

LONDONDERRY TOWNSHIP

YEAR ENDED DECEMBER 31, 2015

LONDONDERRY TOWNSHIP

YEAR ENDED DECEMBER 31, 2015

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Independent Auditors' Report

Board of Supervisors
Londonderry Township
Middletown, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Londonderry Township, Dauphin County, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Londonderry Township, Dauphin County, as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.

Brown Schultz Steidman & Fritz

Camp Hill, Pennsylvania
May 16, 2016

LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2015

The following is a discussion of the financial picture of Londonderry Township (the Township), Dauphin County, Pennsylvania. We offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial highlights

- The assets of Londonderry Township exceeded its liabilities at the close of the most recent fiscal year by \$6,196,635. Of this amount, \$1,240,758 is unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, Londonderry Township's governmental funds reported combined ending fund balances of \$1,941,502, an increase of \$246,486 from the prior year. \$1,256,320 is unassigned and available for spending at the Township's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,327,836, or 61.4% of total general fund expenditures.
- The Township's total debt decreased by \$128,708 during the current fiscal year. The key factor in this decrease was the payment of debt service in accordance with the debt service schedules.

LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Summary Statements of Net Position

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets	\$ 2,034,174	\$ 1,616,712
Noncurrent assets	<u>6,106,727</u>	<u>6,536,767</u>
Total assets	<u>\$ 8,140,901</u>	<u>\$ 8,153,479</u>
Liabilities:		
Current liabilities	\$ 426,378	\$ 323,031
Noncurrent liabilities	<u>1,517,888</u>	<u>1,737,088</u>
Total liabilities	<u>1,944,266</u>	<u>2,060,119</u>
Net position:		
Net investment in capital assets	4,347,257	4,648,589
Restricted	608,620	417,094
Unrestricted	<u>1,240,758</u>	<u>1,027,677</u>
Total net position	<u>6,196,635</u>	<u>6,093,360</u>
Total liabilities and net position	<u>\$ 8,140,901</u>	<u>\$ 8,153,479</u>

LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Summary Statements of Activities

	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,330,232	\$ 1,263,093
Operating grants and contributions	342,037	300,317
Capital grants and contributions	15,845	115,510
General revenues:		
Taxes	2,046,743	1,450,837
Franchise fees	76,661	73,737
Investment earnings	10,781	9,760
Miscellaneous	29,956	10,676
	<u>3,852,255</u>	<u>3,223,930</u>
Total revenues		
Expenses:		
General government	743,080	686,058
Public safety	473,939	431,243
Public works:		
Sanitation	38,421	34,237
Highways	1,150,179	1,006,954
Water	8,681	8,881
Culture and recreation	126,598	188,236
Community development		24,476
Debt service	24,811	24,780
Golf course	1,183,271	1,109,758
	<u>3,748,980</u>	<u>3,514,623</u>
Total expenses		
Change in net position	103,275	(290,693)
Net position:		
Beginning	<u>6,093,360</u>	<u>6,384,053</u>
Ending	<u>\$ 6,196,635</u>	<u>\$ 6,093,360</u>

LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Government-wide highlights

Net position:

Net position may serve over time as a useful indicator of a government's financial position. The Township's combined net position totaled \$6,196,635 at the end of 2015. The largest portion of net position, \$4,347,257 or 70%, reflects capital investment in land, land improvements, buildings, infrastructure and equipment, net of related debt. The Township uses these capital assets to provide services to its citizens.

The current assets of the Township totaled \$2,034,174 or 25% of total assets and exceeded current liabilities for the year ended December 31, 2015 by \$1,607,796. Current assets are comprised of cash (\$1,879,415), taxes receivable (\$133,138), other receivables (\$1,148) and inventories (\$20,473). Current liabilities are comprised of accounts payable (\$33,300), accrued payroll (\$33,244), escrow deposits (\$17,575), prize/certificates deposits (\$21,925), current portion of note payable (\$209,167) and the current portion of capital lease obligations (\$111,167).

Noncurrent assets exceeded noncurrent liabilities by \$4,588,839.

Noncurrent assets are the capital assets (\$6,106,727) identified earlier (land, land improvements, buildings, infrastructure and equipment). Noncurrent liabilities are comprised of notes payable (\$1,222,590), capital lease obligations (\$216,546) and compensated absences (\$78,752).

Capital assets (net of depreciation)

	<u>2015</u>	<u>2014</u>
Land	\$ 509,896	\$ 509,896
Buildings	1,301,013	1,382,650
Land improvements	12,813	10,229
Automotive equipment	7,582	17,778
Machinery and equipment	564,136	654,706
Infrastructure	<u>3,711,287</u>	<u>3,961,508</u>
Capital assets, net	<u>\$ 6,106,727</u>	<u>\$ 6,536,767</u>

Unrestricted net position represents the amount available to be used to meet the Township's ongoing obligations to citizens and creditors.

LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Government-wide highlights (continued)

Change in net position:

The increase in net position for 2015 was \$103,275.

Fund highlights

Governmental funds:

Taxes and intergovernmental revenues (grants and allocations such as highway aid) mostly support the activities in this section. Most services associated with Township government fall into this category.

The Township's governmental fund types are the General, Hazard Mitigation, Highway Aid, Recreation and Debt Service Funds. As of the close of 2015, the Township's governmental fund reported combined ending fund balances of \$1,941,502, an increase of \$246,486 from the prior year. \$1,256,320 is the unassigned fund balance and is available for spending at the Township's discretion. Restricted fund balances totaled \$608,620, which are located in the Highway Aid Fund (\$483,279), Debt Service Fund (\$125,301), and Recreation Fund (\$40). The General Fund has an assigned fund balance for capital construction projects of \$76,562.

Long-term debt

General Obligation Notes, Series of 2012:

The Township issued General Obligation Notes, Series of 2012 dated December 31, 2012, with a maximum principal balance of \$2,700,000. The Note proceeds were issued for the current refunding of the Series of 2005 issues, Notes 1 and 2, various capital projects related to constructing improvements to infrastructure and purchasing capital equipment and paying for costs of issuing the Notes. The Series of 2012 Notes are split into Note 1, \$1,700,000 and Note 2, \$1,000,000. Note 1 proceeds of \$1,675,136 were used to currently refund the Series of 2005 Notes and pay costs of issuing the Notes. The Township has not drawn down on any portion of Note 2 as of December 31, 2015. A portion of Note 1 in the amount of \$1,655,496 was used to currently refund the Series of 2005, Notes 1 and 2, which were previously allocated to the General Fund and Golf Course Fund. The Note 1 proceeds paid off the General Fund portion of \$675,741 and Golf Course Fund portion of \$979,755 of the 2005 Notes as of the year ended December 31, 2012.

LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Long-term debt (continued)

General Obligation Notes, Series of 2012 (continued):

The Series of 2012, Note 1, \$1,700,000, has an interest rate of 2.75% through December 15, 2022, at which time the rate will become variable through the maturity date of December 15, 2025. The monthly payments of principal and interest will be \$12,974 commencing January 15, 2013. The variable rate will be 65% of the Fulton Bank prime rate (no floor) with a ceiling of 6.75%.

The Series of 2012, Note 2, \$1,000,000, has a 24-month drawdown period followed by equal monthly payments of principal and interest based on the total amount advanced with a maturity date of January 15, 2028. Monthly payments of principal and interest will be made at a rate of 2.75% through December 15, 2022, at which time the rate will become variable through the maturity date of December 15, 2025.

The Series of 2012, Notes 1 and 2 are guaranteed by the Township's full faith, credit and taxing power.

Guaranteed Revenue Note, Series of 2014:

The Township issued a Guaranteed Revenue Note, Series of 2014 dated May 15, 2014, with a maximum principal balance of \$925,000. The note proceeds were issued to fund the costs of a bridge replacement project within the Township and paying the costs of issuing the note. During 2015, the Township drew \$185,370 on the note. The interest rate is 0.50%. The note matures on January 1, 2024. Payment of principal and interest are payable on January 1 each year. The note is secured by the full faith, credit and taxing power of the Township.

Capital lease obligation, 2012:

In January 2012, the Township entered into a capital lease agreement to purchase golf carts with a total purchase price of \$221,120. The principal balance will be amortized over a term of 36 monthly payments due in the months of May, June July, August, September and October of each year at an effective annual interest rate of 4.76%. Six monthly payments of principal and interest of \$4,850 are payable during the months of May through October each year, with a final balloon payment due October 2018.

LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Long-term debt (continued)

Capital lease obligations, 2013:

In November 2013, the Township entered into a capital lease agreement to purchase three mowers with a total purchase price of \$169,760. The principal balance will be amortized over a term of 60 months at an effective annual interest rate of 3.89%. Six monthly payments of principal and interest of \$6,273 are payable during the months of May through October each year, with a final payment due May 2018.

In January 2013, the Township entered into a capital lease agreement to purchase a dump truck with a total purchase price of \$135,618. The principal balance will be amortized over a term of 48 months at an effective annual interest rate of 4.47%. Five annual payments of principal and interest of \$29,544 are payable in January each year, with a final payment due January 2017.

In July 2013, the Township entered into a capital lease agreement to purchase a wheel loader with a total purchase price of \$115,038. The principal balance will be amortized over a term of 50 months at an effective annual interest rate of 3.30%. Five annual payments of principal and interest of \$24,548 are payable in July each year, with a final payment due July 2017.

Overview of the financial statements

This discussion and analysis is intended to serve as an introduction to Londonderry Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. These components are described below.

LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Township's financial position, which assists in assessing the Township's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This means that they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year even if cash involved has not been received or paid. The government-wide financial statements include two statements:

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

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

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works - sanitation, public works - highways, public works - sewer/water, culture and recreation and debt service. The business-type activities of the Township include the operation of Sunset Golf Course.

LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Fund financial statements

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

Governmental funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Londonderry Township maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Hazard Mitigation Fund, Highway Aid Fund, Recreation Fund and Debt Service Fund, which are considered to be major funds. The Township adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

LONDONDERRY TOWNSHIP

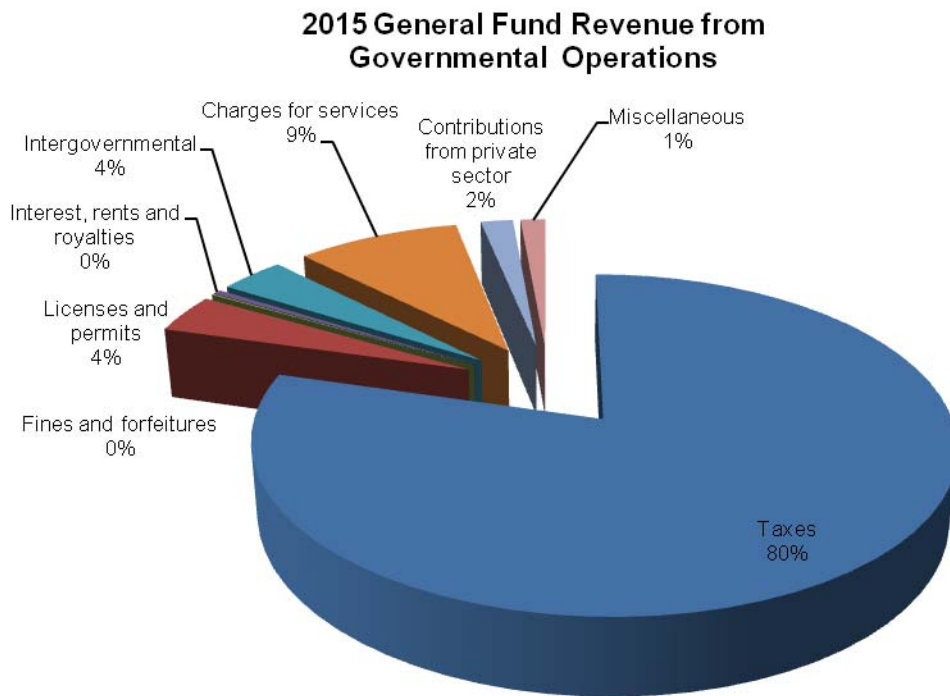
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Fund financial statements (continued)

Governmental funds (continued):

General Fund - This fund is used to finance the operational demands of Londonderry Township including administration, highway, recreation and building and health codes. The monies in this fund are legally unrestricted. The excess of revenues over expenditures for 2015 was \$54,952. The fund balance as of December 31, 2015 was \$1,404,398.



LONDONDERRY TOWNSHIP

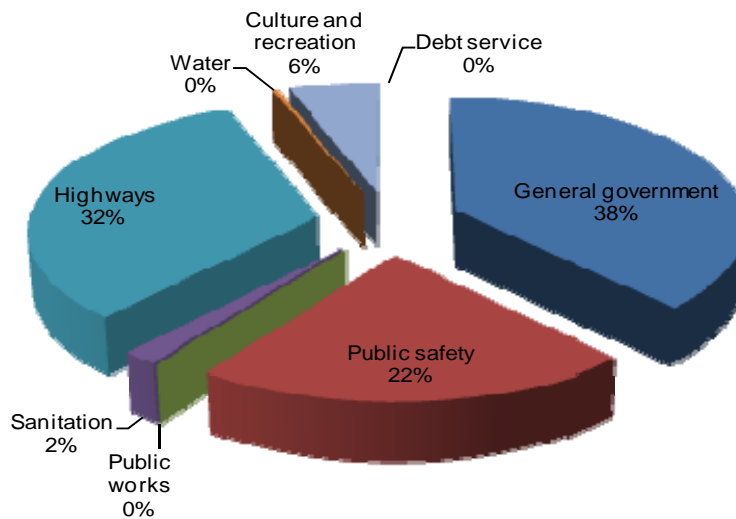
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Fund financial statements (continued)

Governmental funds (continued):

2015 General Fund Expenses from Governmental Operations



Hazard Mitigation Fund - This restricted fund is comprised of federal and state grant funds being used as part of the hazard mitigation project. These funds are restricted by grant agreements. The excess of revenues over expenditures for 2015 in this fund was \$8. The fund balance as of December 31, 2015 was at a deficit of \$71,516.

Highway Aid Fund - This restricted fund is comprised of funds received from the state via fuel (gasoline) taxes. The Township receives an allocation annually based upon the number of lane miles it has to maintain within its geographic borders. The monies in this account are legally restricted in that they may only be expended on road related equipment, maintenance or construction. The excess of revenues over expenditures for 2015 in this fund was \$66,225. The fund balance as of December 31, 2015 was \$483,279.

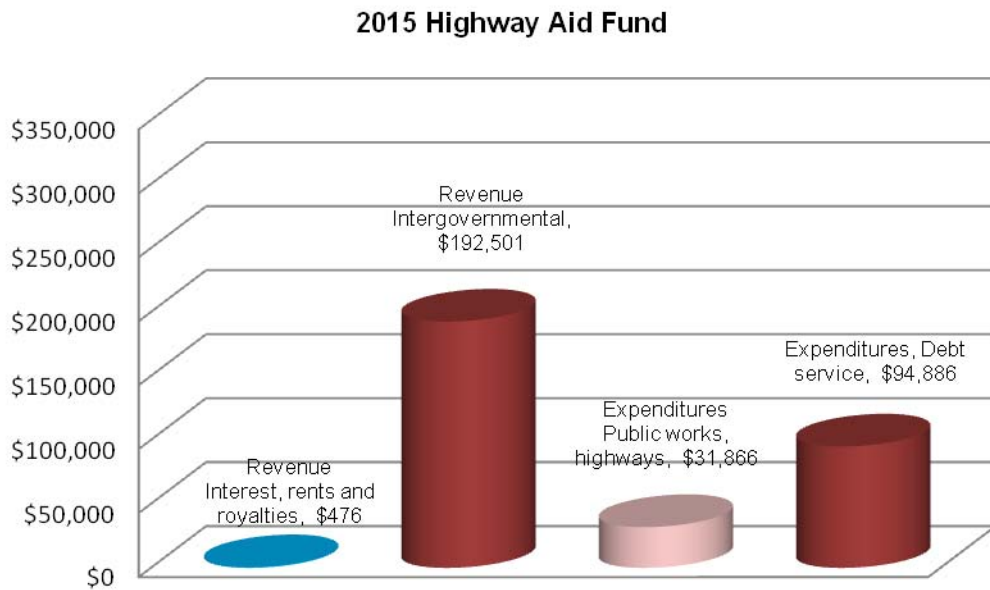
LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Fund financial statements (continued)

Governmental funds (continued):



Recreation Fund - This restricted fund accounts for developer donations that are restricted to be used for support of the Township's parks and recreation programs. There were no revenues or expenses in the year ended December 31, 2015. The fund balance as of December 31, 2015 was \$40.

LONDONDERRY TOWNSHIP

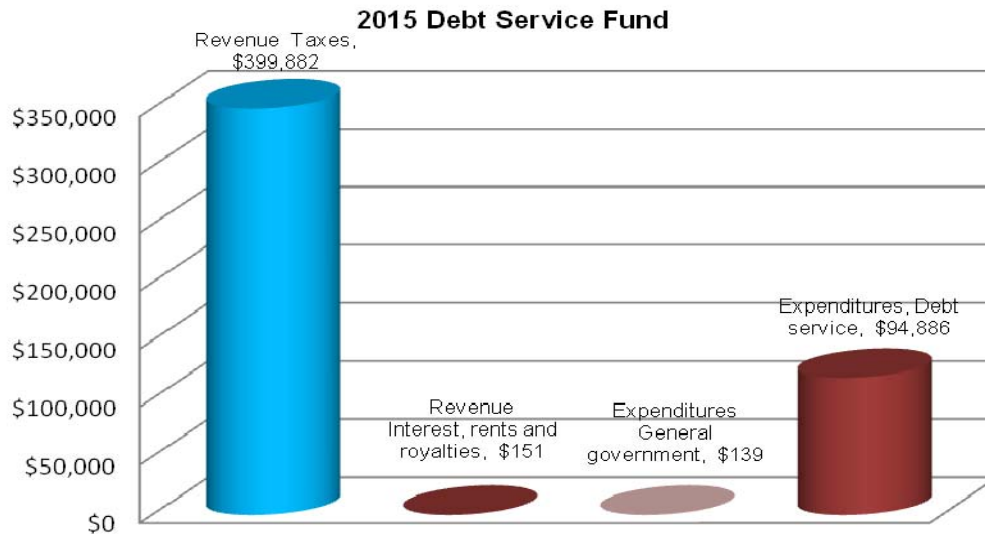
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Fund financial statements (continued)

Governmental funds (continued):

Debt Service Fund - This restricted fund is used to account for a special real estate tax levy assessed on properties throughout the Township. The monies in this account are restricted in that they may only be expended on Township debt repayments. The excess of revenues over expenditures for 2015 in this fund was \$125,301. The fund balance as of December 31, 2015 was \$125,301.



Summary, statement of revenues, expenditures and changes in fund balance:

Londonderry Township was able to realize the following positive change in fund balance in 2015: General Fund \$54,952; Hazard Mitigation Fund \$8; Highway Aid Fund \$66,225 and Debt Service Fund \$125,301.

Proprietary funds, Golf Course Fund:

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the Golf Course Fund are charges to customers. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Londonderry Township maintains a single proprietary fund. The Golf Course Fund accounts for the financial activities associated with the operation and administration of Sunset Golf Course.

LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Fund financial statements (continued)

Proprietary funds, Golf Course Fund (continued):

	<u>2015</u>
	<u>Business-type</u>
	<u>activities</u>
	<u>Golf Course</u>
	<u>Fund</u>
Operating revenues:	
Charges for services:	
Club house, golf course and pro shop	\$ 769,315
Snack bar	<u>324,608</u>
Total operating revenues	<u>1,093,923</u>
Operating expenses:	
Club house, golf course and pro shop	718,599
Snack bar	340,781
Depreciation	<u>93,301</u>
Total operating expenses	<u>1,152,681</u>

LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Fund financial statements (continued)

Proprietary funds, Golf Course Fund (continued):

	<u>2015</u>
	<u>Business-type activities</u>
	<u>Golf Course Fund</u>
Operating expenses over revenues	<u>\$ (58,758)</u>
Nonoperating revenues (expenses):	
Earnings on temporary deposits and investments	651
Transfers in	266,507
Debt service payments	<u>(30,590)</u>
Total nonoperating expenses	<u>236,568</u>
Change in net position	177,810
Net position:	
January 1	<u>97,526</u>
December 31	<u><u>\$ 275,336</u></u>

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the statement of cash flows, proprietary fund.

Required supplementary information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule.

LONDONDERRY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Budgetary highlights

General Fund:

Actual revenue did exceed budgeted revenue by \$246,569. The majority of this increase was due to an increase in tax revenue and charges for services. Actual expenses were less than budgeted expenses by \$645,865. The majority of this decrease was due to either a delay or postponement of highway projects or recreational activities and improvements.

Economic factors and next year's budgets and rates

Londonderry Township believes it will continue to experience costs that increase at a higher rate than the increase in revenues for the 2016 fiscal year. The Township's millage rate increased from 3.0 mills to 5.0 mills during the 2015 budget year. The increase includes the creation of the Debt Service Fund at 1.6 mills. The monies in this account are restricted in that they may only be expended on Township debt repayments. It is anticipated that the millage rate will remain at 5.0 mills for 2016. These factors were considered in preparing the Township's budget for fiscal 2016.

During the current fiscal year, the fund balance in the General Fund increased by \$54,952. The increase of funds will help assist the Township in replacing aging equipment in the highway department and to complete infrastructure projects. The Township has presented a balanced budget for the 2016 fiscal year and the unassigned fund balance was considered unallocated expenses.

The Township received funding from the following sources during 2015:

- \$75,000 Dauphin County DCED gaming grant to help the Londonderry Township Fire Company purchase high-capacity tanker apparatus.
- \$3,500 from Pennsylvania American Water for the installation of a riparian buffer (natural plantings to restore the flood plain).
- \$197,290 Dauphin County DCED gaming grant to help defray the cost of a water line extension on Vine Street.
- \$10,000 Dauphin County Tourism grant to help the Explore Londonderry Township recreation program.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, business residents, customers, investors and creditors with a general overview of Londonderry Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions regarding this report or need financial information, please contact the Township Manager at 783 South Geyers Church Road, Middletown, PA 17057.

LONDONDERRY TOWNSHIP

STATEMENT OF NET POSITION - DECEMBER 31, 2015

ASSETS

	Primary government		
	Governmental activities	Business-type activities	Total
Current assets:			
Cash	\$ 1,673,897	\$ 205,518	\$ 1,879,415
Taxes receivable	133,138		133,138
Accounts receivable	1,148		1,148
Internal balances	300,017	(300,017)	-
Inventory		20,473	20,473
	<hr/>	<hr/>	<hr/>
Total current assets	<u>2,108,200</u>	<u>(74,026)</u>	<u>2,034,174</u>
Noncurrent assets:			
Capital assets, net of depreciation:			
Land	509,896		509,896
Other capital assets, net of depreciation	<u>4,184,960</u>	<u>1,411,871</u>	<u>5,596,831</u>
	<hr/>	<hr/>	<hr/>
Total noncurrent assets	<u>4,694,856</u>	<u>1,411,871</u>	<u>6,106,727</u>
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 6,803,056</u>	<u>\$ 1,337,845</u>	<u>\$ 8,140,901</u>

See notes to financial statements.

LIABILITIES AND NET POSITION

	Primary government		
	Governmental activities	Business-type activities	Total
Current liabilities:			
Accrued payroll	\$ 21,382	\$ 11,862	\$ 33,244
Accounts payable	31,276	2,024	33,300
Escrow deposits	17,575		17,575
Prize/certificates deposits		21,925	21,925
Current portion of:			
Notes payable	140,017	69,150	209,167
Capital lease obligations	50,372	60,795	111,167
Total current liabilities	<u>260,622</u>	<u>165,756</u>	<u>426,378</u>
Noncurrent liabilities:			
Notes payable, net of current portion	510,379	712,211	1,222,590
Capital lease obligations, net of current portion	52,362	164,184	216,546
Compensated absences	58,394	20,358	78,752
Total noncurrent liabilities	<u>621,135</u>	<u>896,753</u>	<u>1,517,888</u>
Total liabilities	<u>881,757</u>	<u>1,062,509</u>	<u>1,944,266</u>
Net position:			
Net investment in capital assets	3,941,726	405,531	4,347,257
Restricted for:			
Highway aid	483,279		483,279
Recreation	40		40
Debt service	125,301		125,301
Unrestricted (deficit)	1,370,953	(130,195)	1,240,758
Total net position	<u>5,921,299</u>	<u>275,336</u>	<u>6,196,635</u>
Total liabilities and net position	<u>\$ 6,803,056</u>	<u>\$ 1,337,845</u>	<u>\$ 8,140,901</u>

LONDONDERRY TOWNSHIP

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 743,080	\$ 79,830	\$ 25,860		\$ (637,390)		\$ (637,390)
Public safety	473,939	69,836	72,784		(331,319)		(331,319)
Public works:							
Sanitation	38,421	41,478			3,057		3,057
Highways	1,150,179	1,055	242,885	\$ 15,845	(890,394)		(890,394)
Water	8,681				(8,681)		(8,681)
Culture and recreation	126,598	44,110	508		(81,980)		(81,980)
Debt service	24,811				(24,811)		(24,811)
Total governmental activities	2,565,709	236,309	342,037	15,845	(1,971,518)		(1,971,518)
Business-type activities, golf course	1,183,271	1,093,923				\$ (89,348)	(89,348)
Total primary government	<u>\$ 3,748,980</u>	<u>\$ 1,330,232</u>	<u>\$ 342,037</u>	<u>\$ 15,845</u>	(1,971,518)	(89,348)	(2,060,866)

(continued)

LONDONDERRY TOWNSHIP

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		Total
					Governmental activities	Business-type activities	
General revenues:							
Taxes:							
Property					\$ 1,317,029		\$ 1,317,029
Earned income					626,773		626,773
Real estate transfer taxes					81,380		81,380
Per capita					19,618		19,618
Admissions					107		107
Public utility tax					1,836		1,836
Franchise fees					76,661		76,661
Investment income					10,130	\$ 651	10,781
Miscellaneous					29,956		29,956
Total general revenues					2,163,490	651	2,164,141
Transfers					(266,507)	266,507	-
Change in net position					(74,535)	177,810	103,275
Net position:							
Beginning					5,995,834	97,526	6,093,360
Ending					\$ 5,921,299	\$ 275,336	\$ 6,196,635

See notes to financial statements.

LONDONDERRY TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	General fund	Hazard Mitigation Fund	Highway Aid Fund	Recreation Fund	Debt service fund	Total governmental funds
Assets:						
Cash	\$ 1,058,476	\$ 16,398	\$ 483,279	\$ 40	\$ 115,704	\$ 1,673,897
Taxes receivable	102,977				30,161	133,138
Accounts receivable	1,148					1,148
Due from other funds	387,931					387,931
Total assets	<u>\$ 1,550,532</u>	<u>\$ 16,398</u>	<u>\$ 483,279</u>	<u>\$ 40</u>	<u>\$ 145,865</u>	<u>\$ 2,196,114</u>
Liabilities:						
Accounts payable	\$ 31,276					\$ 31,276
Accrued payroll	21,382					21,382
Due to other funds		\$ 87,914				87,914
Escrow deposits	17,575					17,575
Total liabilities	70,233	87,914				158,147
Deferred inflows of resources, unavailable revenue	75,901				\$ 20,564	96,465
Fund balances:						
Restricted:						
Highway Aid Fund			\$ 483,279			483,279
Recreation Fund				\$ 40		40
Debt service fund					125,301	125,301
Assigned, capital construction fund	76,562					76,562
Unassigned (deficit)	1,327,836	(71,516)				1,256,320
Total fund balances	1,404,398	(71,516)	483,279	40	125,301	1,941,502
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,550,532</u>	<u>\$ 16,398</u>	<u>\$ 483,279</u>	<u>\$ 40</u>	<u>\$ 145,865</u>	<u>\$ 2,196,114</u>

See notes to financial statements.

LONDONDERRY TOWNSHIP

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

YEAR ENDED DECEMBER 31, 2015

Total governmental fund balances	\$ 1,941,502
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.	4,694,856
Other assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds, tax and other revenues.	96,465
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(58,394)
Notes payable	(650,396)
Capital lease obligations	<u>(102,734)</u>
Net position of governmental activities	<u>\$ 5,921,299</u>

See notes to financial statements.

LONDONDERRY TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2015

	General fund	Hazard Mitigation Fund	Highway Aid Fund	Recreation Fund	Debt service fund	Total governmental funds
Revenues:						
Taxes	\$ 1,702,777				\$ 399,882	\$ 2,102,659
Licenses and permits	83,296					83,296
Fines and forfeitures	2,443					2,443
Interest, rents and royalties	9,495	\$ 8	\$ 476		151	10,130
Intergovernmental	78,633		192,501			271,134
Charges for services	196,985					196,985
Contributions from private sector	39,000					39,000
Miscellaneous	29,956					29,956
Total revenues	2,142,585	8	192,977		400,033	2,735,603
Expenditures:						
General government	820,727				139	820,866
Public safety	473,939					473,939
Public works:						
Sanitation	38,421					38,421
Highways	702,064		31,866			733,930
Water	7,635					7,635
Culture and recreation	120,217					120,217
Debt service			94,886		118,086	212,972
Total expenditures	2,163,003		126,752		118,225	2,407,980
Excess (deficit) of revenues over expenditures	(20,418)	8	66,225		281,808	327,623
Other financing sources (uses):						
Note proceeds	185,370					185,370
Transfer out	(110,000)				(156,507)	(266,507)
Total other financing sources (uses)	75,370				(156,507)	(81,137)
Net change in fund balances	54,952	8	66,225		125,301	246,486
Fund balances:						
Beginning	1,349,446	(71,524)	417,054	\$ 40		1,695,016
Ending	\$ 1,404,398	\$ (71,516)	\$ 483,279	\$ 40	\$ 125,301	\$ 1,941,502

See notes to financial statements.

LONDONDERRY TOWNSHIP

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

YEAR ENDED DECEMBER 31, 2015

Net change in fund balances, total governmental funds	\$ 246,486
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:	
Add, capital outlays	249,892
Deduct, depreciation expense	(586,631)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, tax and other revenues. This amount results in an increase from the revenue previously unavailable.	22,078
Issuance of note proceeds provided current financial resources to governmental funds.	(185,370)
Repayment of note and capital lease obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	188,161
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds, accrued compensated absences. This amount results from an increase in this accrual.	<u>(9,151)</u>
Change in net position of governmental activities	<u><u>\$ (74,535)</u></u>

See notes to financial statements.

LONDONDERRY TOWNSHIP

STATEMENT OF NET POSITION – PROPRIETARY FUND

DECEMBER 31, 2015

	<u>Business-type activities Golf Course Fund</u>
Current assets:	
Cash and cash equivalents	\$ 205,518
Inventory	<u>20,473</u>
Total current assets	225,991
Noncurrent assets, capital assets, depreciable, net	<u>1,411,871</u>
Total assets	<u><u>\$ 1,637,862</u></u>
Current liabilities:	
Due to general fund	\$ 300,017
Accounts payable	2,024
Accrued payroll	11,862
Prize/certificates deposits	21,925
Current portion of notes payable	69,150
Current portion of capital lease obligations	<u>60,795</u>
Total current liabilities	<u>465,773</u>
Noncurrent liabilities:	
Notes payable, net of current portion	712,211
Capital lease obligations, net of current portion	164,184
Compensated absences	<u>20,358</u>
Total noncurrent liabilities	<u>896,753</u>
Total liabilities	<u>1,362,526</u>
Net position:	
Net investment in capital assets	405,531
Unrestricted (deficit)	<u>(130,195)</u>
Total net position	<u>275,336</u>
Total liabilities and net position	<u><u>\$ 1,637,862</u></u>

See notes to financial statements.

LONDONDERRY TOWNSHIP

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2015

	<u>Business-type activities</u> <u>Golf Course Fund</u>
Operating revenues:	
Charges for services:	
Club house, golf course and pro shop	\$ 769,315
Snack bar	<u>324,608</u>
Total operating revenues	<u>1,093,923</u>
Operating expenses:	
Club house, golf course and pro shop	718,599
Snack bar	340,781
Depreciation	<u>93,301</u>
Total operating expenses	<u>1,152,681</u>
Operating expenses over revenues	<u>(58,758)</u>
Nonoperating revenues (expenses):	
Transfers in	266,507
Earnings on temporary deposits and investments	651
Debt service payments	<u>(30,590)</u>
Total nonoperating revenues (expenses)	<u>236,568</u>
Changes in net position	177,810
Net position:	
January 1	<u>97,526</u>
December 31	<u><u>\$ 275,336</u></u>

See notes to financial statements.

LONDONDERRY TOWNSHIP

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities:	
Receipts from customers and users	\$ 1,093,923
Payments to:	
Suppliers	(562,298)
Personnel	<u>(509,562)</u>
Net cash provided by operating activities	<u>22,063</u>
Cash flows provided by noncapital financing activities, transfers from other funds	<u>274,775</u>
Cash flows from capital and related financing activities:	
Principal payments on long-term debt	(66,939)
Principal payments on capital lease obligations	(58,978)
Interest paid on long-term debt	<u>(30,590)</u>
Net cash used in capital and related financing activities	<u>(156,507)</u>
Cash flows provided by investing activities, investment income	<u>651</u>
Net increase in cash and cash equivalents	140,982
Cash and cash equivalents:	
Beginning of year	<u>64,536</u>
End of year	<u><u>\$ 205,518</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating expenses over revenues	\$ (58,758)
Adjustments:	
Depreciation	93,301
Changes in operating assets and liabilities:	
Inventory	1,102
Accounts payable	(14,760)
Accrued payroll	4,004
Accrued compensated absences	(2,025)
Prize/certificates deposits	<u>(801)</u>
Net cash provided by operating activities	<u><u>\$ 22,063</u></u>

See notes to financial statements.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

1. Summary of significant accounting policies:

Londonderry Township (the Township) is located in Dauphin County, Pennsylvania. It is a Township of the second class and operates under an elected five-member Board of Supervisors. The Township provides services in many areas to its residents, including building and sewage regulation, maintenance of roadways, support but not the operation of fire companies, community enrichment programs and various general government services.

The financial statements of the Township have been prepared in accordance with accounting principles generally accepted in the United States of America 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.

These financial statements include the funds of all Township operations. The Township's operations include general government, public safety, sanitation, highway maintenance, sewer and water maintenance, culture and recreation.

Reporting entity:

The Governmental Accounting Standards Board established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the Township as a reporting entity, management has addressed all potential component units which may or may not fall within the Township's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the Township's reporting entity are:

The Township is financially accountable for:

1. Legally separate organizations if Township officials appoint a voting majority of the organization's governing body and the Township is able to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.
 - a. Impose its will – If the Township can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization.
 - b. Financial benefit or burden – Exists if the Township (1) is entitled to the organization's resources or (2) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide support to, the organization or (3) is obligated in some manner for the debt of the organization.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

1. Summary of significant accounting policies (continued):

Reporting entity (continued):

2. Legally separate organizations that are financially dependent on the Township. Financial dependency is established if the organization is unable to adopt its budget, levy taxes or set rates or charges or issue bond debt without approval of the Township.

Based on the foregoing criteria, it has been determined that no other entities meet the criteria for inclusion as part of this reporting entity.

Fund accounting:

The accounts of the Township are organized on the basis of funds, each of which is considered 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 of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures/expenses and fund balances, as appropriate. Township resources are allocated to and accounted for in the individual funds based on the purpose for which they are to be spent.

When both restricted and unrestricted resources are available for use, it is the Township's general policy to use the restricted resources (primarily operating grants) first, then unrestricted resources as they are needed.

The Township has the following major types of funds:

Governmental funds:

These funds account for the activities through which most of the Township's operations are provided.

Proprietary fund:

This fund accounts for the operations of the Township that are financed and operated in a manner similar to private business enterprises.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

1. Summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation:

Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Township. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of given functions or programs are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or program. Program revenues include charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or program. In addition, program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported as general revenues.

Fund financial statements are also provided for all governmental funds and proprietary funds of the Township. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 by the provider have been met.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

1. Summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation (continued):

Governmental funds 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. Uncollected assessments and real estate taxes at the end of this period are reported as unavailable revenues. Revenues from intergovernmental grants are recognized on the basis of actual expenditures incurred and to the extent amounts are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The Township reports unavailable revenues as deferred inflows of resources on its governmental funds balance sheet. Unavailable revenues arise when potential revenue does not meet the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unavailable revenues is removed from the governmental funds balance sheet and revenue is recognized.

The Township reports the following major governmental funds:

The General Fund is the primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The Hazard Mitigation Fund accounts for federal and state grant funds being used as part of a hazard mitigation project. These funds are restricted by grant agreements.

The Highway Aid Fund accounts for revenues that are restricted for expenses for the improvement and maintenance of the Township's roads, bridges, curbs and gutters.

The Recreation Fund accounts for revenue that is restricted by outside contributors to support the Township's parks and recreation programs.

The Debt Service Fund accounts for the revenue from a special real estate tax levy assessed on Township properties that is restricted for expenses to repay Township debt obligations.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

1. Summary of significant accounting policies (continued):

Measurement focus, basis of accounting and financial statement presentation (continued):

The Township reports the following proprietary fund:

The Golf Course Fund accounts for the financial activities associated with the operation and administration of Sunset Golf Course.

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 a proprietary fund's principal ongoing operations. The principal operating revenues of the Golf Course Fund are charges to customers. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Due to and due from other funds:

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period when transactions occur.

Long-term liabilities:

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of general obligation notes, guaranteed revenue note, capital lease obligations and accrued compensated absences.

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

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

1. Summary of significant accounting policies (continued):

Fund balance classification:

Government-wide statements:

Fund balance is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any notes or lease obligations attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws and regulations of other governments or law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

Fund financial statements:

The Township follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints.

- a. Restricted fund balances – Resources constrained by external parties such as creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through enabling legislation.
- b. Assigned fund balances – Resources constrained by the Township's intent to use them for specific purposes such as capital construction projects. There have been no formal actions taken by the Township supervisors to commit funds for any specific purpose.
- c. Unassigned fund balance – Resources that have not been restricted, committed or assigned for specific purposes. Accounts for funds not reported in other funds.

Proprietary fund balance is classified the same as in the government-wide statements.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

1. Summary of significant accounting policies (continued):

Tax revenue:

Real estate and per capita taxes are recognized in the accounting period they become available and measurable. Available means collectible within the current period or within 60 days. Earned income taxes are recorded at gross amounts collected, with costs of collection recorded as an expenditure. Real estate transfer, emergency municipal services and delinquent taxes are recorded at the net amount received from the collecting agency after deducting fees and expenses.

Program revenues:

In the statement of activities, accrual basis revenues that are derived directly from each activity or from parties outside the Township's taxpayers are reported as program revenues. All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating revenue and expenses:

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing or investing activities.

Inventory:

Inventory of the proprietary fund consists of merchandise held for sale and is stated at cost using the first-in, first-out (FIFO) method.

Capital assets:

Capital assets, which include land, land improvements, buildings, automotive, machinery and equipment and infrastructure assets (e.g., roads, bridges, traffic signals), are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$3,000 or more, or \$25,000 or more for infrastructure. Infrastructure assets include Township-owned roads, bridges and traffic signals. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

1. Summary of significant accounting policies (continued):

Capital assets (continued):

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:

	<u>Useful life</u>
Buildings	7 to 40 years
Land improvements	20 years
Automotive equipment	7 years
Machinery and equipment	5 to 10 years
Infrastructure	40 to 50 years

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

Compensated absences:

Township employees are vested in unused vacation time and a portion of unused sick leave, as more fully described in the compensated absences note.

Deferred outflows/inflows of resources:

The statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and thus, will not be recognized as an outflow of resources (expense) until then. The Township did not have any items that qualify for reporting in this category.

The balance sheet – governmental funds reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Township has one type of item, unavailable tax revenues, which arise only under a modified accrual basis of accounting, which qualifies for reporting in this category.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

1. Summary of significant accounting policies (continued):

Deferred outflows/inflows of resources (continued):

Unavailable revenues at December 31, 2015 consist of the following:

General:	
Real estate taxes	\$ 64,791
Per capita taxes	11,110
Debt service real estate taxes	<u>20,564</u>
Total unavailable revenues	<u><u>\$ 96,465</u></u>

Use of estimates:

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Subsequent events:

The Township has evaluated subsequent events through May 16, 2016, the date the financial statements were available to be issued.

2. Custodial credit risk and deposits:

For deposits, custodial credit risk is the risk that, in the event of bank failure, the Township's deposits may not be returned to it. The Township has no policy regarding custodial credit risk for deposits.

As of December 31, 2015, \$1,563,483 of the Township's bank balance of \$1,956,512 was not covered by the Federal Deposit Insurance Corporation, but was collateralized in accordance with Act 72. This Act requires the institution to pool collateral for all its government deposits and to have the collateral held by an approved custodian in the institution's name.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

2. Custodial credit risk and deposits (continued):

Deposits:

Collateral held by the pledging bank under Act 72 but not in the Township's name	\$ 1,563,483
Insured by Federal Deposit Insurance Corporation (FDIC)	393,029
Deposits in transit	3,989
Outstanding checks	(81,386)
Petty cash	<u>300</u>
Total deposits	<u><u>\$ 1,879,415</u></u>

Cash:

Reconciliation to the financial statements:

Cash:	
Government funds	\$ 1,673,897
Proprietary funds	<u>205,518</u>
	<u><u>\$ 1,879,415</u></u>

Interest-rate risk:

The Township does have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk:

The Township has an investment policy that limits its investment choices in accordance with Pennsylvania statutes for Townships.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

3. Property taxes:

The Township's property tax is levied each January 1 on the assessed value as of that date as maintained by Dauphin County for all nonexempt real estate property located in the Township. The assessed value of the roll upon which the levy for the 2015 year was based approximated \$263,618,900, based on a countywide reassessment. The tax millage rate assessed for the year ended December 31, 2015 was 2.9 mills (\$.29 per \$100 valuation).

Real estate taxes attach as an enforceable lien on property on January 1. The taxes are collected by an elected tax collector. Taxes paid through March 31 are allowed a 2% discount. Taxes paid after May 31 and July 31 are charged a 5% and 10% penalty, respectively. Delinquent real estate taxes are collected by Dauphin County.

The Township levies a .5 mill (\$.05 per \$100 valuation) in addition to the real estate tax to provide funding for the maintenance and operation of the Township's fire department. This tax is billed with the Township's real estate taxes.

The Township also levies a 1.6 mill (\$.16 per \$100 valuation) addition to the real estate tax to provide funding for the repayment of outstanding debt. This tax is billed with the Township's real estate taxes.

4. General long-term debt:

General Obligation Notes, Series of 2012:

The Township issued General Obligation Notes, Series of 2012 dated December 31, 2012, with a maximum principal balance of \$2,700,000. The Note proceeds were issued for the current refunding of the Series of 2005, Notes 1 and 2, various capital projects related to constructing improvements to infrastructure and purchasing capital equipment and paying for costs of issuing the Notes. The Series of 2012 Notes are split into Note 1, \$1,700,000 and Note 2, \$1,000,000. Note 1 proceeds of \$1,675,136 were used to currently refund the Series of 2005 Notes and paying costs of issuing the Notes. The Township has not drawn down on any portion of Note 2 as of December 31, 2015. A portion of Note 1 of \$1,655,496 was used to currently refund the Series of 2005, Notes 1 and 2, which were previously allocated to the General Fund and Golf Course Fund. The Note 1 proceeds paid off the General Fund portion of \$675,741 and Golf Course Fund portion of \$979,755 as of the year ended December 31, 2012.

The Series of 2012 Note 1, \$1,700,000 has an interest rate of 2.75% through December 15, 2022, at which time the rate will become variable through the maturity date of December 15, 2025. The monthly payments of principal and interest will be \$12,974 commencing January 15, 2013. The variable rate will be 65% of the Fulton Bank prime rate (no floor) with a ceiling of 6.75%.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

4. General long-term debt (continued):

General Obligation Notes, Series of 2012 (continued):

The Series of 2012 Note 2, \$1,000,000 has a 24-month drawdown period followed by equal monthly payments of principal and interest based on the total amount advanced with a maturity date of January 15, 2028. The Note will have payments of interest only from January 15, 2013 through December 15, 2014 at a rate of 2.75%. On January 15, 2015, monthly payments of principal and interest will be made at a rate of 2.75% through December 15, 2022, at which time the rate will become variable through the maturity date of December 15, 2025.

The Series of 2012 Notes 1 and 2 are guaranteed by the Township's full faith, credit and taxing power.

Guaranteed Revenue Note, Series of 2014:

The Township issued a Guaranteed Revenue Note, Series of 2014, through Dauphin County Infrastructure Bank, dated May 15, 2014, with a maximum principal balance of \$925,000. The note proceeds were issued to fund the costs of a bridge replacement project within the Township and pay the costs of issuing the note. During 2015, the Township drew \$185,370 on the note. The interest rate is 0.50%. The note matures on January 1, 2024. Payment of principal and interest are payable on January 1 each year. The note is secured by the full faith, credit and taxing power of the Township.

Capital lease obligation, 2012:

In January 2012, the Township entered into a capital lease agreement to purchase golf carts with a total purchase price of \$221,120. The principal balance will be amortized over a term of 36 monthly payments due in the months of May, June, July, August, September and October of each year at an effective annual interest rate of 4.76%. Six monthly payments of principal and interest of \$4,850 are payable during the months of May through October each year, with a final balloon payment due October 2018.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

4. General long-term debt (continued):

Capital lease obligation, 2013:

In November 2013, the Township entered into a capital lease agreement to purchase three mowers with a total purchase price of \$169,760. The principal balance will be amortized over a term of 60 months at an effective annual interest rate of 3.89%. Six monthly payments of principal and interest of \$6,273 are payable during the months of May through October each year, with a final payment due May 2018.

In January 2013, the Township entered into a capital lease agreement to purchase a dump truck with a total purchase price of \$135,618. The principal balance will be amortized over a term of 48 months at an effective annual interest rate of 4.47%. Five annual payments of principal and interest of \$29,544 are payable in January each year, with a final payment due January 2017.

In July 2013, the Township entered into a capital lease agreement to purchase a wheel loader with a total purchase price of \$115,038. The principal balance will be amortized over a term of 50 months at an effective annual interest rate of 3.30%. Five annual payments of principal and interest of \$24,548 are payable in July each year, with a final payment due July 2017.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

4. General long-term debt (continued):

A summary of the changes in general obligation notes payable, guaranteed revenue note and capital lease obligations for the year ended December 31, 2015 is as follows:

	Beginning of year	Additions	Payments	End of year
General obligation notes, Series of				
2012 Note 1, 2.75%, matures				
December 15, 2025:				
Government activities	\$ 604,727		\$ 47,718	\$ 557,009
Business-type activities	848,300		66,939	781,361
	\$ 1,453,027		\$ 114,657	\$ 1,338,370
Guaranteed revenue note, Series of				
2014, 0.50%, matures January 1, 2024,				
Government activities		\$ 185,370	\$ 91,983	\$ 93,387
Capital lease obligations:				
Business-type activities:				
Golf carts, 4.76%, due October 2018	\$ 145,198		\$ 26,281	\$ 118,917
Mowers, 3.89%, due May 2018	138,759		32,697	106,062
Government activities:				
Dump truck, 4.47%, due January 2017	81,267		25,915	55,352
Wheel loader, 3.30%, due July 2017	69,927		22,545	47,382
	\$ 435,151		\$ 107,438	\$ 327,713

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

4. General long-term debt (continued):

The debt service requirements on the above long-term debt, assuming the Township draws down all \$739,630 of remaining available funds on the guaranteed revenue note in 2016, are as follows:

	General obligation Note 1			Guaranteed revenue note			Capital lease obligations			Grand totals
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	
2016	\$ 118,445	\$ 35,320	\$ 153,765	\$ 90,722	\$ 4,165	\$ 94,887	\$ 111,167	\$ 9,662	\$ 120,829	\$ 369,481
2017	121,744	32,022	153,766	91,175	3,712	94,887	115,048	5,779	120,827	369,480
2018	125,135	28,631	153,766	91,631	3,256	94,887	101,498	1,136	102,634	351,287
2019	128,620	25,146	153,766	92,089	2,798	94,887				248,653
2020	132,202	21,564	153,766	92,550	2,337	94,887				248,653
2021-2025	712,224	50,482	762,706	374,850	4,696	379,546				1,142,252
	<u>\$ 1,338,370</u>	<u>\$ 193,165</u>	<u>\$ 1,531,535</u>	<u>\$ 833,017</u>	<u>\$ 20,964</u>	<u>\$ 853,981</u>	<u>\$ 327,713</u>	<u>\$ 16,577</u>	<u>\$ 344,290</u>	<u>\$ 2,729,806</u>

Total interest paid for the year ended December 31, 2015 amounted to \$55,401.

The detailed capital lease obligations requirements on the above long-term debt are as follows:

	Business-type activities				Governmental activities				Grand total
	Golf carts		Mowers		Dump truck		Wheel loader		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$ 26,804	\$ 2,297	\$ 33,991	\$ 3,645	\$ 27,072	\$ 2,472	\$ 23,300	\$ 1,248	\$ 120,829
2017	27,350	1,750	35,336	2,300	28,280	1,263	24,082	466	120,827
2018	64,763	235	36,735	901					102,634
	<u>\$ 118,917</u>	<u>\$ 4,282</u>	<u>\$ 106,062</u>	<u>\$ 6,846</u>	<u>\$ 55,352</u>	<u>\$ 3,735</u>	<u>\$ 47,382</u>	<u>\$ 1,714</u>	<u>\$ 344,290</u>

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

4. General long-term debt (continued):

The Township has not drawn down any portion of the Series of 2012 Note 2 principal of \$1,000,000 as of December 31, 2015. Assuming the Township draws down all \$1,000,000 of the Note 2 in 2016, the debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 64,736	\$ 27,057	\$ 91,793
2017	66,564	25,229	91,793
2018	68,444	23,349	91,793
2019	70,376	21,416	91,792
2020	72,364	19,429	91,793
2021-2025	383,707	93,828	477,535
2026-2028	<u>273,809</u>	<u>29,425</u>	<u>303,234</u>
	<u>\$ 1,000,000</u>	<u>\$ 239,733</u>	<u>\$ 1,239,733</u>

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

5. Capital assets:

Capital asset activity for the year ended December 31, 2015 is as follows:

	Balance, January 1, 2015	Additions	Deletions	Balance, December 31, 2015
Governmental activities:				
Capital assets not being depreciated, land	<u>\$ 509,896</u>			<u>\$ 509,896</u>
Capital assets being depreciated:				
Buildings	897,036			897,036
Land improvements	16,328	\$ 3,400		19,728
Automotive equipment	335,962			335,962
Machinery and equipment	569,128			569,128
Infrastructure	<u>19,983,937</u>	<u>246,492</u>		<u>20,230,429</u>
Total capital assets being depreciated	<u>21,802,391</u>	<u>249,892</u>		<u>22,052,283</u>
Less accumulated depreciation:				
Buildings	696,976	30,731		727,707
Land improvements	6,099	816		6,915
Automotive equipment	318,184	10,196		328,380
Machinery and equipment	237,004	48,175		285,179
Infrastructure	<u>16,022,429</u>	<u>496,713</u>		<u>16,519,142</u>
Total accumulated depreciation	<u>17,280,692</u>	<u>586,631</u>		<u>17,867,323</u>
Governmental activities, capital assets being depreciated, net	<u>4,521,699</u>	<u>(336,739)</u>		<u>4,184,960</u>
Total governmental activities, capital assets, net	<u>\$ 5,031,595</u>	<u>\$ (336,739)</u>		<u>\$ 4,694,856</u>

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

5. Capital assets (continued):

	Balance, January 1, 2015	Additions	Deletions	Balance, December 31, 2015
Business activities:				
Capital assets being depreciated:				
Buildings	\$ 1,833,437			\$ 1,833,437
Automotive equipment	27,000			27,000
Machinery and equipment	930,610			930,610
Total capital assets being depreciated	2,791,047			2,791,047
Less accumulated depreciation:				
Buildings	650,847	\$ 50,906		701,753
Automotive equipment	27,000			27,000
Machinery and equipment	608,028	42,395		650,423
Total accumulated depreciation	1,285,875	93,301		1,379,176
Business activities, capital assets, net	\$ 1,505,172	\$ (93,301)		\$ 1,411,871

Depreciation expense for governmental activities was charged to functions/programs of the primary government as follows:

General government	\$ 27,828
Public works:	
Highways	547,976
Sewer/water	1,046
Recreation	9,781
Total depreciation expense	\$ 586,631

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

6. Compensated absences:

The Township allows all employees to accumulate unused sick leave to a maximum of 640 hours and unused vacation time to a maximum of 160 hours. Upon termination, 25% of the maximum accumulated sick leave is paid. Upon termination, the accumulated vacation time is paid to the stated maximum.

As of December 31, 2015, the liability for the accrued vacation and sick leave is \$78,752. The amount expected to be paid from current resources is not significant. The amount recorded in the proprietary funds is \$20,358.

A summary of changes in compensated absences is as follows:

	Balance, January 1, 2015	Net additions	Net deletions	Balance, December 31, 2015
Governmental activities, compensated absences	<u>\$ 49,243</u>	<u>\$ 9,151</u>	<u>\$ -</u>	<u>\$ 58,394</u>
Business-type activities, compensated absences	<u>\$ 22,383</u>	<u>\$ -</u>	<u>\$ (2,025)</u>	<u>\$ 20,358</u>

7. Deferred compensation:

The Township offers a deferred compensation plan, created in accordance with Internal Revenue Code Section 457, to certain Township employees. The plan permits deferral of a portion of employees' salaries until future years. The deferred compensation is not available for withdrawal until termination, retirement, death or disability.

The Township funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investment funds managed by a third-party administrator.

The Township follows GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. GASB Statement No. 32 was adopted in response to amendments of Internal Revenue Code 457 which now requires that a 457 deferred compensation plan hold all assets and income of the plan for the exclusive benefit of the participants and their beneficiaries. The Township has amended the plan to comply with the Code Section amendments. Accordingly, the plan is not reported as part of these financial statements.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

8. 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. The Township maintains commercial insurance coverage for each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three years.

9. Commitments and contingencies:

The Township requires developers in the Township to obtain letters of credit or deposit funds in accordance with escrow agreements to provide assurance that projects will be completed according to approved specifications and on a timely basis. Should one or more of these instruments expire and a default occur, it may be necessary for the Township to take over the defaulted project. Outstanding project guarantees in the form of deposited escrow funds at December 31, 2015 amount to \$17,575.

The Township participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and review by the grantor agencies; therefore, any findings or adjustment by the grantor agencies could have an effect on the related grant revenues and expenditures.

During the normal course of performing its duties to the general public which it serves, the Township is subject to numerous threatened lawsuits and claims. The Township is named in several actions where the potential liability to the Township, or a range thereof, cannot be currently determined.

LONDONDERRY TOWNSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

10. Interfund activity:

Interfund receivables and payables consisted of the following at December 31, 2015:

General fund, receivable	<u>\$ 387,931</u>
Golf Course Fund, payable	\$ (300,017)
Hazard Mitigation Fund, payable	<u>(87,914)</u>
Total payables	<u>\$ (387,931)</u>

All interfund receivables and payables resulted from loans made to provide working capital for operations or projects. All interfund receivables and payables are reported in the government-wide financial statements as internal balances.

LONDONDERRY TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted amounts original and final	Actual amounts	Variance with final budget favorable (unfavorable)
Revenues:			
Taxes	\$ 1,610,096	\$ 1,702,777	\$ 92,681
Licenses and permits	77,208	83,296	6,088
Fines and forfeitures	10,649	2,443	(8,206)
Interest, rents and royalties	7,674	9,495	1,821
Intergovernmental	38,697	78,633	39,936
Charges for services	151,573	196,985	45,412
Contributions from private sector		39,000	39,000
Miscellaneous	119	29,956	29,837
Total revenues	<u>1,896,016</u>	<u>2,142,585</u>	<u>246,569</u>
Expenditures:			
General government	904,554	820,727	83,827
Public safety	530,619	473,939	56,680
Public works:			
Sanitation	47,482	38,421	9,061
Highways	1,050,866	702,064	348,802
Sewer/water	10,560	7,635	2,925
Culture and recreation	264,787	120,217	144,570
Total expenditures	<u>2,808,868</u>	<u>2,163,003</u>	<u>645,865</u>
Excess (deficit) revenues over expenditures	<u>(912,852)</u>	<u>(20,418)</u>	<u>892,434</u>

(continued)

LONDONDERRY TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

	Budgeted amounts original and final	Actual amounts	Variance with final budget favorable (unfavorable)
Other financing sources (uses):			
Note proceeds		\$ 185,370	\$ 185,370
Transfer out	\$ (221,359)	(110,000)	111,359
Total other financing sources (uses)	(221,359)	75,370	296,729
Net change in fund balances	(1,134,211)	54,952	1,189,163
Fund balances:			
Beginning	1,134,211	1,349,446	215,235
Ending	\$ -	\$ 1,404,398	\$ 1,404,398

Budgets:

Prior to the beginning of each fiscal year, an annual budget is adopted for the general fund. Township supervisors periodically review actual expenditures compared to budget and adjust the budget through line item reclassifications to reflect changes that occur throughout the year. Appropriations lapse at the close of the fiscal year to the extent they have not been expended.