%</td></tr><tr><td>55</td><td colspan="2">0.00%</td></tr><tr><td>60</td><td colspan="2">0.00%</td></tr></table> | | | 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% | |
| 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% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Per capita claims cost | <table><tr><th colspan="4">Medical and Prescription Drug Combined</th></tr><tr><th>Age</th><th>Males</th><th colspan="2">Females</th></tr><tr><td>45-49</td><td>\$ 8,975</td><td colspan="2">\$12,961</td></tr><tr><td>50-54</td><td>11,886</td><td colspan="2">14,649</td></tr><tr><td>55-59</td><td>14,477</td><td colspan="2">15,328</td></tr><tr><td>60-64</td><td>18,891</td><td colspan="2">17,608</td></tr></table> | | | Medical and Prescription Drug Combined | | | | Age | Males | Females | | 45-49 | \$ 8,975 | \$12,961 | | 50-54 | 11,886 | 14,649 | | 55-59 | 14,477 | 15,328 | | 60-64 | 18,891 | 17,608 | | | | | | | |
| Medical and Prescription Drug Combined | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Age | Males | Females | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 45-49 | \$ 8,975 | \$12,961 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 50-54 | 11,886 | 14,649 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 55-59 | 14,477 | 15,328 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 60-64 | 18,891 | 17,608 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 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, including rate 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. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**19: OTHER POSTEMPLOYMENT BENEFITS – DERRY TOWNSHIP MUNICIPAL AUTHORITY
(CONTINUED)**

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 2022 discount rate used to measure the total OPEB liability was 4.31%. This is based on the S&P Bond 20-Year High Grade Rate Index at December 31, 2022.

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:

| | <u>1% Decrease</u> | <u>Current discount rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| Total OPEB liability December 31, 2022 | \$ 1,403,003 | \$ 1,340,199 | \$ 1,279,008 |

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>Current valuation rates</u> | <u>1% Increase</u> |
|--|--------------------|------------------------------------|--------------------|
| Total OPEB liability December 31, 2022 | \$ 1,226,042 | \$ 1,340,199 | \$ 1,475,480 |

OPEB expense:

The OPEB expense for the Authority for the years ended December 31, 2022 was as follows:

| | <u>2022</u> |
|-----------------------------------|-------------------|
| Service cost | \$ 115,478 |
| Interest | 30,879 |
| Amortization of deferred outflows | 14,183 |
| Amortization of deferred inflows | <u>(10,544)</u> |
| Total OPEB expense | <u>\$ 149,996</u> |

**TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

**19: OTHER POSTEMPLOYMENT BENEFITS – DERRY TOWNSHIP MUNICIPAL AUTHORITY
(CONTINUED)**

Deferred outflows of resources and deferred inflows of resources related to OPEB:

At December 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2022 | |
|---|-----------------------------------|----------------------------------|
| | Deferred outflows of resources | Deferred inflows of resources |
| Changes in assumptions | \$ 64,335 | \$ 125,817 |
| Difference between expected and actual experience | 97,314 | 7,357 |
| | <u>\$ 161,649</u> | <u>\$ 133,174</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:

| <u>Year ended</u> | |
|-------------------|-------------------------|
| 2023 | \$ 3,639 |
| 2024 | 3,639 |
| 2025 | 3,639 |
| 2026 | 3,639 |
| 2027 | 3,639 |
| Thereafter | <u>10,280</u> |
| | <u><u>\$ 28,475</u></u> |

20. DEFEASED DEBT – DERRY TOWNSHIP MUNICIPAL AUTHORITY

In March 2021, the Authority defeased \$9,530,000 of the Guaranteed Sewer Revenue Bonds, Series of 2019, by placing the bond proceeds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. As of December 31, 2022, \$9,520,000 of the defeased bonds are still outstanding.

21. DEFINED CONTRIBUTION PENSION PLAN – DERRY TOWNSHIP MUNICIPAL AUTHORITY

Under the authority of the Municipality Authorities Act of 1945 and by resolution of the Board, the Authority has established a defined contribution plan which provides pension benefits for all of its employees who meet specified service requirements. Benefits depend solely on amounts contributed to the plan plus investment earnings. Board action requires that the Authority contribute an amount equal to 6.0% of the employee's total compensation each month. The Authority's contributions for each employee (and earnings allocated to the employee's account) are fully vested after seven years of continuous service. Authority contributions for, and earnings forfeited by, employees who leave employment before being fully vested are used to reduce the Authority's current period contribution requirement. Voluntary participant contributions are permitted by the plan. The Authority made the required contributions in the gross amounts of \$137,446 for the year ended December 31, 2022.

TOWNSHIP OF DERRY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

22. LEASES – DERRY TOWNSHIP MUNICIPAL AUTHORITY

Lessor

The Authority, as the lessor, had entered into an agreement in 2006 with the Township of Derry Industrial and Commercial Development Authority (the ICDA) to lease to the ICDA approximately 12 acres of land along Hersheypark Drive, Hershey, Pennsylvania. An initial lease receivable was recorded in the amount of \$423,255. There was no additional revenue for variable and other payments not included in the measurement of the lease receivable. As of December 31, 2022, the value of the lease receivable is \$401,690 and the related deferred inflow for future payments expected to be collected on the lease is \$396,139. The lessee is required to make monthly fixed payments of \$2,000 through 2046. The lease has an interest rate of 3.2%. The Authority recognized lease revenue and interest of \$16,506 and \$13,045, respectively for the calendar year.

Lessee

The Authority has entered into two 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 lease obligation to Conewago Township had balances of \$466,485 and \$574,630 at December 31, 2022. The cost of the related capital asset is \$4,229,548, with accumulated depreciation of \$948,223 at December 31, 2022. The capital lease obligation to Conewago Municipal Authority had balances of \$1,758,365 at December 31, 2022. The cost of the related capital asset is \$4,099,169, with accumulated depreciation of \$666,185 at December 31, 2022. The total amount of interest payments remaining on the leases are \$92,417 as of December 31, 2022.

23. DEFERRED COMPENSATION PLAN – DERRY TOWNSHIP MUNICIPAL AUTHORITY

In September 1992, the Authority entered into an agreement with MissionSquare 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 (MissionSquare 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, 2022**

24. COMMITMENTS – DERRY TOWNSHIP MUNICIPAL AUTHORITY

In the normal course of business, the Authority may be subject to pending and threatened lawsuits in which claims for monetary damage could be asserted. In management's opinion, the Authority's financial position and results of operations would not be materially affected by the outcome of such legal proceedings.

The Authority has active construction projects as of December 31, 2022. At year end, the financial commitments with contractors related to these projects are as follows:

| Project | Remaining commitment as of December 31, 2022 |
|---|---|
| Biosolids Drying and Gasification Project | \$ 6,536,250 |
| Bull Frog Valley & Deer Run Stream Restorations | 2,267,233 |
| Clearwater WWTF Energy enhancements | 1,269,149 |
| Oakmont Basin Retrofit and Forest Ave BMP | 860,000 |
| Raw sewage pumps replacement | 937,886 |
| Spring Creek Interceptor Improvements | <u>1,375,077</u> |
| Totals | <u>\$ 13,245,595</u> |

25. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 14, 2024, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|------------------------------|---|
| Taxes | | | | |
| Real estate taxes, net of discount | \$ 5,530,102 | \$ 5,530,102 | \$ 5,232,669 | \$ (297,433) |
| Real estate transfer tax | 925,000 | 925,000 | 1,153,994 | 228,994 |
| Earned income tax | 5,100,000 | 5,100,000 | 6,653,457 | 1,553,457 |
| Occupation tax | 2,110,000 | 2,110,000 | 1,878,998 | (231,002) |
| Local services tax | 1,290,000 | 1,290,000 | 815,457 | (474,543) |
| Amusement tax | 500,000 | 500,000 | 1,257,577 | 757,577 |
| Parking lot tax | 350,000 | 350,000 | 1,014,772 | 664,772 |
| Total taxes | <u>15,805,102</u> | <u>15,805,102</u> | <u>18,006,924</u> | <u>2,201,822</u> |
| Licenses and permits | <u>457,700</u> | <u>457,700</u> | <u>482,606</u> | <u>24,906</u> |
| Fines and forfeits | <u>109,685</u> | <u>109,685</u> | <u>129,516</u> | <u>19,831</u> |
| Interest and rents | <u>133,000</u> | <u>133,000</u> | <u>316,521</u> | <u>183,521</u> |
| Intergovernmental revenues | <u>2,195,056</u> | <u>2,195,056</u> | <u>2,800,961</u> | <u>605,905</u> |
| Charges for services | <u>2,505,291</u> | <u>2,505,291</u> | <u>2,225,323</u> | <u>(279,968)</u> |
| Miscellaneous revenues | <u>502,854</u> | <u>502,854</u> | <u>742,778</u> | <u>239,924</u> |
| Total revenues | <u>\$ 21,708,688</u> | <u>\$ 21,708,688</u> | <u>\$ 24,704,629</u> | <u>\$ 2,995,941</u> |
| Total revenues and other financing sources | <u>\$ 21,708,688</u> | <u>\$ 21,708,688</u> | <u>\$ 24,704,629</u> | <u>\$ 2,995,941</u> |

TOWNSHIP OF DERRY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (continued)
YEAR ENDED DECEMBER 31, 2022

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|----------------------|----------------------|------------------------------|---|
| General government | <u>\$ 2,410,634</u> | <u>\$ 2,410,634</u> | <u>\$ 2,233,345</u> | <u>\$ 177,289</u> |
| Public safety | <u>7,918,480</u> | <u>7,918,480</u> | <u>8,762,697</u> | <u>(844,217)</u> |
| Community development | <u>687,099</u> | <u>687,099</u> | <u>739,504</u> | <u>(52,405)</u> |
| Health and human services | <u>-</u> | <u>-</u> | <u>19,199</u> | <u>(19,199)</u> |
| Public works - highways and streets | <u>2,736,502</u> | <u>2,736,502</u> | <u>3,192,421</u> | <u>(455,919)</u> |
| Parks and recreation | <u>2,787,084</u> | <u>2,787,084</u> | <u>2,042,825</u> | <u>744,259</u> |
| Library | <u>1,013,221</u> | <u>1,013,221</u> | <u>1,034,459</u> | <u>(21,238)</u> |
| Total expenditures | <u>17,553,020</u> | <u>17,553,020</u> | <u>18,024,450</u> | <u>(471,430)</u> |
| Other financing uses | | | | |
| Transfers out | <u>6,040,917</u> | <u>6,040,917</u> | <u>3,313,695</u> | <u>2,727,222</u> |
| Total expenditures and other financing uses | <u>\$ 23,593,937</u> | <u>\$ 23,593,937</u> | <u>\$ 21,338,145</u> | <u>\$ 2,255,792</u> |

DERRY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS - POLICE PENSION
(REQUIRED SUPPLEMENTARY INFORMATION)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total pension liability | | | | | | | | |
| Service cost | \$ 590,420 | \$ 559,640 | \$ 607,853 | \$ 576,164 | \$ 622,612 | \$ 590,154 | \$ 558,805 | \$ 529,673 |
| Interest | 1,988,857 | 1,961,842 | 1,971,951 | 1,841,985 | 1,679,393 | 1,579,711 | 1,454,441 | 1,357,661 |
| Differences between expected and actual experience | - | (1,254,684) | - | (102,875) | - | (199,801) | - | - |
| Changes of assumptions | - | - | - | 461,859 | - | 582,970 | - | - |
| Benefit payments, including refunds of employee contributions | (1,407,838) | (1,842,625) | (991,864) | (772,944) | (719,132) | (840,143) | (674,167) | (625,317) |
| Net change in total pension liability | 1,171,439 | (575,827) | 1,587,940 | 2,004,189 | 1,582,873 | 1,712,891 | 1,339,079 | 1,262,017 |
| Total pension liability - beginning | 26,885,818 | 27,461,645 | 25,873,705 | 23,869,516 | 22,286,643 | 20,573,752 | 19,234,673 | 17,972,656 |
| Total pension liability - ending (a) | \$ 28,057,257 | \$ 26,885,818 | \$ 27,461,645 | \$ 25,873,705 | \$ 23,869,516 | \$ 22,286,643 | \$ 20,573,752 | \$ 19,234,673 |
| Plan fiduciary net position | | | | | | | | |
| Contributions - employer | \$ 563,658 | \$ 1,243,116 | \$ 1,066,550 | \$ 1,081,478 | \$ 987,638 | \$ 987,226 | \$ 959,589 | \$ 1,111,782 |
| Contributions - employee | 224,252 | 114,628 | 103,479 | 108,452 | 110,615 | 111,072 | 110,174 | 104,011 |
| Net investment income | (3,768,807) | 3,859,093 | 2,718,876 | 3,608,505 | (545,831) | 2,148,013 | 1,164,094 | 352,508 |
| Benefit payments, including refunds of employee contributions | (1,407,838) | (1,842,625) | (991,864) | (772,944) | (719,132) | (840,143) | (674,167) | (625,317) |
| Administrative expense | - | (8,900) | (13,800) | (7,000) | (12,038) | (17,307) | (4,000) | (6,300) |
| Net change in plan fiduciary position | (4,388,735) | 3,365,312 | 2,883,241 | 4,018,491 | (178,748) | 2,388,861 | 1,555,690 | 936,684 |
| Plan fiduciary net position - beginning | 30,178,923 | 26,813,611 | 23,930,370 | 19,911,879 | 20,090,627 | 17,701,766 | 16,146,076 | 15,209,392 |
| Plan fiduciary net position - ending (b) | 25,790,188 | 30,178,923 | 26,813,611 | 23,930,370 | 19,911,879 | 20,090,627 | 17,701,766 | 16,146,076 |
| Township's net pension liability (asset) - ending (a) - (b) | \$ 2,267,069 | \$ (3,293,105) | \$ 648,034 | \$ 1,943,335 | \$ 3,957,637 | \$ 2,196,016 | \$ 2,871,986 | \$ 3,088,597 |
| Plan fiduciary net position as a percentage of the total pension liability | 91.92% | 112.25% | 97.64% | 92.49% | 83.42% | 90.15% | 86.04% | 83.94% |
| Covered payroll | \$ 4,095,746 | \$ 3,770,244 | \$ 3,424,874 | \$ 3,500,142 | \$ 3,813,166 | \$ 3,782,543 | \$ 3,839,792 | \$ 3,748,331 |
| Township net pension liability as a percentage of covered payroll | 55.35% | -87.34% | 18.92% | 55.52% | 103.79% | 58.06% | 74.80% | 82.40% |

Notes to schedule

The Township adopted GASB 67 on a prospective basis in 2018; therefore only eight years are presented in the above schedule.

DERRY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST 10 YEARS - POLICE PENSION
(REQUIRED SUPPLEMENTARY INFORMATION)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Actuarially determined employer contributions | \$ 563,658 | \$ 1,243,116 | \$ 1,066,550 | \$ 1,081,478 | \$ 987,638 | \$ 987,226 | \$ 959,589 | \$ 1,111,782 | \$ 1,003,748 | \$ 969,383 |
| Contributions in relation to the actuarially determined employer contribution | 563,658 | 1,243,116 | 1,066,550 | 1,081,478 | 987,638 | 987,226 | 959,589 | 1,111,782 | 1,003,748 | 969,383 |
| Employer contributions deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 4,095,746 | \$ 3,770,244 | \$ 3,424,874 | \$ 3,500,142 | \$ 3,813,166 | \$ 3,782,543 | \$ 3,839,792 | \$ 3,748,331 | \$ 3,429,072 | \$ - |
| Employer contributions as a percentage of covered payroll | 13.76% | 32.97% | 31.14% | 30.90% | 25.90% | 26.10% | 24.99% | 29.66% | 29.27% | N/A |

Notes to Schedule

Valuation date: January 1, 2021

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar closed |
| Remaining amortization period | N/A |
| Asset valuation method | Market value of assets as determined by the trustee. |
| Inflation | 3.00% |
| Salary increases | 5.50% |
| Investment rate of return | 7.50% |
| Retirement age | It is assumed that all members enter the IROP upon meeting the eligibility requirements for normal retirement and participate in the IROP for three years. |
| Mortality | PubS-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the tables are rates projected generationally using Scale MP-2018 to reflect mortality improvement. |

DERRY TOWNSHIP
SCHEDULE OF INVESTMENT RETURNS - POLICE PENSION
(REQUIRED SUPPLEMENTARY INFORMATION)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---------|--------|--------|--------|--------|--------|-------|-------|
| Annual money-weighted rate of return, net of investment expense | -12.49% | 14.39% | 11.36% | 18.12% | -2.72% | 12.13% | 7.21% | 2.32% |

Notes to Schedule

The Township adopted GASB 67 on a prospective basis in 2015; therefore only eight years are presented in the above schedule.

DERRY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
NON-UNIFORMED PENSION
(REQUIRED SUPPLEMENTARY INFORMATION)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability | | | | | | | | |
| Service Costs | \$ 423,735 | \$ 458,325 | \$ 488,649 | \$ 494,516 | \$ 471,503 | \$ 448,825 | \$ 468,885 | \$ 453,549 |
| Interest | 920,127 | 898,232 | 869,688 | 839,671 | 803,396 | 787,801 | 724,938 | 669,565 |
| Differences Between Expected and Actual Experience | - | (354,402) | - | (87,066) | - | (174,630) | (956) | 320,154 |
| Changes of Assumptions | - | 403,905 | - | - | - | 434,594 | 415,333 | - |
| Transfers | - | - | - | - | - | - | - | 19,219 |
| Benefit Payments, Including Refunds of Member Contributions | (1,142,031) | (771,534) | (796,802) | (545,392) | (666,997) | (416,231) | (475,234) | (446,386) |
| Net Change in Total Pension Liability | 201,831 | 634,526 | 561,535 | 701,729 | 607,902 | 1,080,359 | 1,132,966 | 1,016,101 |
| Total Pension Liability - beginning | 17,666,207 | 17,031,681 | 16,470,146 | 15,768,417 | 15,160,515 | 14,080,156 | 12,947,190 | 11,931,089 |
| Total Pension Liability - ending (a) | <u>\$ 17,868,038</u> | <u>\$ 17,666,207</u> | <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 | \$ 515,814 | \$ 441,369 | \$ 542,804 | \$ 412,652 | \$ 419,374 | \$ 360,760 | \$ 334,943 | \$ 248,273 |
| Contributions - Member | 142,884 | 170,916 | 180,533 | 182,827 | 174,319 | 174,375 | 175,495 | 164,032 |
| Net Investment Income | 2,453,083 | 2,322,049 | 2,896,973 | (627,263) | 2,176,509 | 990,673 | (222,184) | 632,407 |
| Transfers | - | - | - | - | - | - | - | 19,219 |
| Benefit Payments, Including Refunds of Member Contributions | (1,142,031) | (771,534) | (796,802) | (545,392) | (666,997) | (416,231) | (475,234) | (446,386) |
| Administrative Expense | (50,169) | (37,802) | (28,475) | (34,072) | (33,548) | (35,880) | (28,391) | (24,477) |
| Net Change in Plan Fiduciary Net Position | 1,919,581 | 2,124,998 | 2,795,033 | (611,248) | 2,069,657 | 1,073,697 | (215,371) | 593,068 |
| Plan Fiduciary Net Position - beginning | 18,943,643 | 16,818,645 | 14,023,612 | 14,634,860 | 12,565,203 | 11,491,506 | 11,706,877 | 11,113,809 |
| Plan Fiduciary Net Position - ending (b) | <u>\$ 20,863,224</u> | <u>\$ 18,943,643</u> | <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> |
| Township's Net Pension (Asset) Liability - ending (a) - (b) | <u>\$ (2,995,186)</u> | <u>\$ (1,277,436)</u> | <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 | 116.76% | 107.23% | 98.75% | 85.15% | 92.81% | 82.88% | 81.61% | 90.42% |
| Covered Payroll | \$ 2,857,680 | \$ 3,387,790 | \$ 3,600,567 | \$ 3,656,542 | \$ 3,486,380 | \$ 3,487,500 | \$ 3,509,899 | \$ 3,381,407 |
| Township's Net Pension Liability as a Percentage of Covered Payroll | -104.81% | -37.71% | 5.92% | 66.91% | 32.51% | 74.42% | 73.75% | 36.68% |

* - Information only available for eight years. Future years will be added as information becomes available.

DERRY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST 10 YEARS
NON-UNIFORMED PENSION
(REQUIRED SUPPLEMENTARY INFORMATION)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | * |
|---|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially Determined Contribution | \$ 517,914 | \$ 518,114 | \$ 441,369 | \$ 542,893 | \$ 412,652 | \$ 419,374 | \$ 360,760 | \$ 334,943 | \$ 248,273 |
| Contribution in Relation to the Actuarially Determined Contribution | 517,974 | 518,114 | 441,369 | 542,893 | 412,652 | 419,374 | 360,760 | 334,943 | 248,273 |
| Contribution Deficiency/(Excess) | <u>\$ (60)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ 2,857,680 | \$ 3,387,790 | \$ 3,377,126 | \$ 3,600,567 | \$ 3,656,542 | \$ 3,486,380 | \$ 3,487,500 | \$ 3,509,899 | \$ 3,381,407 |
| Contribution as a percentage of Covered Payroll | 18.13% | 15.29% | 13.07% | 15.08% | 11.29% | 12.03% | 10.34% | 9.54% | 7.34% |

Notes to Schedule:

Valuation Date: 1/1/2022

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

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Dollar Closed |
| Remaining Amortization Period | 8 years |
| Asset Valuation Method | Based Upon Municipal Reserves in PMRS (Fair Value) |
| Inflation | 2.8% |
| Salary Increases | Age/Merit Scale including inflation ranging from 2.8% to 7.05% |
| Investment Rate of Return | 5.25%, net of pension plan investment expense, including inflation |
| Pre-Retirement Mortality | Males - RP 2000 Non-Annuitant Male Table projected 15 years with Scale AA Females - RP 2000 Non-Annuitant Female Table projected 15 years with Scale AA, set back 5 years. |
| Post-Retirement Mortality: | Males - RP 2000 Non-Annuitant Male Table projected 5 years with Scale AA Females - RP 2000 Non-Annuitant Female Table projected 10 years with Scale AA |

* - Information only available for seven years. Future years will be added as information becomes available.

DERRY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS -
CASH BALANCE PENSION
(REQUIRED SUPPLEMENTARY INFORMATION)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Pension Liability | | | | | | | | |
| Interest | \$ 80,956 | \$ 78,076 | \$ 77,993 | \$ 72,234 | \$ 71,358 | \$ 71,270 | \$ 68,044 | \$ 62,347 |
| Changes of Benefit Terms | - | - | - | 15,394 | - | - | - | - |
| Differences Between Expected and Actual Experience | - | 12,005 | - | 4,646 | - | 1,237 | 1,149 | 5,340 |
| Changes of Assumptions | - | 33,254 | - | - | - | 3,117 | 1,705 | - |
| Benefit Payments, Including Refunds of Member Contributions | (73,672) | (65,045) | (47,574) | (25,026) | (12,231) | (12,231) | (12,231) | (11,876) |
| Net Change in Total Pension Liability | 7,284 | 58,290 | 30,419 | 67,248 | 59,127 | 63,393 | 58,667 | 55,811 |
| Total Pension Liability - beginning | 1,580,419 | 1,522,129 | 1,491,710 | 1,424,462 | 1,365,335 | 1,301,942 | 1,243,275 | 1,187,464 |
| Total Pension Liability - ending (a) | \$ 1,587,703 | \$ 1,580,419 | \$ 1,522,129 | \$ 1,491,710 | \$ 1,424,462 | \$ 1,365,335 | \$ 1,301,942 | \$ 1,243,275 |
| Plan Fiduciary Net Position | | | | | | | | |
| Contributions - Employer | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 200 |
| Contributions - Member | 200 | 200 | 200 | 200 | 200 | 200 | 200 | - |
| Net Investment Income | 225,198 | 222,014 | 281,679 | (87,763) | 225,867 | 102,237 | (3,191) | 61,835 |
| Benefit Payments, Including Refunds of Member Contributions | (73,672) | (65,045) | (47,574) | (25,026) | (12,231) | (12,231) | (12,231) | (11,876) |
| Administrative Expense | (4,784) | (3,601) | (2,889) | (3,408) | (3,465) | (3,680) | (3,030) | (2,589) |
| Net Change in Plan Fiduciary Net Position | 146,942 | 153,568 | 231,416 | (115,997) | 210,371 | 86,526 | (18,252) | 47,570 |
| Plan Fiduciary Net Position - beginning | 1,770,173 | 1,616,605 | 1,385,189 | 1,501,186 | 1,290,815 | 1,204,289 | 1,222,541 | 1,174,971 |
| Plan Fiduciary Net Position - ending (b) | \$ 1,917,115 | \$ 1,770,173 | \$ 1,616,605 | \$ 1,385,189 | \$ 1,501,186 | \$ 1,290,815 | \$ 1,204,289 | \$ 1,222,541 |
| Township's Net Pension (Asset) Liability - ending (a) - (b) | \$ (329,412) | \$ (189,754) | \$ (94,476) | \$ 106,521 | \$ (76,724) | \$ 74,520 | \$ 97,653 | \$ 20,734 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 120.75% | 112.01% | 106.21% | 92.86% | 105.39% | 94.54% | 92.50% | 98.33% |
| Covered Payroll | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Township's Net Pension Liability as a Percentage of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

* - Information only available for seven years. Future years will be added as information becomes available.

DERRY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF EMPLOYER CONTRIBUTIONS - LAST 10 YEARS
CASH BALANCE PENSION
(REQUIRED SUPPLEMENTARY INFORMATION)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | * 2014 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actuarially Determined Contribution | \$ 200 | \$ 200 | \$ 200 | \$ 200 | \$ 200 | \$ 200 | \$ 200 | \$ 200 |
| Contribution in Relation to the Actuarially Determined Contribution | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| Contribution Deficiency/(Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contribution as a percentage of Covered Payroll | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |

Notes to Schedule:

Plan Changes: Plan changes may include excess interest distribution during the measurement year ending in 2018, if applicable.

* - Information only available for eight years. Future years will be added as information becomes available.

DERRY TOWNSHIP, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN YEARS
REQUIRED SUPPLEMENTARY INFORMATION

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability | | | | | |
| Service Cost | \$ 863,989 | \$ 821,352 | \$ 731,453 | \$ 766,590 | \$ 677,210 |
| Interest | 286,543 | 431,278 | 429,403 | 368,941 | 386,404 |
| Changes of benefit terms | - | - | - | - | - |
| Differences between expected and actual experience | - | (689,164) | - | (210,938) | - |
| Changes in assumptions or other inputs | (341,443) | 1,420,657 | 449,305 | (503,966) | 393,765 |
| Benefit payments, including refunds of employee contributions | (513,829) | (285,893) | (245,703) | (285,754) | (287,626) |
| Net change in total OPEB liability | 295,260 | 1,698,230 | 1,364,458 | 134,873 | 1,169,753 |
| Total OPEB liability - beginning | 14,261,120 | 12,562,890 | 11,198,432 | 11,063,559 | 9,893,806 |
| Total OPEB liability - ending (a) | <u>\$ 14,556,380</u> | <u>\$ 14,261,120</u> | <u>\$ 12,562,890</u> | <u>\$ 11,198,432</u> | <u>\$ 11,063,559</u> |
| Covered payroll | \$ 6,965,697 | \$ 6,965,697 | \$ 8,064,078 | \$ 8,064,078 | \$ 7,167,786 |
| Total OPEB liability as a percentage of covered payroll | 208.97% | 204.73% | 155.79% | 138.87% | 154.35% |

Notes to Schedule:

The discount rate changed from 3.26% in 2020 to 1.93% in 2021.

The discount rate changed from 1.93% in 2021 to 2.25% in 2022.

Scale MP-2020 is now used to reflect mortality improvement.

The Township adopted GASB 75 on a prospective basis in 2018; therefore, only five years are presented in the above schedule.

The Township has not accumulated assets in a trust that meets the criteria in paragraph 4 of GASB No. 75 to pay OPEB benefits.

COMPONENT UNIT - DERRY TOWNSHIP MUNICIPAL AUTHORITY
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION

| Fiscal Year Ending | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | | |
| Service Cost | \$ 115,478 | \$ 116,350 | \$ 93,969 | \$ 88,850 | \$ - |
| Interest | 30,879 | 25,644 | 39,121 | 41,578 | - |
| Changes of Benefit Terms | - | - | - | - | 1,102,231 |
| Differences Between Expected and Actual Experience | 104,800 | - | (9,565) | - | - |
| Changes of Assumptions | (125,494) | (10,975) | 69,920 | 15,825 | - |
| Benefit Payments | (92,503) | (79,270) | (96,487) | (90,152) | - |
| Other Changes | - | - | - | - | - |
| Net Change in Suburban Plan Total OPEB Liability | 33,160 | 51,749 | 96,958 | 56,101 | 1,102,231 |
| Total OPEB Liability - Beginning | 1,307,039 | 1,255,290 | 1,158,332 | 1,102,231 | - |
| Total OPEB Liability - Ending | <u>\$ 1,340,199</u> | <u>\$ 1,307,039</u> | <u>\$ 1,255,290</u> | <u>\$ 1,158,332</u> | <u>\$ 1,102,231</u> |
| Covered-Employee Payroll | \$ 2,509,726 | \$ 2,220,118 | \$ 2,220,118 | \$ 2,338,104 | \$ 2,338,104 |
| Total OPEB Liability as a % of Covered-Employee Payroll | 53.40% | 58.87% | 56.54% | 49.54% | 47.14% |

In accordance with GASB Statement No. 75, this schedule has been prepared prospectively.
This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Changes in assumptions:

For 2021, the discount rate changed from 1.93% to 2.25%. The trend and mortality assumptions were updated.
For 2022, the discount rate changed from 2.25% to 1.93%. The trend and mortality assumptions were updated.

SUPPLEMENTARY INFORMATION

**TOWNSHIP OF DERRY
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

| | Liquid Fuels | Street Light | Total |
|---|---------------------|-----------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 1,161,031 | \$ - | \$ 1,161,031 |
| Taxes receivable | <u>-</u> | <u>6,096</u> | <u>6,096</u> |
| Total Assets | <u>\$ 1,161,031</u> | <u>\$ 6,096</u> | <u>\$ 1,167,127</u> |
| Liabilities | | | |
| Accounts payable | \$ - | \$ 30,467 | \$ 30,467 |
| Total Liabilities | <u>-</u> | <u>30,467</u> | <u>30,467</u> |
| Deferred Inflows of Resources | | | |
| Deferred taxes | <u>-</u> | <u>6,096</u> | <u>6,096</u> |
| Total Deferred Inflows of Resources | <u>-</u> | <u>6,096</u> | <u>6,096</u> |
| Fund Balance | | | |
| Restricted | 1,161,031 | - | 1,161,031 |
| Unassigned | <u>-</u> | <u>(30,467)</u> | <u>(30,467)</u> |
| Total Fund Balance | <u>1,161,031</u> | <u>(30,467)</u> | <u>1,130,564</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balance | <u>\$ 1,161,031</u> | <u>\$ 6,096</u> | <u>\$ 1,167,127</u> |

TOWNSHIP OF DERRY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

| | Liquid Fuels | Street Light | Total |
|--|----------------------|---------------------|----------------------|
| Revenues | | | |
| Taxes | \$ - | \$ 266,385 | \$ 266,385 |
| Interest and rents | 22,111 | - | 22,111 |
| Intergovernmental revenues | 764,981 | - | 764,981 |
| Charges for services | - | - | - |
| Total Revenues | <u>787,092</u> | <u>266,385</u> | <u>1,053,477</u> |
| Expenditures | | | |
| Public works | <u>786,287</u> | <u>352,938</u> | <u>1,139,225</u> |
| Total Expenditures | <u>786,287</u> | <u>352,938</u> | <u>1,139,225</u> |
| Other Financing Sources | | | |
| Operating transfers in | - | 84,556 | 84,556 |
| Total Financing Sources | <u>-</u> | <u>84,556</u> | <u>84,556</u> |
| Net Changes in Fund Balance | 805 | (1,997) | (1,192) |
| Fund Balance, January 1 | <u>1,160,226</u> | <u>(28,470)</u> | <u>1,131,756</u> |
| Fund Balance, December 31 | <u>\$ 1,161,031</u> | <u>\$ (30,467)</u> | <u>\$ 1,130,564</u> |

TOWNSHIP OF DERRY
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND
YEAR ENDED DECEMBER 31, 2022

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|------------------------------|---|
| Real estate taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Charges for services | - | - | 21,583 | 21,583 |
| Interest and rents | 10,000 | 10,000 | 75,058 | 65,058 |
| Intergovernmental revenues | 2,000,000 | 2,000,000 | 321,029 | (1,678,971) |
| Miscellaneous revenues | 22,100 | 22,100 | 821 | (21,279) |
| Other financing sources | | | | |
| Transfers in | 229,557 | 229,557 | 2,900,779 | 2,671,222 |
| Bond Proceeds | - | - | 955,410 | 955,410 |
| Lease Proceeds | - | - | 14,011 | 14,011 |
| Proceeds from sale of equipment | - | - | 5,699 | 5,699 |
| Total other financing sources | <u>229,557</u> | <u>229,557</u> | <u>3,875,899</u> | <u>3,646,342</u> |
| Total revenues and other financing sources | <u>\$ 2,261,657</u> | <u>\$ 2,261,657</u> | <u>\$ 4,294,390</u> | <u>\$ 2,032,733</u> |

TOWNSHIP OF DERRY
BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND (continued)
YEAR ENDED DECEMBER 31, 2022

| | Original Budget | Final Budget | Actual Budgetary Basis | Variance with Final Budget Positive (Negative) |
|--|----------------------|----------------------|------------------------------|---|
| General government | <u>\$ 13,200</u> | <u>\$ 13,200</u> | <u>\$ 75,330</u> | <u>\$ (62,130)</u> |
| Public safety | <u>412,497</u> | <u>412,497</u> | <u>1,933,581</u> | <u>(1,521,084)</u> |
| Community development | <u>42,500</u> | <u>42,500</u> | <u>-</u> | <u>42,500</u> |
| Public works - highways and streets | <u>229,557</u> | <u>229,557</u> | <u>957,338</u> | <u>(727,781)</u> |
| Parks and recreation | <u>10,100,500</u> | <u>10,100,500</u> | <u>4,982,551</u> | <u>5,117,949</u> |
| Library | <u>60,000</u> | <u>60,000</u> | <u>-</u> | <u>60,000</u> |
| Debt service | | | | |
| Principal | 1,278,515 | 1,278,515 | 1,544,610 | (266,095) |
| Interest and fiscal charges | <u>1,077,811</u> | <u>1,077,811</u> | <u>1,704,919</u> | <u>(627,108)</u> |
| Total Debt Service | <u>2,356,326</u> | <u>2,356,326</u> | <u>3,249,529</u> | <u>(893,203)</u> |
| Total expenditures | <u>\$ 13,214,580</u> | <u>\$ 13,214,580</u> | <u>\$ 11,198,329</u> | <u>\$ 2,016,251</u> |
| Other financing uses | | | | |
| Operating transfers out | <u>576,598</u> | <u>576,598</u> | <u>1,113,677</u> | <u>(537,079)</u> |
| Total other financing sources | <u>576,598</u> | <u>576,598</u> | <u>1,113,677</u> | <u>(537,079)</u> |
| Total expenditures and other financing uses | <u>\$ 13,791,178</u> | <u>\$ 13,791,178</u> | <u>\$ 12,312,006</u> | <u>\$ 1,479,172</u> |