

Residential	934
Commercial	48
Unknown	2

<b>Total Customers:</b>	<b>984</b>
<b>Total EDUs:</b>	<b>1,119</b>

Based on customer list received from the Township.

Based on the 2016 Chapter 94 Report.

For these purposes, customer growth will be based off EDU projections from 2016 Chapter 94 Report.

<i>Growth Projections Per 2016 Chapter 94 Report</i>			
	EDU Growth	Total Customers	
2016		1,119	<b>Actual</b>
2017	12	1,131	<i>Projected</i>
2018	45	1,176	<i>Projected</i>
2019	92	1,268	<i>Projected</i>
2020	142	1,410	<i>Projected</i>
2021	103	1,513	<i>Projected</i>
<b>5 Year Proj.</b>		<b>394</b>	<b>New EDUs</b>

1.1%  
4.0%  
7.8%  
11.2%  
7.3%

<i>5 Year Projected Growth - Per Chapter 94 Report</i>	
# of EDUs:	394
% Growth:	35.2%

Assumes 2.0% for growth in 2017 through 2026
Assumes 1% for growth thereafter

	# of Customers	Projected Growth
<b>Begin:</b>	<b>984</b>	
2017	1,004	<b>2.0%</b>
2018	1,024	2.0%
2019	1,044	2.0%
2020	1,065	2.0%
2021	1,086	2.0%
2022	1,108	2.0%
2023	1,130	2.0%
2024	1,153	2.0%
2025	1,176	2.0%
2026	1,199	2.0%
2027	1,211	<b>1.0%</b>
2028	1,224	1.0%
2029	1,236	1.0%
2030	1,248	1.0%
2031	1,261	1.0%
2032	1,273	1.0%
2033	1,286	1.0%
2034	1,299	1.0%
2035	1,312	1.0%
2036	1,325	1.0%

Subtracted the future 14 units that have sewer connections, but not connected. These are part of the future connections.

Customers	984
EDUs	1119
EDU to Customer Ratio	1.14
Projected EDU Growth	394
Converted to Customer Growth	346

<b>Assumed Growth Over 20 Years</b>	
# of EDUs:	341
% Growth:	34.7%

**Estimated O&M Cost Savings Under PAWC Operations**

Shaded Cells are Expenses that are unchanged

O&M Expenses	PAWC		Sadsbury Township		Expenses Under PAWCs Operations	Unchanged Expenses	
	# Customers:	21,216	# Customers:	998			
	2015 Actual	Expense per Customer	2016 Actual	Expense per Customer			
Total Salaries and Wages	1,517,257	\$71.51	44,567	\$44.66	\$44,567	\$0	
Employee Pensions and Benefits	594,210	\$28.01		\$0.00	\$27,952	\$0	
Purchased WW Treatment	0	\$0.00	412,695	\$413.52		\$412,695	
Sludge Removal Expense	0	\$0.00		\$0.00		\$0	
Purchased Power	728,453	\$34.34		\$0.00		\$0	
Fuel for Power Production	6,707	\$0.32		\$0.00		\$0	
Chemicals	428,304	\$20.19		\$0.00		\$0	
Materials and Supplies	0	\$0.00	790	\$0.79	\$790	\$0	
Total Contractual Services	1,133,917	\$53.45	129,750	\$130.01	\$53,339	\$0	
Rental of Building/Real Property	1,733	\$0.08		\$0.00	\$82	\$0	
Rental of Equipment	2,025	\$0.10		\$0.00	\$95	\$0	
Transportation Expenses	133,647	\$6.30		\$0.00	\$6,287	\$0	
Total Insurance	32,860	\$1.55		\$0.00	\$1,546	\$0	
Advertising Expense	0	\$0.00		\$0.00	\$0	\$0	
PUC Expenses - Amort. Of Rate Case Expense	74,513	\$3.51		\$0.00	\$3,505		
Bad Debt Expense	0	\$0.00		\$0.00	\$0	\$0	
<u>Total Miscellaneous Expenses:</u>	<u>695,673</u>	<u>\$32.79</u>	<u>7,178</u>	<u>\$7.19</u>	<u>\$7,178</u>	<u>\$0</u>	
<b>Total O&amp;M Expenses:</b>	<b>5,349,299</b>	<b>\$252.14</b>	<b>594,980</b>	<b>\$596.17</b>	<b>\$145,340</b>	<b>\$412,695</b>	
Total:						\$558,035	
Difference:						-\$36,945	
						-6.62%	

**VARIABLE EXPENSES**

<b>Annual O&amp;M Cost Savings:</b>	<b>6.62%</b>
<b>Year 1 O&amp;M Cost Savings:</b>	<b>3.31%</b>

*Based on PAWC Annual Report for Year Ended 12/31/2015*

<b>Expenses Related to PAWC Treatment</b>	
<b>Sludge Removal Expense</b>	\$0
<b>Purchased Power</b>	\$728,453
<b>Fuel for Power Production</b>	\$6,707
<b>Chemicals</b>	\$428,304
<b>Contractual Services:</b>	
Outside Lab Testing	\$72,142
<b>Other Maintenance:</b>	
Grounds Keeping- Water Treatment	\$38,563
Janitorial - Water Treatment	\$245
Trash Removal - Water Treatment	\$21,637
Security Services - Water Treatment	\$62
Other Contract Services - Water Treatment	\$51,651
Other Maintenance Contracts - Water Treatment	\$64,324
Waste Disposal - Water Treatment	\$717,899
Water & Wastewater Expense - Water Treatment	\$3,342
<b>Materials &amp; Supplies:</b>	
Materials & Supplies - Water Treatment	\$64,683
Misc. Maintenance - Water Treatment	\$19,477
Misc. Operating - Water Treatment	\$74,978
<b>Communication Services:</b>	
Telephone - Water Treatment	\$7,719
Cell Phone - Water Treatment	\$14,615
<b>Office Expenses and Utilities</b>	
Electricity - WT	\$66,447
Heat - Oil/Gas - WT	\$24,150
Lab Supplies - WT	\$33,051
Office & Admin Supplies - WT	\$14,157
<b>Total Treatment Expenses:</b>	<b>\$2,452,606</b>

<b>Number of Customers</b>	
<b>Unmetered Customers</b>	4,155
<b>Metered Customers</b>	17,061
<b>Total Number of Customers</b>	<b>21,216</b>

Total Treatment Expenses:	\$2,452,606
Total Number of Customers:	21,216
<b>Total Cost of Treatment per Customer:</b>	<b>\$115.60</b>

PAWC Cost of Treatment per Customer	\$116
x Number of Sadsbury Custmers	998
	<b>\$115,371</b>

	Original Cost	Year	LF Pipe	Lateral Wye
Phase 1A – Village of Pomeroy (North)	\$47,812	2000	2,153	123
Phase 1B – Village of Pomeroy (South)	\$19,410	2005	354	19
Phase 2A – Village of Sadsburyville (North of Route 30 Bypass)	\$44,007	2007	474	48
Phase 2B – Village of Sadsburyville (South of Route 30 Bypass)	\$18,963	2004	405	22
Phase 3A – Washington Lane and Lincoln Avenue (Includes Reel Street)	\$127,780	2005	2,300	142
Phase 3A – Washington Lane Extension	\$560	2009	16	0
Phase 3B – South of Washington Lane – North of Conrail/Amtrak	\$4,020	2007	75	3
Phase 3B – South of Washington Lane – North of Conrail/Amtrak	\$28,402	2009	498	21
Phase 4 – Valley Road	\$37,010	2011	622	28
Sadsbury Crossing	\$14,261	2001	856	0
Quarry Ridge	\$19,065	2000	1,271	0
Quarry Ridge	\$35,640	2001	2,376	0
Quarry Ridge	\$24,180	2002	1,612	0
Sadsbury Village	\$87,600	2006	5,110	146
Octorara Glen	\$29,686	2006	1,352	44
Cowan Estates	\$7,920	2013	330	0
	\$546,316		19,804	596

**Sewer Constructed, but not yet dedicated**

	<b>Bellaire Business Center</b>	
	361	245,368
	363	10,270
	<b>Morris Farm</b>	
	361	99,905
	363	4,169
	<b>Sadsbury Park</b>	
	361	239,274
	363	39,770
		<hr/>
		638,756
361	<b>Collection Mains - Gravity</b>	<b>584,547</b>
363	<b>Services</b>	<b>54,209</b>

## Analysis of Customer Charges

	<u>PAWC</u>	<u>Sadsbury</u>
Flat Charge	\$7.50	\$25.00
Metered Rates per 1,000 gal.	\$12.88	\$13.50

*Avg. Customer Using 3,500 gallons per month*

<b>Approx. Monthly Bill:</b>	<b>\$52.58</b>	<b>\$72.25</b>
<b>Approx. Annual Bill:</b>	<b>\$630.96</b>	<b>\$867.00</b>

	PAWC		SADSBURY	Difference
	Existing Rates	Plus 5% DISC Rate	Existing Rates	
2017	\$630.96	\$662.51	\$867.00	(\$204.49)
2018	\$662.51	\$695.63	\$867.00	(\$171.37)
2019	\$695.63	\$730.42	\$867.00	(\$136.58)
2020	\$730.42	\$766.94	\$867.00	(\$100.06)
2021	\$766.94	\$805.28	\$867.00	(\$61.72)
2022	\$805.28	\$845.55	\$867.00	(\$21.45)
2023	\$845.55	\$887.82	\$867.00	\$20.82
2024	\$887.82	\$932.22	\$867.00	\$65.22
2025	\$932.22	\$978.83	\$867.00	\$111.83
2026	\$978.83	\$1,027.77	\$867.00	\$160.77
2027	\$1,027.77	\$1,079.16	\$867.00	\$212.16
2028	\$1,079.16	\$1,133.11	\$867.00	\$266.11
2029	\$1,133.11	\$1,189.77	\$867.00	\$322.77
2030	\$1,189.77	\$1,249.26	\$867.00	\$382.26
2031	\$1,249.26	\$1,311.72	\$867.00	\$444.72
2032	\$1,311.72	\$1,377.31	\$867.00	\$510.31
2033	\$1,377.31	\$1,446.17	\$867.00	\$579.17
2034	\$1,446.17	\$1,518.48	\$867.00	\$651.48
2035	\$1,518.48	\$1,594.40	\$867.00	\$727.40
2036	\$1,594.40	\$1,674.12	\$867.00	\$807.12

**Annual Average**

Year	Ave.						
1908	97	1931	181	1954	628	1977	2576
1909	91	1932	157	1955	660	1978	2776
1910	96	1933	170	1956	692	1979	3003
1911	93	1934	198	1957	724	1980	3237
1912	91	1935	196	1958	759	1981	3535
1913	100	1936	206	1959	797	1982	3825
1914	89	1937	235	1960	824	1983	4066
1915	93	1938	236	1961	847	1984	4146
1916	130	1939	236	1962	872	1985	4195
1917	181	1940	242	1963	901	1986	4295
1918	189	1941	258	1964	936	1987	4406
1919	198	1942	276	1965	971	1988	4519
1920	251	1943	290	1966	1019	1989	4615
1921	202	1944	299	1967	1074		
1922	174	1945	308	1968	1155		
1923	214	1946	346	1969	1269		
1924	215	1947	413	1970	1381		
1925	207	1948	461	1971	1581		
1926	208	1949	477	1972	1753		
1927	206	1950	510	1973	1895		
1928	207	1951	543	1974	2020		
1929	207	1952	569	1975	2212		
1930	203	1953	600	1976	2401		
1931	181						
1932	157						
1933	170						
1934	198						
1935	196						
1936	206						
1937	235						
1938	236						
1939	236						
1940	242						
1941	258						
1942	276						
1943	290						
1944	299						
1945	308						
1946	346						
1947	413						
1948	461						
1949	477						
1950	510						
1951	543						

1952	569
1953	600
1954	628
1955	660
1956	692
1957	724
1958	759
1959	797
1960	824
1961	847
1962	872
1963	901
1964	936
1965	971
1966	1019
1967	1074
1968	1155
1969	1269
1970	1381
1971	1581
1972	1753
1973	1895
1974	2020
1975	2212
1976	2401
1977	2576
1978	2776
1979	3003
1980	3237
1981	3535
1982	3825
1983	4066
1984	4146
1985	4195
1986	4295
1987	4406
1988	4519
1989	4615
<hr/>	
1990	4732
1991	4835
1992	4985
1993	5210
1994	5408
1995	5471
1996	5620
1997	5826

1998	5920
1999	6059
2000	6221
2001	6342
2002	6538
2003	6695
2004	7115
2005	7446
2006	7751
2007	7967
2008	8310
2009	8570
2010	8799
2011	9070
2012	9308
2013	9547
2014	9807
2015	10036
2016	10385
2017	



**SADBURY TOWNSHIP  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2013**

**SADSBURY TOWNSHIP**

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# **Maulo & Company, Ltd.**

*Certified Public Accountants*

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## **Independent Auditor's Report**

To the Board of Supervisors  
Sadsbury Township  
Chester County, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sadsbury Township, Chester County, Pennsylvania, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise Sadsbury Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Sadsbury Township as of December 31, 2013, 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 (GAAP).

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages MD&A 1 through MD&A 18 and budgetary comparison information on pages 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sadsbury Township's basic financial statements. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Mauls & Company, Ltd.*

West Chester, Pennsylvania  
September 26, 2014

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**

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The Management Discussion and Analysis of Sadsbury Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2013. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Readers should also review the financial statements and related notes.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

- The Township's assets exceeded its liabilities by \$11,155,043 (net position) for the fiscal year. The 2013 decrease was \$32,070.
- Total net assets are comprised of the following:
  - 1) Capital assets, net of related debt, of \$8,458,823 include property and equipment, net of accumulated depreciation, and are reduced by outstanding debt related to the purchase or construction of capital assets. The 2013 increase was \$307,716.
  - 2) Net assets of \$164,366 are restricted by constraints imposed from outside the Township such as grantors, laws, or regulations. The 2013 increase was \$25,964.
  - 3) Net assets of \$1,004,319 are designated by the Board of Supervisors for future capital additions or replacements. The 2013 increase was \$431.
  - 4) Unrestricted net assets of \$1,525,535 represent the portion available to maintain the Township's continuing obligations to citizens and creditors. The 2013 decrease was \$366,181.
- The Township's governmental funds reported a total ending net assets of \$6,812,260 this year. The 2013 decrease was \$121,933.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$656,728 or 33.47% of total General Fund expenditures, including transfers, and 39.25% of total General Fund revenues, including transfers. The 2013 decrease was \$288,890.
- This decrease in fund balance relates to management's decision to increase the level of service provided by the police department and to improve the storm sewers and the road of a major roadway in the Township.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

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**Government-Wide Financial Statements**

- The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Township's overall financial status.
- 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 government's assets 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 they have changed. Net position, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.
- Over time, increases or decreases in the Township's net position are an indication of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, a reader needs to consider additional non-financial factors, such as changes in the Township's property tax base and increases in development in the Township.
- The government-wide financial statements of the Township are divided into two categories:

Governmental Activities - All of the Township's basic services are included here, such as administration and community services. Taxes, charges for services, and state grants finance most of these activities.

Business-Type Activities - The Township runs a sewer system and charges fees to residents for conveyance of waste through the Township's sewer system.

**FUND LEVEL FINANCIAL STATEMENTS**

The remaining statements are fund level financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. The governmental fund statements tell how the Township's general services were financed in the short-term, as well as, what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the Township operates like a business. For this Township, this is the Sewer Fund. Fiduciary fund statements provide information about financial relationships in which the Township acts solely as a trustee or agent for the benefit of others.

- **Governmental Funds** - Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting basis called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader 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 (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

- Proprietary Funds - These funds are used to account for Township activities that are similar to business operations in the private sector, where the reporting focus is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the Township charges customers for services it provides—whether to outside customers or to other units in the Township—these services are generally reported in proprietary funds. The Sewer Fund is the Township’s proprietary fund and is the same as the business-type activities reported in the government-wide statements.
- Fiduciary Funds - The Township is the trustee, or fiduciary, for some escrow funds. All of the Township’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Township’s other financial statements because the Township cannot use these assets to finance its operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**FINANCIAL ANALYSIS OF THE TOWNSHIP—GOVERNMENT-WIDE STATEMENTS**

The Township’s total net position was \$11,155,043 at December 31, 2013. The Township’s total net position was \$11,187,113 at December 31, 2012. This represents a decrease of \$32,070 which is a .3% decrease. The following tables present condensed financial information for the net position of the Township as of December 31, 2013 and 2012.

**Schedule of Net Position**  
**Year Ended December 31, 2013**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current and other assets	\$ 2,101,656	\$ 956,301	\$ 3,057,957
Capital assets, net	4,742,351	7,167,472	11,909,823
Total Assets	<u>\$ 6,844,007</u>	<u>\$ 8,123,773</u>	<u>\$ 14,967,780</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 31,747	\$ 556,990	\$ 588,737
Non-current liabilities		3,224,000	3,224,000
Total Liabilities	<u>31,747</u>	<u>3,780,990</u>	<u>3,812,737</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	\$ 4,742,351	\$ 3,716,472	\$ 8,458,823
Restricted	1,170,685		1,170,685
Unrestricted	899,224	626,311	1,525,535
Total Net Position	<u>6,812,260</u>	<u>4,342,783</u>	<u>11,155,043</u>
Total Liabilities and Net Position	<u>\$ 6,844,007</u>	<u>\$ 8,123,773</u>	<u>\$ 14,967,780</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

**Schedule of Net Position**  
**Year Ended December 31, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current and other assets	\$ 2,522,705	\$ 910,642	\$ 3,433,347
Capital assets, net	<u>4,489,951</u>	<u>7,330,156</u>	<u>11,820,107</u>
Total Assets	<u>\$ 7,012,656</u>	<u>\$ 8,240,798</u>	<u>\$ 15,253,454</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 78,463	\$ 536,878	\$ 615,341
Non-current liabilities	<u>                    </u>	<u>3,451,000</u>	<u>3,451,000</u>
Total Liabilities	<u>78,463</u>	<u>3,987,878</u>	<u>4,066,341</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	\$ 4,489,951	\$ 3,661,156	\$ 8,151,107
Restricted	1,144,290		1,144,290
Unrestricted	<u>1,299,952</u>	<u>591,764</u>	<u>1,891,716</u>
Total Net Position	<u>6,934,193</u>	<u>4,252,920</u>	<u>11,187,113</u>
Total Liabilities and Net Position	<u>\$ 7,012,656</u>	<u>\$ 8,240,798</u>	<u>\$ 15,253,454</u>

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, and revenues that directly relate to specific expense categories are represented to determine the final amount of the Township's activities that are supported by other general revenues. The largest revenues are property taxes, other taxes, and charges for services.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

The following tables present condensed financial information for the Statement of Activities in a different format, in order to present total revenues for the years ended December 31, 2013 and 2012.

**Changes in Net Position**  
**For The Year Ended December 31, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>REVENUES</b>			
Program Services			
Charges for services	\$ 457,780	\$ 1,063,581	\$ 1,521,361
Fines and forfeits	36,423		36,423
Licenses	77,685		77,685
General Revenues			
Property taxes	146,940		146,940
Other taxes-Act 511	695,570		695,570
Intergovernmental revenue	157,076		157,076
Contributions from private sector	7,980		7,980
Other revenue	<u>72,697</u>	<u>683</u>	<u>73,380</u>
Total Revenues	<u>1,652,151</u>	<u>1,064,264</u>	<u>2,716,415</u>
<b>EXPENSES</b>			
General government	\$ 507,261	\$ 0	\$ 507,261
Public safety	553,413		553,413
Solid waste collection	250,823		250,823
Sewer system		974,401	974,401
Highways and streets	354,091		354,091
Culture and recreation	11,294		11,294
Special Projects	7,100		7,100
Miscellaneous expenditures	<u>90,102</u>		<u>90,102</u>
Total Expenses	<u>1,774,084</u>	<u>974,401</u>	<u>2,748,485</u>
Change in Net Position	<u>\$ (121,933)</u>	<u>\$ 89,863</u>	<u>\$ (32,070)</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

**Changes in Net Position**  
**For The Year Ended December 31, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>REVENUES</b>			
Program Services			
Charges for services	\$ 683,306	\$ 984,148	\$ 1,667,454
Fines and forfeits	21,085		21,085
Licenses	65,852		65,852
General Revenues			
Property taxes	45,546		45,546
Other taxes-Act 511	796,302		796,302
Intergovernmental revenue	141,174		141,174
Contributions from private sector	7,180		7,180
Other revenue	<u>87,451</u>	<u>340</u>	<u>87,791</u>
Total Revenues	<u>1,847,896</u>	<u>984,488</u>	<u>2,832,384</u>
<b>EXPENSES</b>			
General government	\$ 458,367	\$ 0	\$ 458,367
Public safety	443,481		443,481
Solid waste collection	240,197		240,197
Sewer system		865,116	865,116
Highways and streets	353,162		353,162
Culture and recreation	13,487		13,487
Special Projects	1,600		1,600
Miscellaneous expenditures	<u>78,989</u>		<u>78,989</u>
Total Expenses	<u>1,589,283</u>	<u>865,116</u>	<u>2,454,399</u>
Change in Net Assets	<u>\$ 258,613</u>	<u>\$ 119,372</u>	<u>\$ 377,985</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

**EXPENSES**

The following tables present condensed financial information on the expenses of the Township by function.

**Expense Analyses**

**Expenses—Governmental Activities**

The following table illustrates both the gross and net costs of services. Unrestricted grants and contributions are deducted to reflect the amount needed to be funded by other revenue sources. Capital contributions from developers are not included in the analysis.

	<u>For the year ended December 31, 2013</u>		<u>For the year ended December 31, 2012</u>	
	<u>Total Cost of Services</u>	<u>Net Cost (Benefit) of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost (Benefit) of Services</u>
General government	\$ 507,261	\$ 502,639	\$ 458,367	\$ 453,584
Public safety	553,413	264,613	443,481	233,709
Solid waste collection	250,823	(67,373)	240,197	(71,099)
Highways and streets	354,091	229,490	353,162	(38,484)
Culture and recreation	11,294	10,569	13,487	12,387
Special projects	7,100	7,100	1,600	1,600
Miscellaneous (payroll taxes, employee benefits)	90,102	90,102	78,989	78,989
<b>Total Expenses</b>	<b>\$ 1,774,084</b>	<b>\$ 1,037,140</b>	<b>\$ 1,589,283</b>	<b>\$ 670,686</b>
Less: Grants, subsidies, and contributions not restricted		0		0
<b>Amount funded by other revenue sources</b>		<b>\$ 1,037,140</b>		<b>\$ 670,686</b>

**Expenses—Business-Type Activities**

The following table reflects condensed financial activities of the sewer system, the only business-type activity of the Township.

	<u>For the year ended December 31, 2013</u>		<u>For the year ended December 31, 2012</u>	
	<u>Total Cost of Services</u>	<u>Net Cost (Benefit) of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost (Benefit) of Services</u>
Sewer system	\$ 942,538	\$ (121,043)	\$ 846,445	\$ (137,703)

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

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**THE TOWNSHIP FUNDS**

**General Fund**

- At December 31, 2013 and 2012, the Township reported fund balances of \$656,728 and \$945,618, respectively, which represents 33.47% and 69.37% of total expenses. Fund balance as a percent of total expenses decreased because of management's decision to increase the level of service provided by the police department and to improve the storm sewers and road of a major roadway in the Township. The fund balance is allocated as follows:

Assigned to 2013 budget	\$ 204,000
Non-spendable - prepaid expenses	55,316
Restricted for fire services	2,000
Unassigned	<u>395,412</u>
	<u>\$ 656,728</u>

**REVENUE**

General fund revenues totaled \$1,673,285 for the year ended December 31, 2013. The following table reflects a comparison of current year revenues with the revenues reflected in the 2013 budget year:

	<u>Actual</u> <u>2013</u>	<u>% of</u> <u>Total</u>	<u>Budget</u> <u>2013</u>	<u>Inc / (Dec)</u> <u>from Budget</u>
Taxes	\$ 955,054	57.1%	\$ 835,300	\$ 119,754
Charges for services	570,349	34.1%	463,500	106,849
Contributions from private sector	8,813	0.5%	3,079	5,734
Intergovernmental revenues	67,170	4.0%	60,200	6,970
Other financing sources	<u>71,899</u>	<u>4.3%</u>	<u>355,521</u>	<u>(283,622)</u>
	<u>\$ 1,673,285</u>	<u>100.0%</u>	<u>\$ 1,717,600</u>	<u>\$ (44,315)</u>

The Township balanced the budget utilizing the fund balance from the previous year and increased the tax rate to .75 mills from .25 mills. The collection rate for current real estate taxes was 97.29%. The Township continued to receive higher earned income taxes than expected in 2013. Real estate transfer taxes were higher than expected because of the improving housing market. In addition, charges for services were higher than budget because of the improving housing market and higher fines because of the increased level of police services. Finally, other financing sources were lower because the Township did not transfer monies from the Capital Reserve Fund to finance capital improvement projects or capital purchases that did not occur which were included in the 2013 budget.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

**EXPENDITURES**

General fund expenditures totaled \$1,962,175. These expenditures were segregated into various programs depending on the functions of the activity. These programs and the costs associated with each, as well as comparison to the original 2013 budget, are as follows:

	<u>Actual</u> <u>2013</u>	<u>% of</u> <u>Total</u>	<u>Revised</u> <u>Budget</u> <u>2013</u>	<u>Inc / (Dec)</u> <u>From</u> <u>Budget</u>
General government	\$ 590,642	30.1%	\$ 703,000	\$ (112,358)
Public safety	614,619	31.3%	628,300	(13,681)
Solid waste collection	250,823	12.8%	251,700	(877)
Highways and streets	369,301	18.8%	453,200	(83,899)
Culture and recreation	4,251	0.2%	9,500	(5,249)
Special project	42,437	2.2%	47,000	(4,563)
Miscellaneous expenditures	<u>90,102</u>	<u>4.6%</u>	<u>103,800</u>	<u>(13,698)</u>
	<u>\$ 1,962,175</u>	<u>100.0%</u>	<u>\$ 2,196,500</u>	<u>\$ (234,325)</u>

General government was lower than budget because of lower tax collection costs and lower legal fees. Highways and streets was lower than budget because a highway capital equipment purchase was delayed until 2014. Miscellaneous expenditures were lower because of lower health and disability insurance costs and lower matching retirement plan contributions.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

**CONDENSED STATEMENT OF ACTIVITIES**

**Governmental and Proprietary (Sewer) Funds**

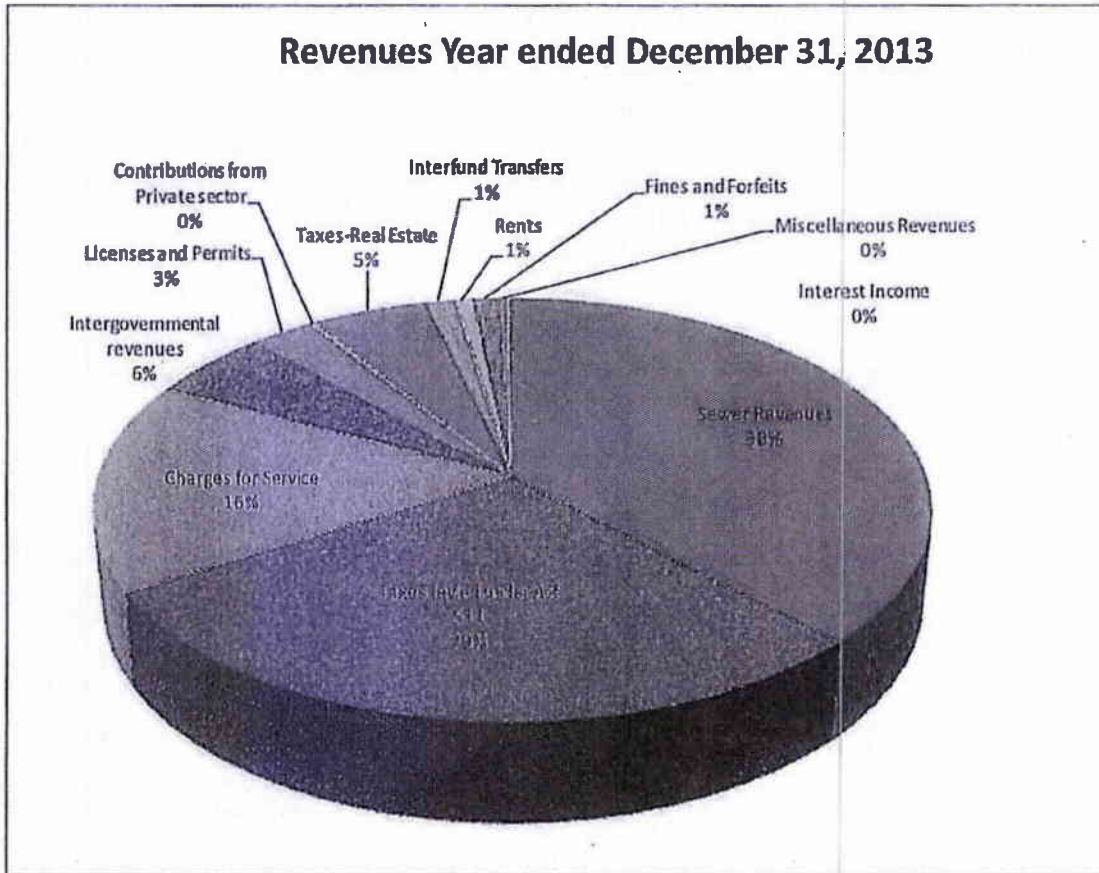
A comparison including graphs of the Township's Governmental and Proprietary (Sewer) Funds revenues and expenditures/expenses for 2013 and 2012 by category (as used for budgeting purposes) is shown below:

	<u>2013</u>	<u>2012</u>
<b><u>Revenues</u></b>		
Taxes-real estate	\$ 144,562	\$ 46,095
Taxes levied under Act 511	810,492	847,608
Licenses and permits	77,685	65,852
Fines and forfeits	36,423	21,085
Interest income	5,202	2,452
Rents	20,700	20,700
Intergovernmental revenues	157,076	141,174
Charges for service	456,241	682,612
Contributions from private sector	8,813	7,180
Miscellaneous revenues	8,368	2,130
Interfund transfers	38,427	62,219
Sewer system revenues	<u>1,064,264</u>	<u>984,488</u>
<b>Total Revenues</b>	<b><u>\$ 2,828,253</u></b>	<b><u>\$ 2,883,595</u></b>
<b><u>Expenditures/Expenses</u></b>		
General Government	\$ 590,642	\$ 452,425
Public Safety	614,619	446,240
Public works-solid waste collection	250,823	240,197
Public works- highways and streets	433,610	195,822
Culture and recreation	4,251	6,145
Special project	42,437	1,600
Miscellaneous (payroll taxes, employee benefits)	90,102	78,989
Sewer system expenses	<u>974,401</u>	<u>865,116</u>
<b>Total Expenditures/Expenses</b>	<b><u>\$ 3,000,885</u></b>	<b><u>\$ 2,286,534</u></b>

**SADBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

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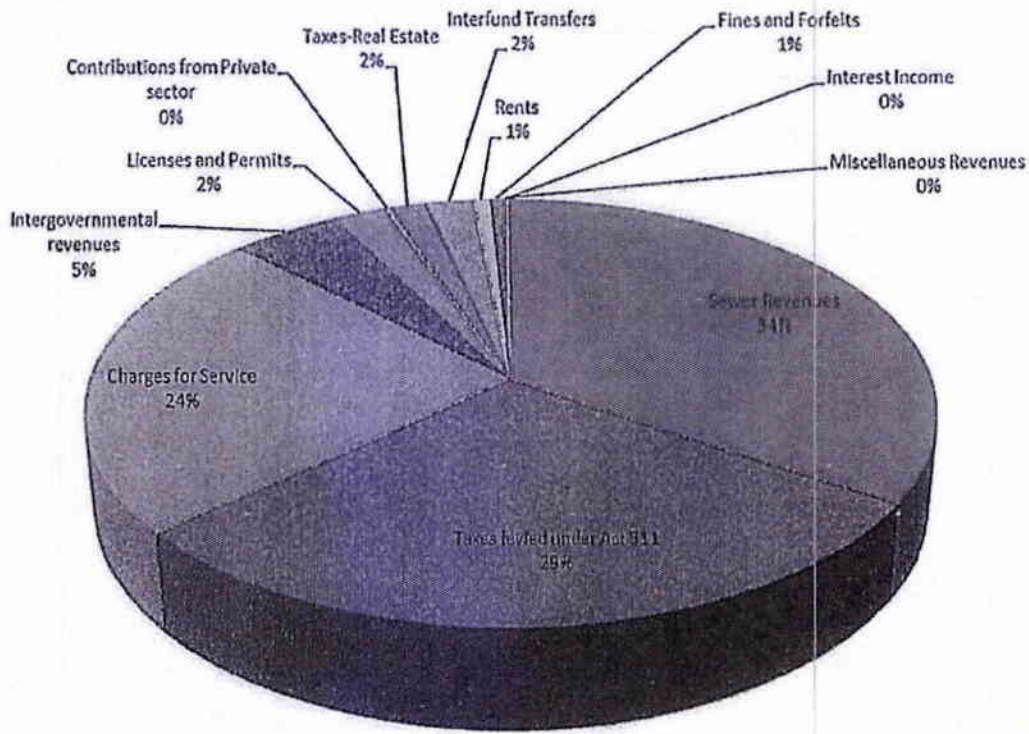
**Revenues Year ended December 31, 2013**



**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

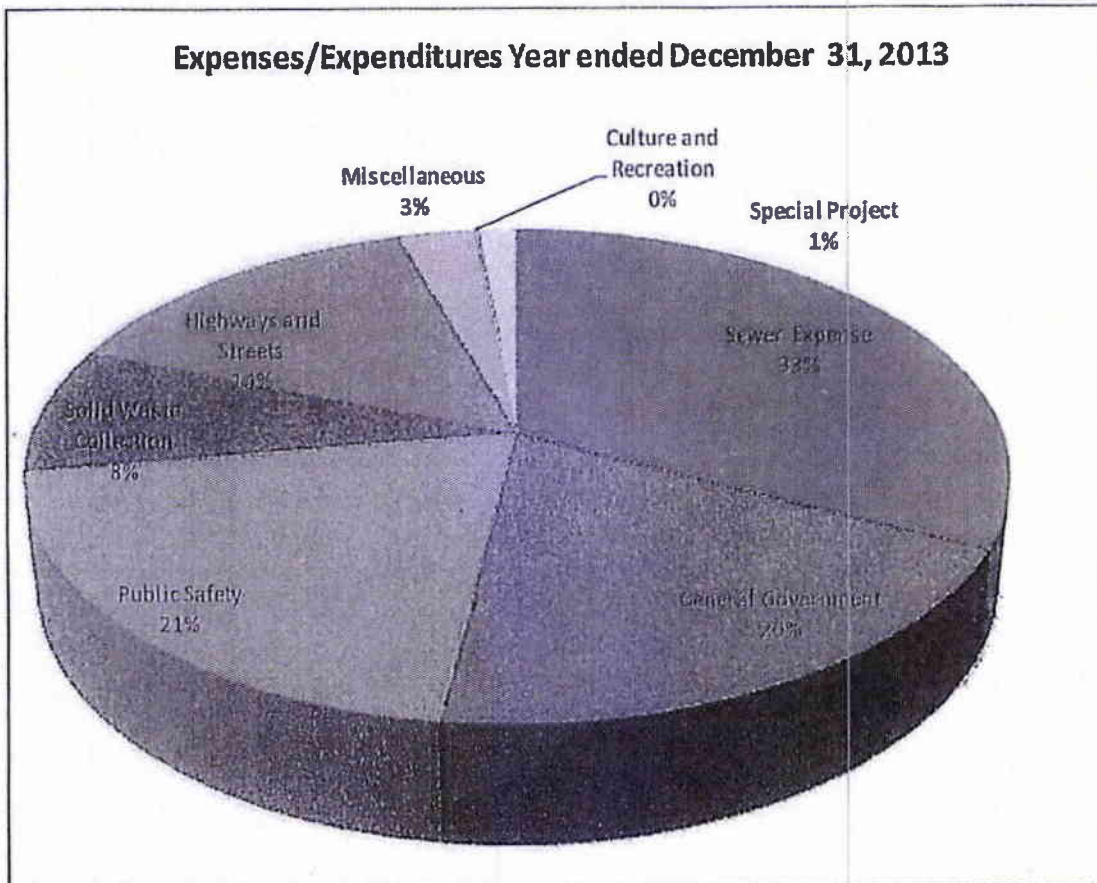
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**Revenues Year ended December 31, 2012**



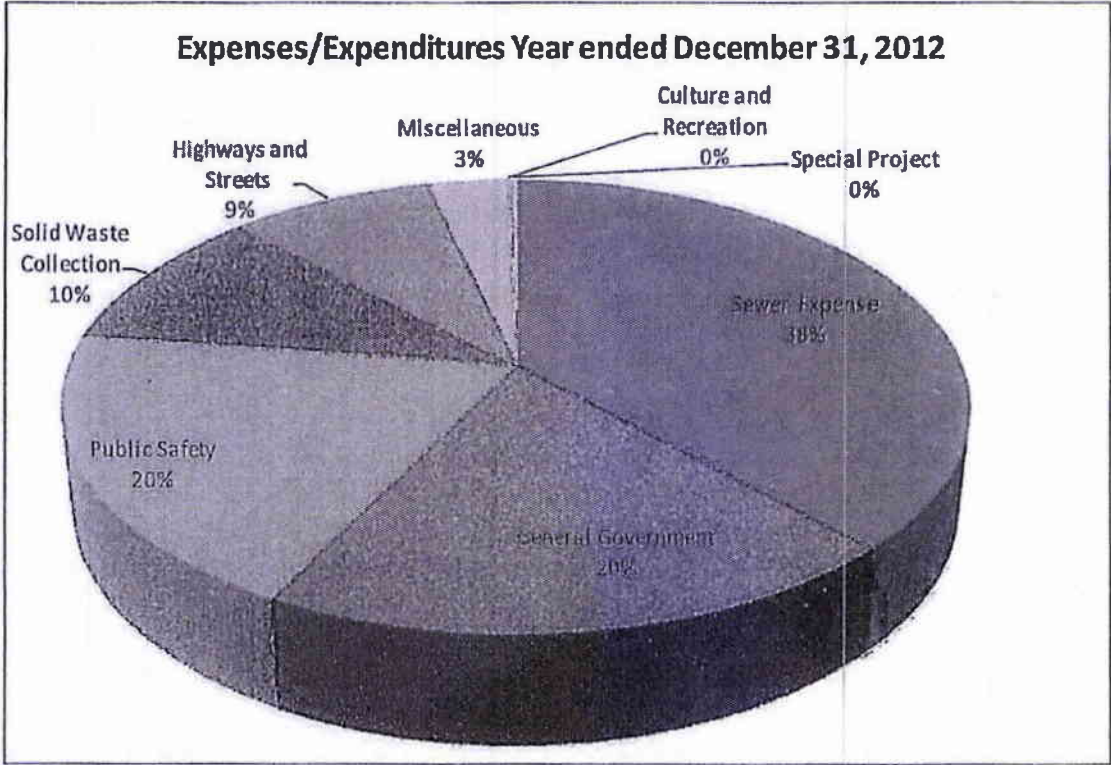
**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

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**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

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**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

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**CAPITAL PROJECTS FUND**

At December 31, 2013 and 2012, the Township reported a fund balance of \$705,134 and \$705,325, respectively, which is a decrease of \$191 and a decrease of \$4,389. During 2013 and 2012, this fund received no transfers from the general fund and transferred \$2,412 and \$6,035, respectively, to pay for capital assets.

**GENERAL FUND BUDGET**

During the fiscal year, the Board of Township Supervisors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the Township. Those adjustments are again confirmed at the time the annual audit is accepted. This is done after the end of the fiscal year in accordance with state law. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

The Township applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues are adjusted to reflect actual revenues received for all approved grants.

Budgeted expenditures are also adjusted to reflect the actual expenditures made for all approved grants. Transfers between specific categories of expenditures/financing uses occur during the year.

**CAPITAL ASSETS**

At December 31, 2013 and 2012, the Township had \$11,909,823 and \$11,820,107, respectively, invested in a broad range of capital assets, including land, buildings, sewer collection system, vehicles, and machinery and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$89,716 and a net decrease (including additional deletion and depreciation) of \$349,393, or .7% increase and 28% decrease, from the previous year.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

The following schedules present the changes in capital assets for the years ended December 31, 2013 and 2012. During this period, the Township had the following significant additions in capital assets.

**Schedule of Capital Assets**  
**For The Year Ended December 31, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>CAPITAL ASSETS</b>			
Land	\$ 407,868	\$ 49,112	\$ 456,980
Buildings	1,601,010	140,000	1,741,010
Machinery and equipment	381,908	110,863	492,771
Vehicles	394,452		394,452
Highways and streets	3,013,728		3,013,728
Storm sewers	1,028,056		1,028,056
Sewer collection system		8,521,323	8,521,323
Construction in progress	<u>252,493</u>	<u>2,980</u>	<u>255,473</u>
Total Capital Assets	<u>7,079,515</u>	<u>8,824,278</u>	<u>15,903,793</u>
<b>ACCUMULATED DEPRECIATION</b>			
Buildings	\$ 302,117	\$ 36,633	\$ 338,750
Machinery and equipment	313,970	47,617	361,587
Vehicles	307,068		307,068
Highways and streets	1,254,791		1,254,791
Storm sewers	159,218		159,218
Sewer collection system		<u>1,572,556</u>	<u>1,572,556</u>
Total Accumulated Depreciation	<u>2,337,164</u>	<u>1,656,806</u>	<u>3,993,970</u>
Capital Assets, Net	<u>\$ 4,742,351</u>	<u>\$ 7,167,472</u>	<u>\$ 11,909,823</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

**Schedule of Capital Assets**  
**For The Year Ended December 31, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>CAPITAL ASSETS</b>			
Land	\$ 407,868	\$ 49,112	\$ 456,980
Buildings	1,601,010	140,000	1,741,010
Machinery and equipment	361,360	115,666	477,026
Vehicles	395,738		395,738
Highways and streets	2,706,792		2,706,792
Storm sewers	982,266		982,266
Sewer collection system		8,521,322	8,521,322
Construction in progress	<u>166,782</u>	<u>1,229</u>	<u>168,011</u>
Total Capital Assets	<u>6,621,816</u>	<u>8,827,329</u>	<u>15,449,145</u>
<b>ACCUMULATED DEPRECIATION</b>			
Buildings	\$ 258,223	\$ 33,833	\$ 292,056
Machinery and equipment	295,841	61,212	357,053
Vehicles	347,034		347,034
Highways and streets	1,091,348		1,091,348
Storm sewers	139,419		139,419
Sewer collection system		<u>1,402,128</u>	<u>1,402,128</u>
Total Accumulated Depreciation	<u>2,131,865</u>	<u>1,497,173</u>	<u>3,629,038</u>
Capital Assets, Net	<u>\$ 4,489,951</u>	<u>\$ 7,330,156</u>	<u>\$ 11,820,107</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2013**  
**(Continued)**

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**DEBT ADMINISTRATION**

As of January 1, 2013, the Township had total outstanding bond principal of \$3,669,000. During the year, the Township made payments against principal in the amount of \$218,000, resulting in ending outstanding debt, as of December 31, 2013, of \$3,451,000.

**Debt Service Schedule**  
**December 31, 2013**

	Principal Outstanding <u>Jan. 1, 2013</u>	<u>Additions</u>	<u>Payments</u>	Bonds Payable <u>Dec. 31, 2013</u>
Guaranteed Sewer Revenue Note Series 1998	\$ 807,000	\$ 0	\$ 43,000	\$ 764,000
Guaranteed Sewer Revenue Note Series 2003	2,315,000		174,000	2,141,000
Guaranteed Sewer Revenue Note Series 2009	<u>547,000</u>		<u>1,000</u>	<u>546,000</u>
	<u>\$ 3,669,000</u>	<u>\$ 0</u>	<u>\$ 218,000</u>	<u>\$ 3,451,000</u>

More detailed information about our long-term liabilities is included in the Notes to the Financial Statements.

**THE TOWNSHIP'S FUTURE**

The Township expects to experience growth in the next five years as the economy improves.

**FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Linda Shank, Assistant Secretary/Assistant Treasurer at the Township office.

**SADSBURY TOWNSHIP**  
**Statement of Net Position**  
**December 31, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 702,945	\$ 155,742	\$ 858,687
Investments	600,502		600,502
Accounts receivable	309,926	834,262	1,144,188
Taxes receivable, net	275,820		275,820
Internal balances	113,904	(113,904)	
Prepaid expenses	55,316	80,201	135,517
Other current assets	<u>43,243</u>		<u>43,243</u>
Total current assets	<u>2,101,656</u>	<u>956,301</u>	<u>3,057,957</u>
<b>NON-CURRENT ASSETS</b>			
Land	407,868	49,112	456,980
Construction in progress	252,493	2,980	255,473
Other capital assets, net of accumulated depreciation	<u>4,081,990</u>	<u>7,115,380</u>	<u>11,197,370</u>
Total non-current assets	<u>4,742,351</u>	<u>7,167,472</u>	<u>11,909,823</u>
Total Assets	<u>\$ 6,844,007</u>	<u>\$ 8,123,773</u>	<u>\$ 14,967,780</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 31,747	\$ 40,138	\$ 71,885
Other current liabilities		2,561	2,561
Current portion of debt obligations		227,000	227,000
Unearned revenues		<u>287,291</u>	<u>287,291</u>
Total current liabilities	<u>31,747</u>	<u>556,990</u>	<u>588,737</u>
<b>NON-CURRENT LIABILITIES</b>			
Debt obligations		<u>3,224,000</u>	<u>3,224,000</u>
Total liabilities	<u>31,747</u>	<u>3,780,990</u>	<u>3,812,737</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	4,742,351	3,716,472	8,458,823
Restricted for highways and streets	164,366		164,366
Restricted for capital	1,004,319		1,004,319
Restricted for fire services	2,000		2,000
Unrestricted	<u>899,224</u>	<u>626,311</u>	<u>1,525,535</u>
Total net position	<u>6,812,260</u>	<u>4,342,783</u>	<u>11,155,043</u>
Total liabilities and net position	<u>\$ 6,844,007</u>	<u>\$ 8,123,773</u>	<u>\$ 14,967,780</u>

**SADSBURY TOWNSHIP**  
**Statement of Activities**  
**For the year ended December 31, 2013**

Functions/Programs	Expenses	Program Services		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activities	
<b>Governmental activities:</b>							
General government	\$ 507,261	\$ 387	\$ 4,235	\$ 0	\$ (502,639)	\$ 0	\$ (502,639)
Public safety	553,413	253,110	35,690		(264,613)		(264,613)
Solid waste collection	250,823	317,666	530		67,373		67,373
Highways and streets	354,091		124,601		(229,490)		(229,490)
Special projects	7,100				(7,100)		(7,100)
Culture and recreation	11,294	725			(10,569)		(10,569)
Miscellaneous (payroll taxes & employee benefits)	90,102				(90,102)		(90,102)
<b>Total governmental activities</b>	<b>1,774,084</b>	<b>571,888</b>	<b>165,056</b>	<b>0</b>	<b>(1,037,140)</b>	<b>0</b>	<b>(1,037,140)</b>
<b>Business activities:</b>							
Sewer system	942,538	1,063,581				121,043	121,043
<b>Total primary government</b>	<b>\$ 2,716,622</b>	<b>\$ 1,635,469</b>	<b>\$ 165,056</b>	<b>\$ 0</b>	<b>\$ (1,037,140)</b>	<b>\$ 121,043</b>	<b>\$ (916,097)</b>
<b>General revenues</b>							
<b>Taxes:</b>							
Property taxes, levied for general purposes (net)					146,940	0	146,940
Taxes levied under Act 511					695,570		695,570
Investment earnings					5,202	683	5,885
Rent					20,700		20,700
Miscellaneous income					8,368		8,368
Interfund transfers					38,427	(31,863)	6,564
<b>Total general revenues, special items, extraordinary items, and transfers</b>					<b>915,207</b>	<b>(31,180)</b>	<b>884,027</b>
<b>Change in net position</b>					<b>(121,933)</b>	<b>89,863</b>	<b>(32,070)</b>
<b>Net position - beginning</b>					<b>6,934,193</b>	<b>4,252,920</b>	<b>11,187,113</b>
<b>Net position - ending</b>					<b>\$ 6,812,260</b>	<b>\$ 4,342,783</b>	<b>\$ 11,155,043</b>

See accompanying notes to financial statements

**SADSBURY TOWNSHIP**  
**Balance Sheet—Governmental Funds**  
**December 31, 2013**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Act 209 Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 179,836	\$ 70,320	\$ 288,535	\$ 164,254	\$ 702,945
Investments		600,502			600,502
Taxes receivable	275,820				275,820
Other receivables	309,056	765		105	309,926
Due from other funds	128,659	33,547	10,650	200	173,056
Prepaid expenses/ expenditures	55,316				55,316
Other current assets	<u>43,243</u>				<u>43,243</u>
<b>Total assets</b>	<u>\$ 991,930</u>	<u>\$ 705,134</u>	<u>\$ 299,185</u>	<u>\$ 164,559</u>	<u>\$ 2,160,808</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 31,554	\$ 0	\$ 0	\$ 193	\$ 31,747
Due to other funds	<u>59,152</u>				<u>59,152</u>
<b>Total liabilities</b>	<u>90,706</u>	<u>0</u>	<u>0</u>	<u>193</u>	<u>90,899</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues, property and other taxes	<u>244,496</u>				<u>244,496</u>
<b>FUND BALANCES</b>					
Nonspendable - Prepaid expenses	55,316				55,316
Restricted for highways and streets				164,366	164,366
Restricted for Act 209 capital projects			299,185		299,185
Restricted for fire services	2,000				2,000
Assigned to subsequent years budget	204,000				204,000
Assigned for Capital Projects		705,134			705,134
Unassigned	<u>395,412</u>				<u>395,412</u>
<b>Total fund balances</b>	<u>656,728</u>	<u>705,134</u>	<u>299,185</u>	<u>164,366</u>	<u>1,825,413</u>
<b>Total liabilities and fund balances</b>	<u>\$ 991,930</u>	<u>\$ 705,134</u>	<u>\$ 299,185</u>	<u>\$ 164,559</u>	<u>\$ 2,160,808</u>

See accompanying notes to financial statements

**SADSBURY TOWNSHIP  
Reconciliation of Total Governmental Fund Balances  
to Net Position—Governmental Funds  
December 31, 2013**

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**Total Fund Balances - Governmental Funds** **\$ 1,825,413**

Amounts reported for governmental activities in the statements of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$7,079,516 and the accumulated depreciation is \$2,337,165. 4,742,351

Property taxes, earned income taxes, per capita taxes, local services taxes, trash, and other fees receivable will be collected in this year, but are not available soon enough to pay for the current year's expenditures and, therefore, are deferred in the funds 244,496

**Total Net Position - Governmental Activities** **\$ 6,812,260**

**SADSBURY TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2013**

	General Fund	Capital Projects Fund	Act 209 Funds	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>					
Taxes - real estate	\$ 144,562	\$ 0	\$ 0	\$ 0	\$ 144,562
Taxes levied under Act 511	810,492				810,492
Licenses and permits	77,685				77,685
Fines and forfeits	36,423				36,423
Interest income	1,992	2,221	622	367	5,202
Rents	20,700				20,700
Intergovernmental revenues	67,170			89,906	157,076
Charges for services	456,241				456,241
Contributions for private sector	8,813				8,813
Miscellaneous revenues	8,368				8,368
<b>Total revenues</b>	<b>1,632,446</b>	<b>2,221</b>	<b>622</b>	<b>90,273</b>	<b>1,725,562</b>
<b>EXPENDITURES</b>					
General government	590,642	0	0	0	590,642
Public safety	614,619				614,619
Public works - solid waste collection	250,823				250,823
Public works - highways and streets	369,301			64,309	433,610
Culture and recreation	4,251				4,251
Special project	42,437				42,437
Miscellaneous (payroll taxes, employee benefits)	90,102				90,102
<b>Total expenditures</b>	<b>1,962,175</b>	<b>0</b>	<b>0</b>	<b>64,309</b>	<b>2,026,484</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(329,729)</b>	<b>2,221</b>	<b>622</b>	<b>25,964</b>	<b>(300,922)</b>
<b>OTHER FINANCING SOURCES</b>					
Interfund transfers	40,839	(2,412)			38,427
<b>Net change in fund balances</b>	<b>(288,890)</b>	<b>(191)</b>	<b>622</b>	<b>25,964</b>	<b>(262,495)</b>
Fund balance - January 1, 2013	945,618	705,325	298,563	138,402	2,087,908
Fund balance - December 31, 2013	\$ 656,728	\$ 705,134	\$ 299,185	\$ 164,366	\$ 1,825,413

See accompanying notes to financial statements

**SADSBURY TOWNSHIP**  
**Reconciliation of Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For The Year Ended December 31, 2013**

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**TOTAL NET CHANGE IN FUND BALANCES—GOVERNMENTAL FUNDS** **\$ (262,495)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ 532,558	
Depreciation expense	(280,157)	
Loss on disposal	0	252,401

Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Also, delinquent taxes will not go through the statement of activities because the amount is booked into the prior year. This amount represents all outstanding real estate taxes net of delinquent taxes collected. 2,378

Because some earned income taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in governmental funds. Amounts collected in the first two months of the next fiscal year need to be included and amounts from the first two months of the current year need to be deducted. This amount represents the combination of those two entries. (113,739)

Because some per capita and local services taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in governmental funds. Amounts collected in the first two months of the next fiscal year need to be included and amounts from the first two months of the current year need to be deducted. This amount represents the combination of those two entries. (1,184)

Because some trash fees will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in governmental funds. Amounts collected in the first two months of the next fiscal year need to be included and amounts from the first two months of the current year need to be deducted. This amount represents the combination of those two entries. 1,539

Because some fees will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in governmental funds. Amounts collected in the first two months of the next fiscal year need to be included and amounts from the first two months of the current year need to be deducted. This amount represents the combination of those two entries. (833)

Change in net position of governmental activities \$ (121,933)

See accompanying notes to financial statements

**SADSBURY TOWNSHIP**  
**Statement of Net Position—Proprietary Fund**  
**December 31, 2013**

	<u>Sewer System</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 155,742
Accounts receivable	834,262
Prepaid expenses	<u>80,201</u>
Total current assets	<u>1,070,205</u>
<b>NON-CURRENT ASSETS</b>	
Land	49,112
Other capital assets, net of accumulated depreciation	7,115,380
Construction in progress	<u>2,980</u>
Total non-current assets	<u>7,167,472</u>
Total assets	<u>\$ 8,237,677</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 40,138
Other current liabilities	2,561
Due to other funds	113,904
Debt obligations, current portion	227,000
Unearned revenues	<u>287,291</u>
Total current liabilities	<u>670,894</u>
<b>Non-current Liabilities</b>	
Debt obligations	<u>3,224,000</u>
Total liabilities	<u>3,894,894</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	3,716,472
Unrestricted	<u>626,311</u>
Total net position	<u>4,342,783</u>
Total liabilities and net position	<u>\$ 8,237,677</u>

**SADSBURY TOWNSHIP**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position—Proprietary Fund**  
**For the Year Ended December 31, 2013**

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	<u>Sewer System</u>
<b>OPERATING REVENUES</b>	
Sewer system	\$ <u>1,063,581</u>
Total operating revenues	<u>1,063,581</u>
<b>OPERATING EXPENSES</b>	
Waste water / sewage collection	607,376
Interfund transfer	31,863
Depreciation	<u>184,588</u>
Total operating expenses	<u>823,827</u>
Operating Income (loss)	<u>239,754</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Earnings and Investments	683
Interest on long-term debt	(141,076)
Loss on disposal of fixed assets	<u>(9,498)</u>
Total non-operating revenue (expenses)	<u>(149,891)</u>
Change in net position	89,863
Total net position - January 1, 2013	<u>4,252,920</u>
Total net position - December 31, 2013	<u>\$ 4,342,783</u>

**SADBURY TOWNSHIP**  
**Statement of Cash Flows—Proprietary Fund**  
**For the Year Ended December 31, 2013**

	<u>Sewer System</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from users	\$ 757,785
Cash payments to suppliers for goods and services	<u>(506,841)</u>
Net cash provided by (used in) operating activities	<u>250,944</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
	<u>0</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Facilities acquisition/construction	(31,402)
Principal paid on debt obligation	(218,000)
Interest paid on debt obligation	<u>(141,250)</u>
Net cash provided by (used in) capital and related financing activities	<u>(390,652)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Redemption of investments	0
Earnings on investments	<u>683</u>
Net cash provided by (used in) investing activities	<u>683</u>
Net Increase (decrease) in cash and cash flows	<u>(139,025)</u>
Cash and cash equivalents, beginning of year	<u>294,767</u>
Cash and cash equivalents, end of year	<u>\$ 155,742</u>
<hr/>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating Income	\$ 239,754
Adjustments to reconcile operating income to net cash provided by (used in):	
Depreciation	184,588
(Increase) decrease in accounts receivable	(302,803)
(Increase) decrease in prepaid expenses	(258)
(Increase) decrease in due from other fund	118,377
Increase (decrease) in accounts payable	14,279
Increase (decrease) in unearned revenue	<u>(2,993)</u>
Total adjustments	<u>11,190</u>
Net cash provided by (used in) operating activities	<u>\$ 250,944</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Capital assets contributed by developers	<u>\$ 0</u>

**SADSBURY TOWNSHIP**  
**Statement of Fiduciary Net Position**  
**December 31, 2013**

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Agency

**ASSETS**

Cash and cash equivalents	\$ <u>512,295</u>
Total assets	\$ <u>512,295</u>

**LIABILITIES**

Other current liabilities	\$ <u>512,295</u>
Total liabilities	\$ <u>512,295</u>

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**

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**1. ORGANIZATION**

Sadsbury Township is located in western Chester County, Pennsylvania. The Township was incorporated in 1717 and follows the provisions of Act P. L. 1481, No. 567, as amended, the Second Class Township Code. It operates under the supervisor form of government and provides the following services:

Public Safety (Police, Fire)  
Planning and Zoning  
Highways and Streets  
Culture - Recreation  
Public Improvements  
General Administrative  
Sewer

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Sadsbury Township (the Township) conform to United States generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies the Financial Township Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The following is a summary of the more significant accounting policies:

**A. BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities provide information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities and for the single business-type activity of the Township. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that are required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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**FUND FINANCIAL STATEMENTS**

During the fiscal year, the Township segregates transactions related to certain Township functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**REPORTING ENTITY**

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. No additional component units are included in the reporting entity of Sadsbury Township.

**B. FUND ACCOUNTING**

The Township uses funds to report its assets, liabilities, and fund balances and revenues and expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements into three broad fund categories, which include five generic fund types.

**GOVERNMENTAL FUNDS**

Governmental Funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be used. The difference between governmental fund assets and liabilities is reported as fund balance.

- **General Fund**

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

- **Special Revenue Funds**

Special Revenue Funds are generally used to account for the expenditure of revenues that have been restricted to specific program or projects. They may be separately accounted for because of specific legal or regulatory provisions or by administrative action. The Township has one special revenue fund:

**Liquid Fuels Fund**

The Liquid Fuels Fund is used to account for the Liquid Fuels Grant received from the Pennsylvania Department of Transportation.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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- **Capital Projects Funds**

- **Capital Project Fund**

- The Capital Project Fund is used to account for financial resources used in the acquisition, construction, or improvements of major capital facilities within the Township.

- **Act 209 Fund**

- The Act 209 Fund is used to account for transportation impact fees charged to new developments based on the effect each development will have on the Township roadways. These monies are to fund future roadway improvements.

**PROPRIETARY FUNDS**

- **Sewer Fund**

- The Sewer Fund is used to account for the operations of the sewer system. The sewer system is financed and operated in a manner similar to a private business operation, whereby the costs of providing goods or services to the general public on a continuing basis are recovered primarily through user charges.

**FIDUCIARY FUNDS**

- **Trust and Agency Funds**

- Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals or private organizations. This fund consists of an escrow fund.

**C. BUDGET AND BUDGETARY ACCOUNTING**

The Township follows these procedures in establishing the budget:

- 1) Prior to December 1st, the Township Treasurer submits to the Board of Supervisors a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to December 31st, the budget is legally enacted through passage of an ordinance by the Board of Supervisors.
- 4) The Board of Supervisors may, by resolution, transfer unencumbered budgeted amounts between departments within any fund.
- 5) Budgets for all funds are adopted on a cash basis.

**D. MEASUREMENT FOCUS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are prepared using a flow of economic resources measurement focus and the accrual 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. All assets and all liabilities associated with the operation of the Township are included on the statement of net position while excluding fiduciary activities.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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**FUND FINANCIAL STATEMENTS**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included in the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position.

The statement of changes in revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its proprietary fund.

**E. BASIS OF ACCOUNTING**

The basis of accounting that is used determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**F. REVENUES—EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Township receives value without directly giving equal in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year that the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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the resources are provided to the Township on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, income taxes, grants, and interest.

**G. UNEARNED REVENUES**

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2013, but which were levied to finance fiscal year 2014 operations, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as unearned revenue.

**H. EXPENSES/EXPENDITURES**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**I. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Investments with an original maturity of three months or less at the time they are issued are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

The Township maintains separate cash accounts for each fund. Under the Second Class Township Code of the Commonwealth of Pennsylvania, the Township is authorized to invest in the following types of investments:

United States Treasury Bills and Obligations of the United States Government or Commonwealth of Pennsylvania or their agencies or instrumentalities backed by their full faith and credit.

Deposits in savings accounts or certificates of deposit in institutions secured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, the National Credit Union Share Insurance Fund, the Pennsylvania Deposit Insurance Corporation, or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured. Amounts above the insured maximum are permitted, provided that approved collateral, as provided by law, shall be pledged by the depository.

Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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that the only investments of that company are in the authorized investments for Township funds listed above.

During 2013, the Township invested its funds as authorized by the Second Class Township Code.

**J. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

The Township provides sewer and trash services to its residents and extends credit to them in the process. The Township has provided an allowance for uncollectible accounts of \$104,800 at December 31, 2013. In reviewing aged receivables, management considers their knowledge of the customers, historical activity, and current economic and other activity in establishing the allowance for doubtful accounts. A receivable is charged to bad debt expense when management determines the receivable is uncollectible.

**K. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2013, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which the services are consumed.

**L. INTERFUND RECEIVABLES/PAYABLES**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as Interfund Receivables/Payables. Interfund balances within the governmental activities and within the business-types activities are eliminated on the government-wide statement of net position.

**M. PROPERTY TAX**

The Township is permitted by the Second Class Township Code to levy taxes as follows:

General purposes (5 additional mills may be levied with court approval)	14 mills
Lighting--highways, roads, & public places	5 mills
Fire	3 mills
Fire hydrant	2 mills
Ambulance and rescue squads	0.5 mills
Parks and recreation	unlimited
Principal and interest payments	unlimited

Property taxes are levied on January 1<sup>st</sup> of each year. The appointed tax collector bills and collects all taxes and then remits them to the Township.

The taxes are subject to discount and penalty per the following schedule:

Discount Period	March 1 to April 30 - 2% of Gross Levy
Flat Period	May 1 to June 30
Penalty Period	July 1 to Collection - 10% of Gross Levy

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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Delinquent property taxes are liened in January of the following year and collected by Chester County.

**N. CAPITAL ASSETS**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the proprietary fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The Township maintains a capitalization threshold of \$1,000.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15-40 years
Buildings and building improvements	15-40 years
Furniture and fixtures	5-10 years
Vehicles	5-15 years
Equipment	5-20 years
Highways and streets	15 years
Lighting	25 years
Sewer system	50 years
Storm system	50 years

**O. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary fund are reported on the business-type financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

**P. NET POSITION**

Net position represents the difference between assets and liabilities. Net position invested in capital assets represents the cost of fixed assets net of related debt and net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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**Q. NET POSITION/FUND BALANCES**

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- **Net Investment in Capital Assets** - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance of this category.
- **Restricted Net Position** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - This category presents net position of the Township not restricted for any project or other purpose.

The Township has implemented 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:

- **Nonspendable Fund Balance** includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- **Restricted Fund Balance** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- **Committed Fund Balance** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the Board of Supervisors and do not lapse at year end. To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** includes fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed, as expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority.
- **Unassigned Fund Balance** includes the residual classifications for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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The details of the fund balances are included in the Governmental Funds balance sheet (page 5). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Supervisors. The Township Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes, but does not meet the criteria to be classified as restricted or committed.

**R. OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Township, these revenues are charges for sewer service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the proprietary fund.

**S. INTERFUND TRANSACTIONS**

On fund financial statements, receivables and payables resulting from short-term Interfund loans or Interfund services provided and used are classified as "due to/from other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as "internal balances" in the financial statements.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become 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.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in enterprise funds.

**T. ESTIMATES**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**U. PROGRAM REVENUES**

Program revenues are allocated to specific departments and consist of charges for services for solid waste collection, building permits, cable franchise fees, citation income, and grants and subsidies.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

**3. INTERFUND RECEIVABLE/PAYABLE AND TRANSFER**

The balances of short-term Interfund receivables and payables at December 31, 2013, are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$	\$ 69,507
Capital Project Fund		33,547
Act 209 Fund		10,650
Special Revenue Fund		200
Sewer Fund	<u>113,904</u>	
Totals	<u>\$ 113,904</u>	<u>\$ 113,904</u>

Interfund transfers for the year ending December 31, 2013 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 34,275	\$ 0
Capital Project Fund		2,412
Sewer Fund		<u>31,863</u>
Totals	<u>\$ 34,275</u>	<u>\$ 34,275</u>

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 407,868	\$ 0	\$ 0	\$ 407,868
Construction in progress	<u>166,782</u>	<u>85,711</u>	<u>0</u>	<u>252,493</u>
Total capital assets not being depreciated:	<u>574,650</u>	<u>85,711</u>	<u>0</u>	<u>660,361</u>
Capital assets being depreciated:				
Building	1,601,010			1,601,010
Highways & streets	2,706,792	306,936		3,013,728
Machinery & equipment	361,360	25,943	(5,395)	381,908
Storm sewers	982,266	45,790		1,028,056
Vehicles	<u>395,738</u>	<u>68,178</u>	<u>(69,464)</u>	<u>394,452</u>
Total capital assets being depreciated	<u>6,047,166</u>	<u>446,847</u>	<u>(74,859)</u>	<u>6,419,154</u>
Total capital assets	<u>6,621,816</u>	<u>532,558</u>	<u>(74,859)</u>	<u>7,079,515</u>
Less accumulated depreciation:				
Building	258,223	43,894		302,117
Highways & streets	1,091,348	163,443		1,254,791
Machinery & equipment	295,841	23,521	(5,392)	313,970
Storm sewers	139,419	19,799		159,218
Vehicles	<u>347,034</u>	<u>29,499</u>	<u>(69,465)</u>	<u>307,068</u>
Total accumulated depreciation	<u>2,131,865</u>	<u>280,156</u>	<u>(74,857)</u>	<u>2,337,164</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,489,951</u>	<u>\$ 252,402</u>	<u>\$ (2)</u>	<u>\$ 4,742,351</u>

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Right-of-way easements	39,112			39,112
Construction in progress	<u>1,229</u>	<u>1,751</u>		<u>2,980</u>
Total capital assets not being depreciated	<u>50,341</u>	<u>1,751</u>	<u>0</u>	<u>52,092</u>
Capital assets being depreciated:				
Building	140,000	0	0	140,000
Machinery & equipment	115,666	29,651	(34,454)	110,863
Sewer collection system	<u>8,521,322</u>	<u>1</u>		<u>8,521,323</u>
Total capital assets being depreciated	<u>8,776,988</u>	<u>29,652</u>	<u>(34,454)</u>	<u>8,772,186</u>
Total capital assets	<u>8,827,329</u>	<u>31,403</u>	<u>(34,454)</u>	<u>8,824,278</u>
Less accumulated depreciation:				
Building	33,833	2,800	0	36,633
Machinery & equipment	61,212	11,361	(24,956)	47,617
Sewer collection system	<u>1,402,129</u>	<u>170,427</u>		<u>1,572,556</u>
Total accumulated depreciation	<u>1,497,174</u>	<u>184,588</u>	<u>(24,956)</u>	<u>1,656,806</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 7,330,155</u>	<u>\$ (153,185)</u>	<u>\$ (9,498)</u>	<u>\$ 7,167,472</u>

Depreciation expense was charged to the functions/programs of the Township as follows:

Governmental activities	
General government	\$ 42,368
Public safety	27,566
Public works-highways and streets	203,180
Culture and recreation	<u>7,043</u>
Total governmental activities	280,157
Business-type activities	<u>184,588</u>
Total depreciation	<u>\$ 464,745</u>

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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**5. OPERATING LEASES**

The Township is the lessor of land under an operating lease expiring in 2014.

Minimum future rentals to be received on non-cancelable leases as of:

<b>YEAR ENDING DECEMBER 31,</b>	
<b>2014</b>	<b><u>\$ 5,175</u></b>

Minimum future rentals do not include contingent rentals that may be received by the Township if the lessee subleases the property.

There were no contingent rentals received by the Township in 2013.

The lessee has the option to renew the lease for three additional five year periods at the following annual rent:

Period 1	\$ 23,805 per year
Period 2	\$ 27,376 per year
Period 3	\$ 31,482 per year

**6. DEPOSITS AND INVESTMENTS**

**DEPOSITS**

Custodial credit risk – Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. At year end, the total carrying amount of the Township's checking, savings, and money market deposits was \$1,370,982 and the corresponding bank balance was \$1,831,153. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,581,153 was collateralized through pools of securities held by the respective depository institutions. There is no custodial credit risk.

**INVESTMENTS**

Statutes authorize the Township to invest in U.S. Treasury bills, U.S. Government Agency bonds, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's Investment pools, and mutual funds.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

As of December 31, 2013, the Township had the following investments:

<u>Fund</u>	<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Governmental	Certificate of Deposit	February 22, 2014	\$ 250,000
Governmental	Certificate of Deposit	August 17, 2014	<u>350,502</u>
			<u>\$ 600,502</u>

Of the certificates of deposits, \$250,000 was covered by federal depository insurance and \$350,502 was collateralized through pools of securities held by the respective depository institutions. There is no custodial credit risk.

**Interest Rate Risk** - The Township has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township has no interest rate risk.

**Credit Risk** - The Township has no investment policy that would limit its investment choices to certain credit ratings.

**Concentration of Credit Risk** - The Township places no limit on the amount that the Township may invest in any one issuer.

**7. DEBT OBLIGATIONS**

Following is a summary of changes in debt obligations for the year ended December 31, 2013:

(See next page)

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

<u>Description</u>	<u>Amount Outstanding 1/1/2013</u>	<u>Retired Current Year</u>	<u>Amount Outstanding 12/31/2013</u>
1998 Guaranteed Sewer Revenue Note The original issue amount of \$975,000 had a fixed interest rate of 4.584%. Beginning September 2006, the note bears interest at a fixed rate of 4.25%.	\$ 539,000	\$ 29,000	\$ 510,000
1998 Guaranteed Sewer Revenue Note The original issue amount of \$405,000 had a variable weekly rate based on the Municipal Swap Index as set by the Bond Market Association. This rate cannot exceed 25% per annum. The average rate was 3.35%. Beginning September 2006, the note bears interest at a fixed rate of 4.045%.	268,000	14,000	254,000
2003 Guaranteed Sewer Revenue Notes Series A. The original issue amount of \$2,123,000 had a variable weekly rate based on the Municipal Swap Index as set by the Bond Market Association. This rate cannot exceed 15% per annum. The average rate was 3.37%. Beginning September 2006, the note bears interest at a fixed rate of 3.979%.	938,000	174,000	764,000
2003 Guaranteed Sewer Revenue Notes Series B. The original issue amount of \$1,377,000 had a variable weekly interest rate based on the Municipal Swap Index as set by the Bond Market Association. This rate cannot exceed 15% per annum. The average rate was 3.37%. Beginning September 2006, the note bears interest at a fixed rate of 3.979%.	1,377,000	0	1,377,000
2009 Guaranteed Sewer Revenue Notes Series A-1. The original issue amount of \$8,000 had a variable weekly interest rate based on the Municipal Swap Index as set by the Securities Industry and Financial Market Association. This rate cannot exceed 15% per annum. The average rate was .998%.	5,000	1,000	4,000
2009 Guaranteed Sewer Revenue Notes Series A-2. The original issue amount of \$542,000 had a variable weekly interest rate based on the Municipal Swap Index as set by the Securities Industry and Financial Market Association. This rate cannot exceed 15% per annum. The average rate was .998%.	<u>542,000</u>	<u>0</u>	<u>542,000</u>
<b>Total Debt Obligations</b>	<b><u>\$ 3,669,000</u></b>	<b><u>\$ 218,000</u></b>	<b><u>\$ 3,451,000</u></b>

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

The Township can prepay the Guaranteed Sewer Revenue Notes—the Series of 1998, both Series A and B of 2003, and both Series A-1 and A-2 of 2009, subject to paying the costs associated with the liquidation of the notes.

The Guaranteed Sewer Revenue Notes—Series of 1998, both Series A and B of 2003, and both Series A-1 and A-2 of 2009 are secured by the revenue base of the sewer system and by the full faith, credit, and taxing powers of the Township.

Interest expense was \$141,076 for the year ended December 31, 2013.

The amounts of future annual principal and interest payments on debt outstanding assuming a variable rate of 4% for the 2009 notes, as of December 31, 2013, for each of the next five years and in the aggregate are as follows:

<b>YEAR ENDING DECEMBER 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2014	\$ 227,000	\$ 136,557	\$ 363,557
2015	235,000	127,192	362,192
2016	244,000	117,483	361,483
2017	254,000	107,383	361,383
2018	263,000	96,899	359,899
2019-2028	<u>2,228,000</u>	<u>383,404</u>	<u>2,611,404</u>
	<u>\$ 3,451,000</u>	<u>\$ 968,918</u>	<u>\$ 4,419,918</u>

Proceeds from tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Township invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds at December 31, 2013. There are no arbitrage liabilities.

The Township is in compliance with provisions of all note agreements.

The Township issued the Guaranteed Sewer Revenue Notes, 1998 A and B Series, the Guaranteed Sewer Revenue Notes, 2003 A and B Series, and the Guaranteed Sewer Revenue Notes, 2009 Series to the Delaware Valley Regional Finance Authority ("DeVal") to evidence its obligations for loans from DeVal. Under the terms of the Loan Agreements, the Township pays interest on the loans sufficient to pay its allocable share of DeVal's bond debt service, interest rate swaps (including termination costs), and administrative costs.

DeVal has entered into interest rate swap transactions to hedge its exposure to changing market conditions, to minimize the costs to provide loans, and to minimize fixed and variable loan rates. All DeVal loans are initially variable rate, and all loans are allocated a notional amount, equal to the outstanding principal of the loans, of DeVal interest rate swaps under which DeVal pays a variable rate to its Counterparty. These are programmatic swap agreements that would only be terminated if the DeVal Loan Program were collapsed. DeVal provides a fixed rate loan if requested by a borrower by entering into an offsetting swap transaction under which DeVal pays a fixed rate. This offsetting transaction is entirely allocable to the fixed rate borrower. The offsetting transaction would only be terminated if the fixed rate borrower requested the termination (to prepay its loan or to reset the interest rate), the fixed rate borrower defaulted on its payment obligations, or the DeVal Loan Program were collapsed.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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**Interest Rate Swap – Series of 1998 Guaranteed Sewer Revenue Notes A**

**Objective of the interest rate swap** - The Township Issued the \$975,000 Series of 1998 Guaranteed Sewer Revenue Notes to DelVal to minimize its costs of issuance and to take advantage of the ability to set the Notes at a variable rate or a fixed rate. The Notes were converted to a fixed rate in 2006.

**Terms** - The Township's obligations for the allocable notional amounts of the DelVal swap agreements are scheduled to terminate on September 25, 2026. The allocable notional amount equals the Notes balance outstanding. Currently, under the Loan Agreement, the Township pays DelVal a fixed rate of 4.25% plus a spread of 40 basis points.

**Fair Value** - The allocable portion of DelVal's variable rate swap had a positive fair value of \$66,957 at December 31, 2013. The fixed rate swap allocable to the Township had a negative fair value of (\$78,410) at December 31, 2013. The fair value was derived from proprietary models based upon well recognized financial principals and reasonable estimates about relevant future market conditions.

**Credit risk** - As of December 31, 2013, the Township was exposed to credit risk because the fixed rate swap had a negative fair value. The Township is exposed to credit risk in the amount of the derivatives fair value. If the DelVal Loan Program is collapsed, the Township elects to prepay the Notes or to reset the interest rate on the Notes, or the Township defaults on its payment obligations. DelVal was rated A2 by Moody's Investors Service and A+ by Standard and Poor's as of December 31, 2013.

**Basis risk** - The Township does not have any basis risk under the allocable DelVal swap agreements.

**Interest Rate Swap – Series of 1998 Guaranteed Sewer Revenue Notes B**

**Objective of the interest rate swap** - The Township Issued the \$405,000 Series of 1998 Guaranteed Sewer Revenue Notes to DelVal to minimize its costs of issuance and to take advantage of the ability to set the Notes at a variable rate or a fixed rate. The Notes were converted to a fixed rate in 2006.

**Terms** - The Township's obligations for the allocable notional amounts of the DelVal swap agreements are scheduled to terminate on September 25, 2026. The allocable notional amount equals the Notes balance outstanding. Currently, under the Loan Agreement, the Township pays DelVal a fixed rate of 4.045% plus a spread of 40 basis points.

**Fair Value** - The allocable portion of DelVal's variable rate swap had a positive fair value of \$33,347 at December 31, 2013. The fixed rate swap allocable to the Township had a negative fair value of (\$30,218) at December 31, 2013. The fair value was derived from proprietary models based upon well recognized financial principals and reasonable estimates about relevant future market conditions.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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Credit risk - As of December 31, 2013, the Township was exposed to credit risk because the fixed rate swap had a negative fair value. The Township is exposed to credit risk in the amount of the derivatives fair value if the DeVal Loan Program is collapsed, the Township elects to prepay the Notes or to reset the interest rate on the Notes, or the Township defaults on its payment obligations. DeVal was rated A2 by Moody's Investors Service and A+ by Standard and Poor's as of December 31, 2013.

Basis risk - The Township does not have any basis risk under the allocable DeVal swap agreements.

**Interest Rate Swap - Series of 2003 Guaranteed Sewer Revenue Notes A and B**

Objective of the interest rate swap - The Township issued the \$3,500,000 Series of 2003 Guaranteed Sewer Revenue Notes to DeVal to minimize its costs of issuance and to take advantage of the ability to set the Notes at a variable rate or a fixed rate. The Notes were converted to a fixed rate in 2006.

Terms - The Township's obligations for the allocable notional amounts of the DeVal swap agreements are scheduled to terminate on June 25, 2023. The allocable notional amount equals the Notes balance outstanding. Currently, under the Loan Agreement, the Township pays DeVal a fixed rate of 3.979% plus a spread of 40 basis points.

Fair Value - The allocable portion of DeVal's variable rate swap had a positive fair value of \$281,086 at December 31, 2013. The fixed rate swap allocable to the Township had a negative fair value of (\$234,042) at December 31, 2013. The fair value was derived from proprietary models based upon well recognized financial principals and reasonable estimates about relevant future market conditions.

Credit risk - As of December 31, 2013, the Township was exposed to credit risk because the fixed rate swap had a negative fair value. The Township is exposed to credit risk in the amount of the derivatives fair value if the DeVal Loan Program is collapsed, the Township elects to prepay the Notes or to reset the interest rate on the Notes, or the Township defaults on its payment obligations. DeVal was rated A2 by Moody's Investors Service and A+ by Standard and Poor's as of December 31, 2013.

Basis risk - The Township does not have any basis risk under the allocable DeVal swap agreements.

**Interest Rate Swap - Series of 2009 Guaranteed Sewer Revenue Notes**

Objective of the interest rate swap - The Township issued the \$550,000 Series of 2009 Guaranteed Sewer Revenue Notes to DeVal to minimize its costs of issuance and to take advantage of the ability to set the Notes at a variable rate or a fixed rate. The Notes were issued at a variable rate.

Terms - The Township's obligations for the allocable notional amounts of the DeVal swap agreements are scheduled to terminate on June 25, 2023. The allocable notional amount equals the Notes balance outstanding. At December 31, 2013, the variable interest rate was 0.998%.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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Fair value - The allocable portion of DeVal's variable rate swap had a positive fair value of \$71,683 at December 31, 2013. The fair value was derived from proprietary models based upon well recognized financial principals and reasonable estimates about relevant future market conditions.

Credit risk - As of December 31, 2013, the Township had no credit risk because the variable rate swap had a positive fair value. DeVal was rated A2 by Moody's Investors Service and A+ by Standard and Poor's as of December 31, 2013.

Basis risk - The Township does not have any basis risk under the allocable DeVal swap agreements.

**8. JOINT SEWER AGREEMENTS**

**PENNSYLVANIA-AMERICAN WATER COMPANY (FORMERLY CITY OF COATESVILLE AUTHORITY)**

Under an agreement dated July 7, 1997, the Pennsylvania-American Water Company (formerly City of Coatesville Authority) agreed to provide sewage conveyance and treatment capacity of 410,750 gallons per day to Sadsbury Township. The Pennsylvania-American Water Company constructed facilities needed for the additional sewage conveyance and financed this project by issuing bonds. This agreement expires thirty years from the effective date. Either party may terminate this agreement upon giving five years written notice. The Township is responsible for the design, financing, and construction of the sewer lines and pumping stations located within the Township.

For this service, the Township is paying the Pennsylvania-American Water Company's standard, published rates for sewage conveyance on a monthly basis.

In addition, the Township has reimbursed the Pennsylvania-American Water Company its pro rata share of capacity fees and conveyance costs associated with the Township's connection to the system. The Township will also reimburse the Pennsylvania-American Water Company for the pro rata share of the Pennsylvania-American Water Company's bond interest directly attributable to the construction of facilities related to the additional system. These charges are being paid on a per connection basis. At December 31, 2013, prepaid expense was \$44,776 for conveyance costs and \$29,925 for capacity fees.

Under an agreement dated September 16, 2003, two developments located in West Cain Township agreed to connect to the Sadsbury Township system to have their sewage conveyed to the facility owned by the Pennsylvania-American Water Company. Pennsylvania-American Water Company has agreed to construct a force main to carry flows of 110,000 gallons per day from these two developments to the Township's sewage conveyance system. For this service, the two developments agree to pay to the Township connection fees of \$2,319 per equivalent dwelling unit of which the Township will reimburse \$1,178 per equivalent dwelling unit to Sadsbury Sewer Corporation, as discussed below. In addition, the two developments agreed to pay in advance \$26,000 as a sewage conveyance fee for the period beginning September 16, 2003, and ending December 31, 2006. Beginning January 1, 2007, the Township will charge for sewage conveyance on a quarterly basis on a formula contained in the agreement. Sewage fees were \$16,405 for the year ended December 31, 2013. The two developments and Pennsylvania-American Water Company agreed to reimburse the Township for all expenses incurred relating to this agreement.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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On August 3, 2013, the Township entered into a second agreement with a third development located in West Caln Township that agreed to connect to the Sadsbury Township system to have their sewage conveyed to the facility owned by the Pennsylvania-American Water Company. For this service, the third development agrees to pay to the Township the prevailing connection fees at the time of connection per equivalent dwelling unit. The current connection fee is \$2,938 per equivalent dwelling. In addition, the Township will charge for sewage conveyance on a quarterly basis based on a formula contained in the agreement. Also, Pennsylvania-American Water Company agreed to a proportionate share of future capital costs of the commonly used wastewater facilities and the developer agreed to pay the total capital costs for the upgrades and/or expansion of the pump station as necessary to correct any overload conditions caused by treatment of sewage from this development. Finally, the third development and Pennsylvania-American Water Company agreed to reimburse the Township for all expenses incurred relating to this agreement.

**SADSBURY SEWER CORPORATION**

Under an agreement dated July 7, 1997, the Sadsbury Sewer Corporation (SSC), a private third-party, constructed the sewage facilities needed to connect the Sadsbury Township system to the Pennsylvania-American Water Company (the Interconnector) and a portion of the conveyance system in the SSC development. The Township is obligated to construct all other conveyance systems to be located in the Township. For building the interconnector, Sadsbury Sewer Corporation is entitled to 270,000 gallons per day of the Township's 410,750 gallons per day to be provided by the Pennsylvania-American Water Company. In addition, the Township has agreed to reimburse the Sadsbury Sewer Corporation for any connection to the SSC system by a property owner within the Township (but not in the SSC development) during the ten-year period commencing on the date of dedication of the SSC facilities, subject to extensions agreed upon by both parties. This rebate will be an amount equal to the collection component of the tapping fee (subject to a five-percent administrative fee).

During the same ten-year period, SSC shall also be entitled to reimbursement of a pro rata share of its capital costs incurred in the construction of its facilities when any connection to the system is made from outside the Township.

**9. COMMITMENTS AND CONTINGENCIES**

**Legal Proceedings**

The Township was named, along with other municipalities (Municipal Group) and industrial companies (Industrial Group), as a potentially responsible party by the United States Environmental Protection Agency (EPA) for serious environmental contamination to a landfill operation previously used to dispose of trash under a contract with the Township. EPA has given indications of preliminary approval of an alternative cap remedy proposed by the Industrial Group that would cost several million dollars. In negotiation, EPA is now giving indications that they would accept a proposal from the Municipal Group in which this group agrees to assume discrete tasks in effectuating the cleanup, for example, the cost of inspection and maintenance of the remediation area for the next thirty years. The total costs to the Municipal Group is estimated to be approximately \$78,000 annually for years one through five and \$58,500 annually for years six through thirty. The Township will be responsible for a fraction of these total amounts depending on the final number of contributing municipalities. In any event,

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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both EPA and the Municipal Group are concerned that the Industrial Group might challenge the Municipal Group settlement based on the theory that the proposed contribution by the Municipal Group is disproportionately small compared to their contribution. At this time, the settlement discussions with both EPA and the Industrial Group continue. The potential liability of the Township could substantially exceed its share of the cost for inspection and maintenance if the Industrial Group were to pursue contribution claims against the Municipal Group or the Municipal Group settlement is not accepted by EPA. The potential liability to the Township cannot be reasonably estimated at this time.

**SELF-INSURANCE**

The Township is a member of the Pennsylvania Intergovernmental Risk Management Association (PIRMA), a public entity self-insurance pool. PIRMA is comprised of various townships, boroughs, cities, counties, and authorities in the Commonwealth of Pennsylvania. The Township pays an annual premium to PIRMA for its general liability, automobile, police professional liability, and public officials' errors and omissions insurance coverages. The agreement for formation of PIRMA provides that PIRMA will be self-sustaining through member premiums and will return the first \$250,000 of loss, will reinsure through the American Public Entity Excess Pool losses in an amount not to exceed \$1.75 million per claim and \$5 million in the aggregate per year, and will purchase \$5,000,000 annual aggregate excess coverage through a commercial reinsurance company.

If the Township were to withdraw from PIRMA, it would receive its vested interest in the cumulative reserve fund and become responsible for the Township's claims. At December 31, 2013, the vested interest is \$43,243.

**UNION CONTRACTS**

The police union contract was negotiated for a five-year term beginning January 1, 2009, through December 31, 2013, and covers two full-time employees and several part-time employees. A new police union contract was finalized on February 4, 2014, for a two-year term beginning January 1, 2014, through December 31, 2015, and covers two full-time employees and several part-time employees.

The highway department union contract was negotiated for a three year, two and one-half months term beginning October 19, 2012, through December 31, 2015, and covers two full-time employees.

**10. SUBSEQUENT EVENTS**

In accordance with ASC 855, the Township has evaluated all events subsequent to the financial statement date of December 31, 2013, through September 26, 2014, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or disclosure.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2013**  
**(Continued)**

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**11. CURRENT YEAR REAL ESTATE TAXES**

Assessed valuation, adjusted by authorized revisions	\$ 202,092,905
Approved tax rate in mills	<u>0.00075</u>
Gross levy	151,570
Plus penalties applied	<u>579</u>
	152,149
Deductions: Discount	(2,680)
Abatements	(258)
Taxes billed with county	<u>(4,115)</u>
Net current year real estate taxes collected	<u>\$ 145,096</u>

**12. RETIREMENT PLAN**

The Township established a defined contribution plan (SIMPLE IRA) effective February 2006. The plan is available to all eligible employees. For purposes of Township matching and other discretionary contributions, all employees are eligible who are reasonably expected to receive \$5,000 in compensation in the calendar year and who have received at least \$5,000 in compensation during any two calendar years preceding the calendar year. The Township's contribution consists of a matching contribution equal to 3% of each employee's SIMPLE IRA elective deferral to the plan.

Retirement plan expense for the year ended December 31, 2013, was \$6,255.

**REQUIRED SUPPLEMENTAL INFORMATION**

**SADSBURY TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—General Fund**  
**For the Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance from Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes - real estate	\$ 139,300	\$ 139,300	\$ 144,562	\$ 5,262
Taxes levied under Act 511	696,000	696,000	810,492	114,492
Licenses and permits	62,000	62,000	77,685	15,685
Fines and forfeits	19,500	19,500	36,423	16,923
Interest Income	300	300	1,992	1,692
Rents	20,700	20,700	20,700	0
Intergovernmental revenues	60,200	60,200	67,170	6,970
Charges for services	382,000	382,000	456,241	74,241
Contributions for private sectors	3,079	3,079	8,813	5,734
Miscellaneous revenues	2,021	2,021	8,368	6,347
<b>Total revenues</b>	<b><u>1,385,100</u></b>	<b><u>1,385,100</u></b>	<b><u>1,632,446</u></b>	<b><u>247,346</u></b>
<b>EXPENDITURES</b>				
General government	643,000	703,000	590,642	112,358
Public safety	583,300	628,300	614,619	13,681
Solid waste collection	241,700	251,700	250,823	877
Highways and streets	453,200	453,200	369,301	83,899
Culture and recreation	9,500	9,500	4,251	5,249
Special project	162,000	47,000	42,437	4,563
Miscellaneous (payroll taxes and employee benefits)	103,800	103,800	90,102	13,698
<b>Total expenditures</b>	<b><u>2,196,500</u></b>	<b><u>2,196,500</u></b>	<b><u>1,962,175</u></b>	<b><u>234,325</u></b>
Excess (deficiency) of revenues over expenditures	<u>(811,400)</u>	<u>(811,400)</u>	<u>(329,729)</u>	<u>481,671</u>
Other financing sources (uses) Interfund transfers	<u>332,500</u>	<u>332,500</u>	<u>40,839</u>	<u>291,661</u>
<b>Net change in fund balances</b>	<b><u>(478,900)</u></b>	<b><u>(478,900)</u></b>	<b><u>(288,890)</u></b>	<b><u>190,010</u></b>
Fund balance - January 1, 2013	<u>611,000</u>	<u>611,000</u>	<u>945,618</u>	<u>334,618</u>
Fund balance - December 31, 2013	<b><u>\$ 132,100</u></b>	<b><u>\$ 132,100</u></b>	<b><u>\$ 656,728</u></b>	<b><u>\$ 524,628</u></b>

**SADSBURY TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Capital Projects Fund**  
**For the Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest income	\$ 1,500	\$ 1,500	\$ 2,221	\$ 721
<b>EXPENDITURES</b>				
General government	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	1,500	1,500	2,221	721
Other financing sources (uses) interfund transfers	<u>(329,400)</u>	<u>(329,400)</u>	<u>(2,412)</u>	<u>326,988</u>
Net change in fund balances	<u>(327,900)</u>	<u>(327,900)</u>	<u>(191)</u>	<u>327,709</u>
Fund balance - January 1, 2013	<u>702,500</u>	<u>702,500</u>	<u>705,325</u>	<u>2,825</u>
Fund balance - December 31, 2013	<u>\$ 374,600</u>	<u>\$ 374,600</u>	<u>\$ 705,134</u>	<u>\$ 330,534</u>

**SADSBURY TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Act 209 Fund**  
**For the Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance from Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest income	\$ 0	\$ 0	\$ 622	\$ 622
Charges for services	<u>10,600</u>	<u>10,600</u>	<u>0</u>	<u>(10,600)</u>
Total revenues	<u>10,600</u>	<u>10,600</u>	<u>622</u>	<u>(9,978)</u>
<b>EXPENDITURES</b>				
Public works – highways and streets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>10,600</u>	<u>10,600</u>	<u>622</u>	<u>(9,978)</u>
Fund balance - January 1, 2013	<u>287,800</u>	<u>287,800</u>	<u>298,563</u>	<u>10,763</u>
Fund balance - December 31, 2013	<u>\$ 298,400</u>	<u>\$ 298,400</u>	<u>\$ 299,185</u>	<u>\$ 785</u>

**SUPPLEMENTAL INFORMATION**

**SADSBURY TOWNSHIP**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Special Revenue Fund**  
**For the Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest income	\$ 60	\$ 60	\$ 367	\$ 307
Intergovernmental revenues	<u>88,300</u>	<u>88,300</u>	<u>89,906</u>	<u>1,606</u>
Total revenues	<u>88,360</u>	<u>88,360</u>	<u>90,273</u>	<u>1,913</u>
<b>EXPENDITURES</b>				
Public works - highways and streets	<u>131,400</u>	<u>131,400</u>	<u>64,309</u>	<u>67,091</u>
Total expenditures	<u>131,400</u>	<u>131,400</u>	<u>64,309</u>	<u>67,091</u>
Net change in fund balances	<u>(43,040)</u>	<u>(43,040)</u>	<u>25,964</u>	<u>69,004</u>
Fund balance - January 1, 2013	<u>140,700</u>	<u>140,700</u>	<u>138,402</u>	<u>(2,298)</u>
Fund balance - December 31, 2013	<u>\$ 97,660</u>	<u>\$ 97,660</u>	<u>\$ 164,366</u>	<u>\$ 66,706</u>

**SADBURY TOWNSHIP  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2014**

**SADSBURY TOWNSHIP**Page  
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**Independent Auditor's Report**

To the Board of Supervisors  
Sadsbury Township  
Chester County, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sadsbury Township, Chester County, Pennsylvania, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Sadsbury Township's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sadsbury Township as of December 31, 2014, 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 (GAAP).

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages MD&A 1 through MD&A 18 and budgetary comparison information on pages 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sadsbury Township's basic financial statements. The introductory section, combining and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

*Maulo & Company, Ltd.*

West Chester, Pennsylvania  
October 28, 2015

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**

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The Management Discussion and Analysis of Sadsbury Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2014. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Readers should also review the financial statements and related notes.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement Number 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

- The Township's assets exceeded its liabilities by \$11,989,093 (net position) for the fiscal year. The 2014 increase was \$834,050.
- Total net assets are comprised of the following:
  - 1) Capital assets, net of related debt, of \$8,870,585 include property and equipment, net of accumulated depreciation, and are reduced by outstanding debt related to the purchase or construction of capital assets. The 2014 increase was \$411,762.
  - 2) Net assets of \$123,698 are restricted by constraints imposed from outside the Township such as grantors, laws, or regulations. The 2014 decrease was \$40,668.
  - 3) Net assets of \$990,970 are designated by the Board of Supervisors for future capital additions or replacements. The 2014 decrease was \$13,349.
  - 4) Unrestricted net assets of \$2,001,840 represent the portion available to maintain the Township's continuing obligations to citizens and creditors. The 2014 increase was \$476,305.
- The Township's governmental funds reported a total ending net assets of \$7,279,048 this year. The 2014 increase was \$466,788.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$904,922 or 56.80% of total General Fund expenditures, including transfers, and 49.15% of total General Fund revenues, including transfers. The 2014 increase was \$248,194.
- This increase in fund balance relates to increased real estate transfer tax revenue because of the improving housing market, payroll-related tax revenue such as earned income taxes and local service taxes, and a reduction in highway road project costs compared to 2013.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

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**Government-Wide Financial Statements**

- The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Township's overall financial status.
- 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 government's assets 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. Net position, the difference between the Township's assets and liabilities, 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 indication of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, a reader needs to consider additional non-financial factors, such as changes in the Township's property tax base and increases in development in the Township.
- The government-wide financial statements of the Township are divided into two categories:
  - Governmental Activities - All of the Township's basic services are included here, such as administration and community services. Taxes, charges for services, and state grants finance most of these activities.
  - Business-Type Activities - The Township runs a sewer system and charges fees to residents for conveyance of waste through the Township's sewer system.

**FUND LEVEL FINANCIAL STATEMENTS**

The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. The governmental fund statements tell how the Township's general services were financed in the short-term, as well as, what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the Township operates like a business. For this Township, this is the Sewer Fund. Fiduciary fund statements provide information about financial relationships in which the Township acts solely as a trustee or agent for the benefit of others.

- **Governmental Funds** - Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting basis called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader 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 (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

- Proprietary Funds - These funds are used to account for Township activities that are similar to business operations in the private sector, where the reporting focus is on determining net income, financial position, changes in financial position, and a significant portion of funding through user charges. When the Township charges customers for services it provides—whether to outside customers or to other units in the Township—these services are generally reported in proprietary funds. The Sewer Fund is the Township’s proprietary fund and is the same as the business-type activities reported in the government-wide statements.
- Fiduciary Funds - The Township is the trustee, or fiduciary, for some escrow funds. All of the Township’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the Township’s other financial statements because the Township cannot use these assets to finance its operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**FINANCIAL ANALYSIS OF THE TOWNSHIP—GOVERNMENT—WIDE STATEMENTS**

The Township’s total net position was \$11,989,093 at December 31, 2014. The Township’s total net position was \$11,155,043 at December 31, 2013. This represents an increase of \$834,050 which is a 7.48% increase. The following tables present condensed financial information for the net position of the Township as of December 31, 2014 and 2013.

**Schedule of Net Position**  
**Year Ended December 31, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current and other assets	\$ 2,317,192	\$ 1,194,085	\$ 3,511,277
Capital assets, net	5,022,685	7,071,900	12,094,585
Total Assets	<u>\$ 7,339,877</u>	<u>\$ 8,265,985</u>	<u>\$ 15,605,862</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 60,829	\$ 566,940	\$ 627,769
Non-current liabilities		2,989,000	2,989,000
Total Liabilities	<u>\$ 60,829</u>	<u>\$ 3,555,940</u>	<u>\$ 3,616,769</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	5,022,685	3,847,900	8,870,585
Restricted	1,116,668		1,116,668
Unrestricted	1,139,695	862,145	2,001,840
Total Net Position	<u>7,279,048</u>	<u>4,710,045</u>	<u>11,989,093</u>
Total Liabilities and Net Position	<u>\$ 7,339,877</u>	<u>\$ 8,265,985</u>	<u>\$ 15,605,862</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

**Schedule of Net Position**  
**Year Ended December 31, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current and other assets	\$ 2,101,656	\$ 956,301	\$ 3,057,957
Capital assets, net	<u>4,742,351</u>	<u>7,167,472</u>	<u>11,909,823</u>
Total Assets	<u>\$ 6,844,007</u>	<u>\$ 8,123,773</u>	<u>\$ 14,967,780</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 31,747	\$ 556,990	\$ 588,737
Non-current liabilities	<u>                    </u>	<u>3,224,000</u>	<u>3,224,000</u>
Total Liabilities	<u>\$ 31,747</u>	<u>\$ 3,780,990</u>	<u>\$ 3,812,737</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	4,742,351	3,716,472	8,458,823
Restricted	1,170,685		1,170,685
Unrestricted	<u>899,224</u>	<u>626,311</u>	<u>1,525,535</u>
Total Net Position	<u>6,812,260</u>	<u>4,342,783</u>	<u>11,155,043</u>
Total Liabilities and Net Position	<u>\$ 6,844,007</u>	<u>\$ 8,123,773</u>	<u>\$ 14,967,780</u>

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, and revenues that directly relate to specific expense categories are presented to determine the final amount of the Township's activities that are supported by other general revenues. The largest revenues are property taxes, other taxes, charges for services and state grants.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

The following tables present condensed financial information for the Statement of Activities in a different format, in order to present total revenues for the years ended December 31, 2014 and 2013.

**Changes in Net Position**  
**For The Year Ended December 31, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>REVENUES</b>			
Program Services			
Charges for services	\$ 416,251	\$ 1,276,730	\$ 1,692,981
Fines and forfeits	21,908		21,908
Licenses	75,328		75,328
General Revenues			
Property taxes	214,293		214,293
Other taxes-Act 511	960,646		960,646
Intergovernmental revenue	489,765		489,765
Contributions from private sector	7,980	93,372	101,352
Other revenue	<u>95,490</u>	<u>388</u>	<u>95,878</u>
Total Revenues	<u>2,281,661</u>	<u>1,370,490</u>	<u>3,652,151</u>
<b>EXPENSES</b>			
General government	\$ 523,237	\$ 0	523,237
Public safety	523,456		523,456
Solid waste collection	242,062		242,062
Sewer system		1,003,228	1,003,228
Highways and streets	390,210		390,210
Culture and recreation	18,228		18,228
Special Projects			
Miscellaneous expenditures	<u>117,680</u>		<u>117,680</u>
Total Expenses	<u>1,814,873</u>	<u>1,003,228</u>	<u>2,818,101</u>
Change in Net Position	<u>\$ 466,788</u>	<u>\$ 367,262</u>	<u>\$ 834,050</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

**Changes in Net Position**  
**For The Year Ended December 31, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>REVENUES</b>			
Program Services			
Charges for services	\$ 457,780	\$ 1,063,581	\$ 1,521,361
Fines and forfeits	36,423		36,423
Licenses	77,685		77,685
General Revenues			
Property taxes	146,940		146,940
Other taxes-Act 511	695,570		695,570
Intergovernmental revenue	157,076		157,076
Contributions from private sector	7,980		7,980
Other revenue	<u>72,697</u>	<u>683</u>	<u>73,380</u>
Total Revenues	<u>1,652,151</u>	<u>1,064,264</u>	<u>2,716,415</u>
<b>EXPENSES</b>			
General government	\$ 507,261	\$ 0	\$ 507,261
Public safety	553,413		553,413
Solid waste collection	250,823		250,823
Sewer system		974,401	974,401
Highways and streets	354,091		354,091
Culture and recreation	11,294		11,294
Special Projects	7,100		7,100
Miscellaneous expenditures	<u>90,102</u>		<u>90,102</u>
Total Expenses	<u>1,774,084</u>	<u>974,401</u>	<u>2,748,485</u>
Change in Net Position	<u>\$ (121,933)</u>	<u>\$ 89,863</u>	<u>\$ (32,070)</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

**EXPENSES**

The following tables present condensed financial information on the expenses of the Township by function.

**Expense Analyses**

**Expenses - Governmental Activities**

The following table illustrates both the gross and net costs of services. Unrestricted grants and contributions are deducted to reflect the amount needed to be funded by other revenue sources. Capital contributions from developers are not included in the analysis.

	<u>For the year ended</u> <u>December 31, 2014</u>		<u>For the year ended</u> <u>December 31, 2013</u>	
	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>(Benefit)</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>(Benefit)</u> <u>of Services</u>
General government	\$ 523,237	\$ 518,412	\$ 507,261	\$ 502,639
Public safety	523,456	316,567	553,413	264,613
Solid waste collection	242,062	(93,258)	250,823	(67,373)
Highways and streets	390,210	(73,038)	354,091	229,490
Culture and recreation	18,228	17,278	11,294	10,569
Special projects			7,100	7,100
Miscellaneous (payroll taxes, employee benefits)	<u>117,680</u>	<u>117,680</u>	<u>90,102</u>	<u>90,102</u>
Total Expenses	<u>\$ 1,814,873</u>	<u>\$ 803,641</u>	<u>\$ 1,774,084</u>	<u>\$ 1,037,140</u>
Less: Grants, subsidies, and contributions not restricted		<u>0</u>		<u>0</u>
Amount funded by other revenue sources		<u>\$ 803,641</u>		<u>\$ 1,037,140</u>

**Expenses - Business Type Activities**

The following table reflects condensed financial activities of the sewer system, the only business-type activity of the Township.

	<u>For the year ended</u> <u>December 31, 2014</u>		<u>For the year ended</u> <u>December 31, 2013</u>	
	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>(Benefit)</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Net Cost</u> <u>(Benefit)</u> <u>of Services</u>
Sewer system	\$ <u>961,937</u>	\$ <u>(408,165)</u>	\$ <u>942,538</u>	\$ <u>(121,043)</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

**THE TOWNSHIP FUNDS**

**General Fund**

- At December 31, 2014 and 2013, the Township reported fund balances of \$904,922 and \$656,728, respectively, which represents 56.80% and 33.47% of total expenses. Fund balance as a percent of total expenses increased because of higher taxes, as explained below, and a reduction in highway road project expenses, as compared to 2013. The fund balance is allocated as follows:

Assigned to 2015 budget	\$ 325,400
Non-spendable – prepaid expenses	45,068
Restricted for fire services	2,000
Unassigned	<u>532,454</u>
	<u>\$ 904,922</u>

**REVENUE**

General fund revenues totaled \$1,841,310 for the year ended December 31, 2014. The following table reflects a comparison of current year revenues with the revenues reflected in the 2014 budget year:

	<u>Actual 2014</u>	<u>% of Total</u>	<u>Budget 2014</u>	<u>Inc / (Dec) from Budget</u>
Taxes	\$ 1,180,309	64.1%	\$ 949,500	\$ 230,809
Charges for services	511,210	27.8%	507,400	3,810
Contributions from private sector	10,480	0.6%	55,780	(45,300)
Intergovernmental revenues	28,647	1.5%	184,600	(155,953)
Other financing sources	<u>110,664</u>	<u>6.0%</u>	<u>176,200</u>	<u>(65,536)</u>
	<u>\$ 1,841,310</u>	<u>100.0%</u>	<u>\$1,873,480</u>	<u>\$ (32,170)</u>

The Township balanced the budget utilizing the fund balance from the previous year and increased the tax rate to 1.05 mills from .75 mills. The collection rate for current real estate taxes was 97.62%. The Township continued to receive higher earned income taxes than expected in 2014. Real estate transfer taxes were higher than expected because of the improving housing market. Contributions from the private sector were lower than budget because a developer did not start a building project in 2014. In addition, intergovernmental revenue was lower than budget because a highway project to be funded by federal and state grants did not start in 2014 as planned. Finally, other financing sources were lower because the Township did not transfer monies from the Capital Reserve Fund to finance capital improvement projects or capital purchases that did not occur but were included in the 2014 budget.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

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**EXPENDITURES**

General fund expenditures totaled \$1,593,116. These expenditures were segregated into various programs depending on the functions of the activity. These programs and the costs associated with each, as well as comparison to the original 2014 budget, are as follows:

	Actual 2014	% of Total	Revised Budget 2014	Inc / (Dec) From Budget
General government	\$ 548,915	34.5%	\$ 706,250	\$ (157,335)
Public safety	501,927	31.5%	593,950	(92,023)
Solid waste collection	242,062	15.2%	244,600	(2,538)
Highways and streets	148,895	9.3%	154,212	(5,317)
Culture and recreation	14,321	0.9%	30,000	(15,679)
Special project	19,316	1.2%	159,000	(139,684)
Miscellaneous expenditures	<u>117,680</u>	<u>7.4%</u>	<u>117,700</u>	<u>(20)</u>
	<u>\$ 1,593,116</u>	<u>100.0%</u>	<u>\$2,005,712</u>	<u>\$ (412,596)</u>

General government was lower than budget because of lower legal fees and administration costs such as payroll and insurance costs. Public safety was lower than budget because of lower payroll costs and gasoline costs by the police department. Culture and recreation were lower because a project that was budgeted was completed at lower cost. Special project costs were lower than budget because a highway project funded by federal and state grants was delayed until 2015.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

**CONDENSED STATEMENT OF ACTIVITIES**

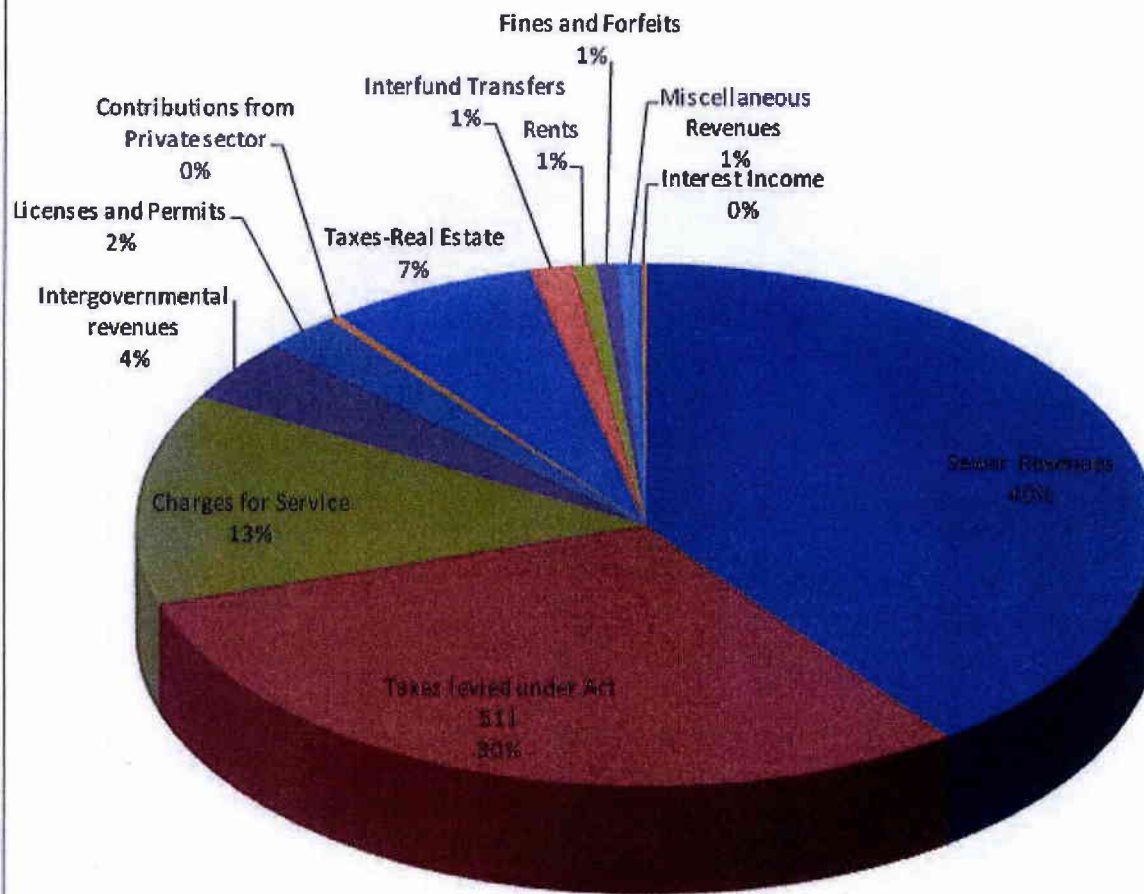
**Governmental and Proprietary (Sewer) Funds**

A comparison, including graphs of the Township's Governmental and Proprietary (Sewer) Funds revenue and expenditures/expenses for 2014 and 2013 by category (as used for budgeting purposes), is shown below:

	<u>2014</u>	<u>2013</u>
<b><u>Revenues</u></b>		
Taxes-real estate	\$ 211,909	\$ 144,562
Taxes levied under Act 511	968,400	810,492
Licenses and permits	75,328	77,685
Fines and forfeits	21,908	36,423
Interest income	4,214	5,202
Rents	22,252	20,700
Intergovernmental revenues	126,205	157,076
Charges for service	416,104	456,241
Contributions from private sector	10,480	8,813
Miscellaneous revenues	24,260	8,368
Interfund transfers	44,764	38,427
Sewer system revenues	<u>1,277,118</u>	<u>1,064,264</u>
<b>Total Revenues</b>	<b><u>\$ 3,202,942</u></b>	<b><u>\$ 2,828,253</u></b>
<b><u>Expenditures/Expenses</u></b>		
General Government	\$ 548,915	\$ 590,642
Public Safety	501,927	614,619
Public works-solid waste collection	242,062	250,823
Public works-highways and streets	287,426	433,610
Culture and recreation	14,321	4,251
Special project	19,316	42,437
Miscellaneous (payroll taxes, employee benefits)	117,680	90,102
Sewer system expenses	<u>1,003,228</u>	<u>974,401</u>
<b>Total Expenditures/Expenses</b>	<b><u>\$ 2,734,875</u></b>	<b><u>\$ 3,000,885</u></b>

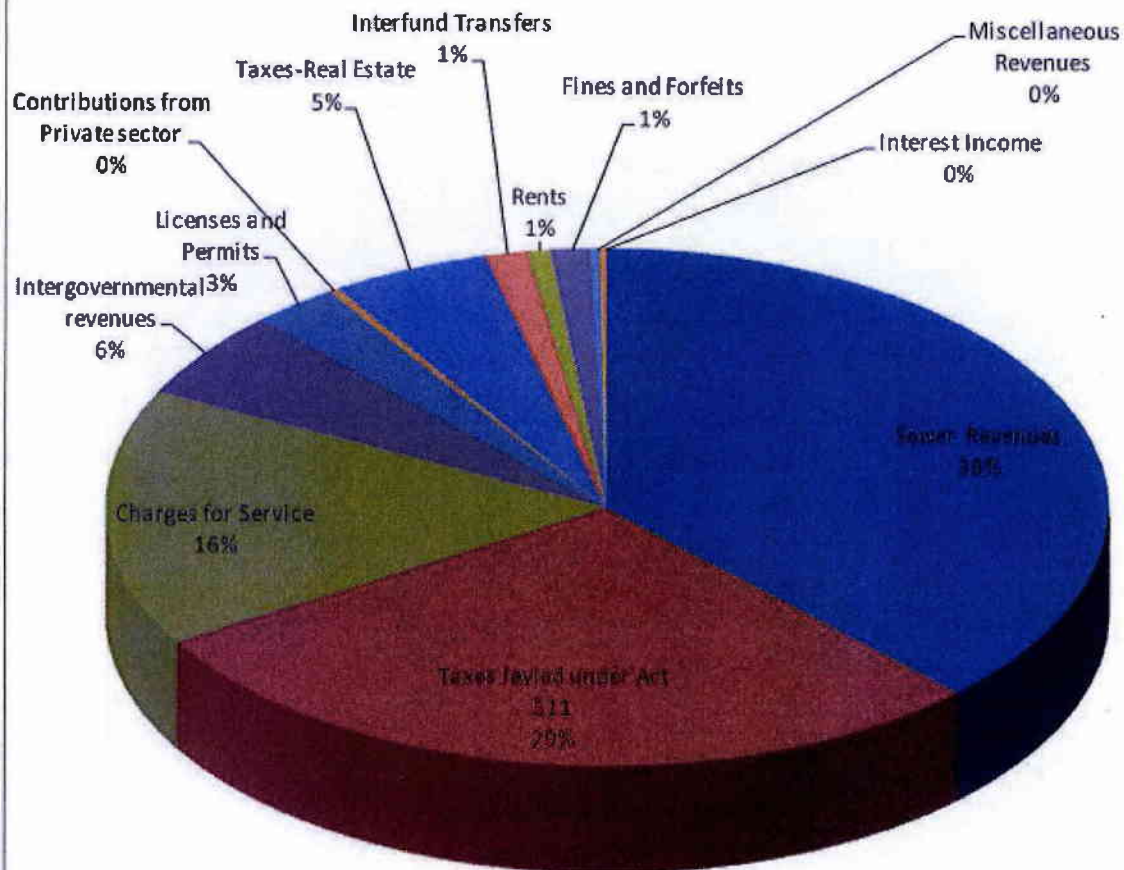
**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

**Revenues Year Ended December 31, 2014**



**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

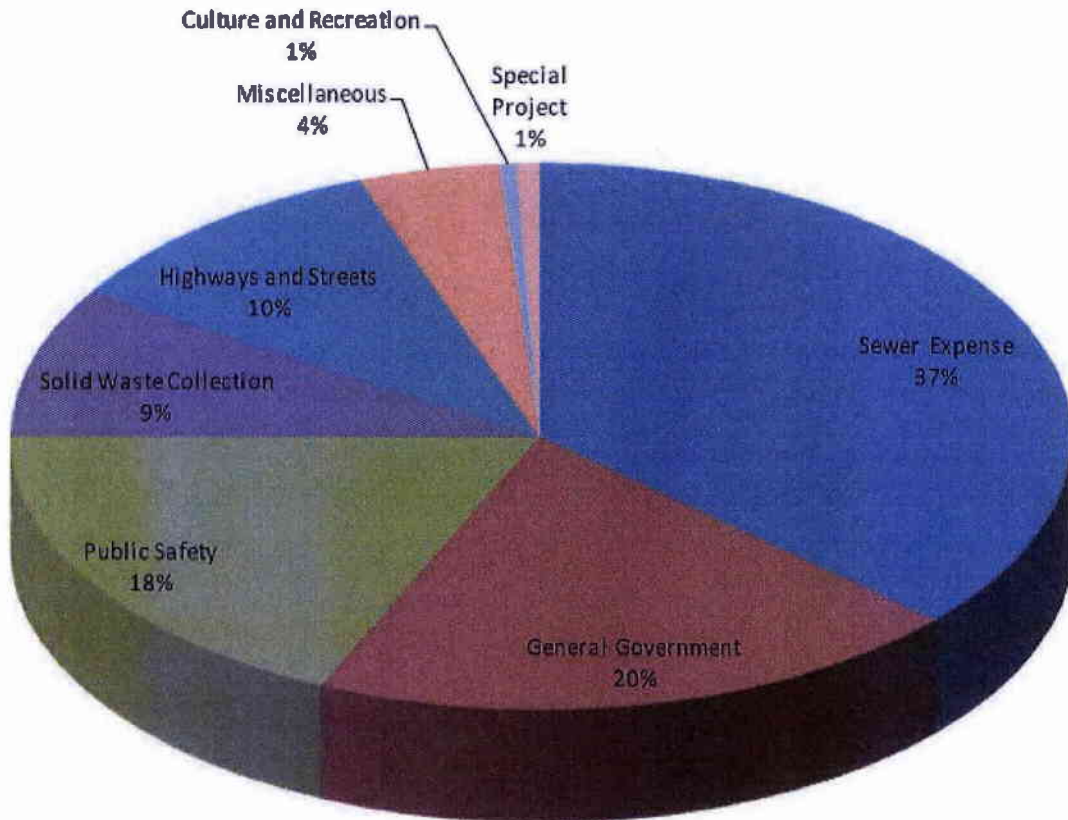
**Revenues Year ended December 31, 2013**



**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

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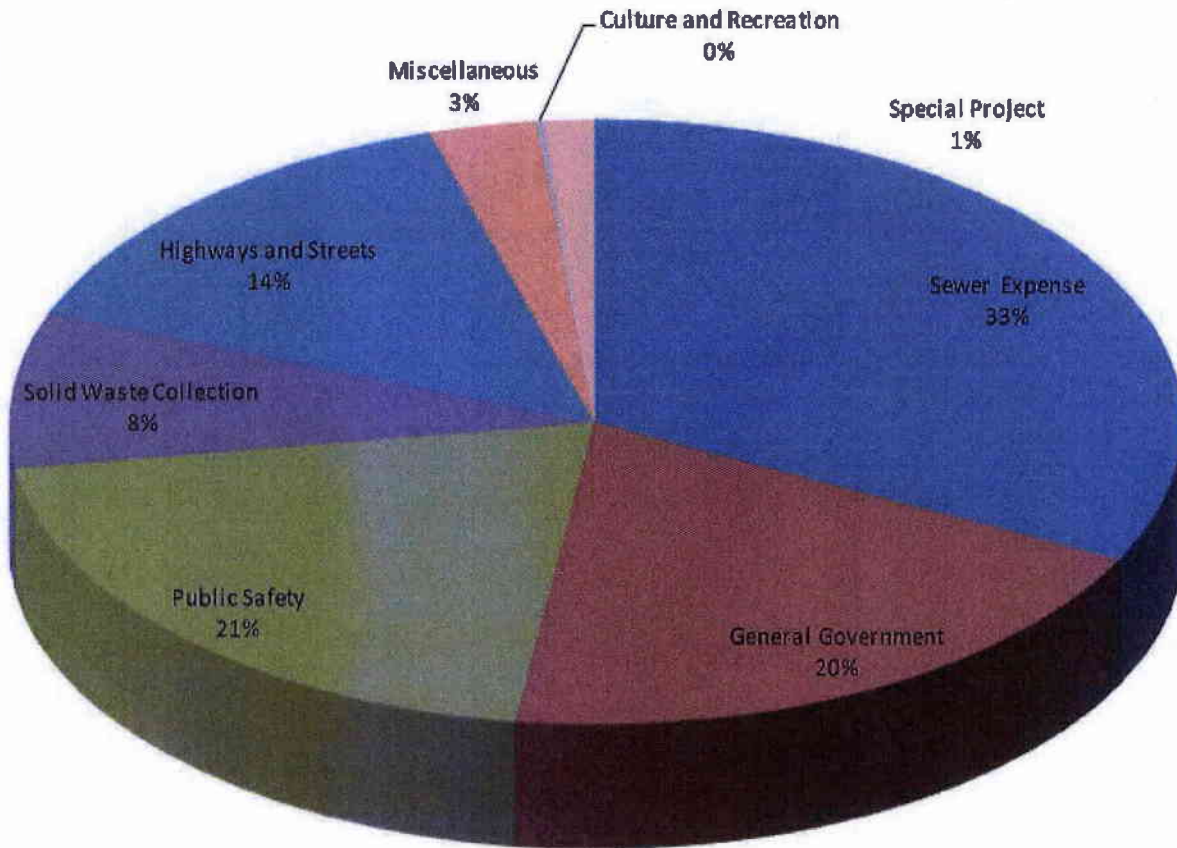
**Expenses/Expenditures Year Ended December 31, 2014**



**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

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**Expenses/Expenditures Year ended December 31, 2013**



**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

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**CAPITAL PROJECTS FUND**

At December 31, 2014 and 2013, the Township reported a fund balance of \$689,077 and \$705,134, which is a decrease of \$16,057 and a decrease of \$191, respectively. During 2014 and 2013, this fund received no transfers from the general fund and transferred \$18,556 and \$2,412 respectively, to pay for capital assets.

**GENERAL FUND BUDGET**

During the fiscal year, the Board of Township Supervisors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the Township. Those adjustments are again confirmed at the time the annual audit is accepted. This is done after the end of the fiscal year in accordance with state law. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

The Township applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues are adjusted to reflect actual revenues received for all approved grants.

Budgeted expenditures are also adjusted to reflect the actual expenditures made for all approved grants. Transfers between specific categories of expenditures/financing uses occur during the year.

**CAPITAL ASSETS**

At December 31, 2014 and 2013, the Township had \$12,094,585 and \$11,909,823, respectively, invested in a broad range of capital assets, including land, buildings, sewer collection system, vehicles, and machinery and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$184,762 and a net increase (including additional deletion and depreciation) of \$89,716, or 1.55% increase and .7% increase, from the previous year. \$456,932 of the increase in 2014 related to roads, storm sewers and sanitary sewers contributed by a developer.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

The following schedules present the changes in capital assets for the years ended December 31, 2014 and 2013. During this period, the Township had significant additions in capital assets.

**Schedule of Capital Assets**  
**For The Year Ended December 31, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>CAPITAL ASSETS</b>			
Land	\$ 407,868	\$ 49,112	\$ 456,980
Buildings	1,607,012	140,000	1,747,012
Machinery and equipment	402,751	110,863	513,614
Vehicles	440,262		440,262
Highways and streets	3,246,507		3,246,507
Storm sewers	1,158,838		1,158,838
Sewer collection system		8,521,323	8,521,323
Construction in progress	<u>335,264</u>	<u>93,914</u>	<u>429,178</u>
Total Capital Assets	<u>7,598,502</u>	<u>8,915,212</u>	<u>16,513,714</u>
<b>ACCUMULATED DEPRECIATION</b>			
Buildings	\$ 344,403	\$ 39,433	\$ 383,836
Machinery and equipment	337,312	60,896	398,208
Vehicles	278,319		278,319
Highways and streets	1,435,568		1,435,568
Storm sewers	180,215		180,215
Sewer collection system		<u>1,742,983</u>	<u>1,742,983</u>
Total Accumulated Depreciation	<u>2,575,817</u>	<u>1,843,312</u>	<u>4,419,129</u>
Capital Assets, Net	<u>\$ 5,022,685</u>	<u>\$ 7,071,900</u>	<u>\$ 12,094,585</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

**Schedule of Capital Assets**  
**For The Year Ended December 31, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>CAPITAL ASSETS</b>			
Land	\$ 407,868	\$ 49,112	\$ 456,980
Buildings	1,601,010	140,000	1,741,010
Machinery and equipment	381,908	110,863	492,771
Vehicles	394,452		394,452
Highways and streets	3,013,728		3,013,728
Storm sewers	1,028,056		1,028,056
Sewer collection system		8,521,323	8,521,323
Construction in progress	252,493	2,980	255,473
Total Capital Assets	<u>7,079,515</u>	<u>8,824,278</u>	<u>15,903,793</u>
<b>ACCUMULATED DEPRECIATION</b>			
Buildings	\$ 302,117	\$ 36,633	\$ 338,750
Machinery and equipment	313,970	47,617	361,587
Vehicles	307,068		307,068
Highways and streets	1,254,791		1,254,791
Storm sewers	159,218		159,218
Sewer collection system		1,572,556	1,572,556
Total Accumulated Depreciation	<u>2,337,164</u>	<u>1,656,806</u>	<u>3,993,970</u>
Capital Assets, Net	<u>\$ 4,742,351</u>	<u>\$ 7,167,472</u>	<u>\$ 11,909,823</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2014**  
**(Continued)**

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**DEBT ADMINISTRATION**

As of January 1, 2014, the Township had total outstanding bond principal of \$3,451,000. During the year, the Township made payments against principal in the amount of \$227,000, resulting in ending outstanding debt, as of December 31, 2014, of \$3,224,000.

**Debt Service Schedule**  
**December 31, 2014**

	Principal Outstanding <u>Jan. 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	Bonds Payable <u>Dec. 31, 2014</u>
Guaranteed Sewer Revenue Note Series 1998	\$ 764,000	\$ 0	\$ 45,000	\$ 719,000
Guaranteed Sewer Revenue Note Series 2003	\$ 2,141,000		\$ 181,000	\$ 1,960,000
Guaranteed Sewer Revenue Note Series 2009	<u>546,000</u>	<u>0</u>	<u>1,000</u>	<u>545,000</u>
	<u>\$ 3,451,000</u>	<u>\$ 0</u>	<u>\$ 227,000</u>	<u>\$ 3,224,000</u>

More detailed information about our long-term liabilities is included in the Notes to the Financial Statements.

**THE TOWNSHIP'S FUTURE**

The Township expects to experience growth in the next five years as the economy improves.

**FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Linda Shank, Assistant Secretary/Assistant Treasurer at the Township office.

**SADSBURY TOWNSHIP**  
**Statement of Net Position**  
**December 31, 2014**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$ 1,174,798	\$ 169,259	\$ 1,344,057
Investments	350,874		350,874
Accounts receivable	302,350	1,046,935	1,349,285
Taxes receivable, net	300,859		300,859
Internal balances	100,000	(100,000)	
Prepaid expenses	45,068	77,891	122,959
Other current assets	43,243		43,243
Total current assets	<u>2,317,192</u>	<u>1,194,085</u>	<u>3,511,277</u>
<b>NON-CURRENT ASSETS</b>			
Land	407,868	49,112	456,980
Construction in progress	335,264	93,914	429,178
Other capital assets, net of accumulated depreciation	<u>4,279,553</u>	<u>6,928,874</u>	<u>11,208,427</u>
Total non-current assets	<u>5,022,685</u>	<u>7,071,900</u>	<u>12,094,585</u>
Total Assets	<u>\$ 7,339,877</u>	<u>\$ 8,265,985</u>	<u>\$ 15,605,862</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 53,815	\$ 45,714	\$ 99,529
Other current liabilities		2,398	2,398
Current portion of debt obligations		235,000	235,000
Unearned revenues	<u>7,014</u>	<u>283,828</u>	<u>290,842</u>
Total current liabilities	<u>60,829</u>	<u>566,940</u>	<u>627,769</u>
<b>NON-CURRENT LIABILITIES</b>			
Debt obligations		<u>2,989,000</u>	<u>2,989,000</u>
Total liabilities	<u>60,829</u>	<u>3,555,940</u>	<u>3,616,769</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	5,022,685	3,847,900	8,870,585
Restricted for highways and streets	123,698		123,698
Restricted for capital	990,970		990,970
Restricted for fire services	2,000		2,000
Unrestricted	<u>1,139,695</u>	<u>862,145</u>	<u>2,001,840</u>
Total net position	<u>7,279,048</u>	<u>4,710,045</u>	<u>11,989,093</u>
Total liabilities and net position	<u>\$ 7,339,877</u>	<u>\$ 8,265,985</u>	<u>\$ 15,605,862</u>

**SADSBURY TOWNSHIP**  
**Statement of Activities**  
**For the year ended December 31, 2014**

Functions/Programs	Expenses	Program Services			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental activities:</b>							
General government	\$ 523,237	\$ 439	\$ 4,386	\$ 0	\$ (518,412)	\$ 0	\$ (518,412)
Public safety	523,456	175,236	31,653		(316,567)		(316,567)
Solid waste collection	242,062	334,732	588		93,258		93,258
Highways and streets	390,210	2,130	97,558	363,560	73,038		73,038
Culture and recreation	18,228	950			(17,278)		(17,278)
Miscellaneous (payroll taxes & employee benefits)	117,680				(117,680)		(117,680)
<b>Total governmental activities</b>	<b>1,814,873</b>	<b>513,487</b>	<b>134,185</b>	<b>363,560</b>	<b>(803,641)</b>	<b>0</b>	<b>(803,641)</b>
<b>Business activities:</b>							
Sewer system	961,937	1,276,730		93,372		408,165	408,165
<b>Total primary government</b>	<b>\$ 2,776,810</b>	<b>\$ 1,790,217</b>	<b>\$ 134,185</b>	<b>\$ 456,932</b>	<b>\$ (803,641)</b>	<b>\$ 408,165</b>	<b>\$ (395,476)</b>
<b>General revenues</b>							
Taxes							
Property taxes, levied for general purposes (net)					214,293	0	214,293
Taxes levied under Act 511					960,646		960,646
Investment earnings					4,214	388	4,602
Rent					22,252		22,252
Miscellaneous income					24,260		24,260
Interfund transfers					44,764	(41,291)	3,473
<b>Total general revenues, special items, extraordinary items, and transfers</b>					<b>1,270,429</b>	<b>(40,903)</b>	<b>1,229,526</b>
Change in net position					466,788	367,262	834,050
Net position - beginning					6,812,260	4,342,783	11,155,043
Net position - ending					<b>\$ 7,279,048</b>	<b>\$ 4,710,045</b>	<b>\$ 11,989,093</b>

See accompanying notes to financial statements

**SADSBURY TOWNSHIP**  
**Balance Sheet—Governmental Funds**  
**December 31, 2014**

	General Fund	Capital Projects Fund	Act 209 Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 428,202	\$ 320,970	\$ 301,893	\$ 123,733	\$ 1,174,798
Investments		350,874			350,874
Taxes receivable	300,859				300,859
Other receivables	301,541	663		146	302,350
Due from other funds	100,000	16,570			116,570
Prepaid expenses/ expenditures	45,068				45,068
Other current assets	<u>43,243</u>				<u>43,243</u>
<b>Total assets</b>	<b><u>\$ 1,218,913</u></b>	<b><u>\$ 689,077</u></b>	<b><u>\$ 301,893</u></b>	<b><u>\$ 123,879</u></b>	<b><u>\$ 2,333,762</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 53,634	\$ 0	\$ 0	\$ 181	\$ 53,815
Due to other funds	<u>16,570</u>				<u>16,570</u>
<b>Total liabilities</b>	<b><u>70,204</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>181</u></b>	<b><u>70,385</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues, property and other taxes	<u>243,787</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>243,787</u>
<b>FUND BALANCES</b>					
Non-spendable - Prepaid expenses	45,068				45,068
Restricted for highways and streets				123,698	123,698
Restricted for Act 209 capital projects			301,893		301,893
Restricted for fire services	2,000				2,000
Assigned to subsequent years' budget	325,400				325,400
Assigned for Capital Projects		689,077			689,077
Unassigned	<u>532,454</u>				<u>532,454</u>
<b>Total fund balances</b>	<b><u>904,922</u></b>	<b><u>689,077</u></b>	<b><u>301,893</u></b>	<b><u>123,698</u></b>	<b><u>2,019,590</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,218,913</u></b>	<b><u>\$ 689,077</u></b>	<b><u>\$ 301,893</u></b>	<b><u>\$ 123,879</u></b>	<b><u>\$ 2,333,762</u></b>

See accompanying notes to financial statements

**SADSBURY TOWNSHIP**  
**Reconciliation of Total Governmental Fund Balances**  
**to Net Position of Governmental Funds**  
**December 31, 2014**

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Total Fund Balances - Governmental Funds	\$ 2,019,590
Amounts reported for governmental activities in the statements of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of assets is \$7,598,502 and the accumulated depreciation is \$2,575,817.	5,022,685
Property taxes, earned income taxes, per capita taxes, local services taxes, trash, and other fees receivable will be collected in this year, but are not available soon enough to pay for the current year's expenditures and, therefore, are deferred in the funds.	<u>236,773</u>
Total Net Position - Governmental Activities	<u>\$ 7,279,048</u>

**SADSBURY TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Governmental Funds**  
**For the Year Ended December 31, 2014**

	General Fund	Capital Projects Fund	Act 209 Funds	Special Revenue Fund	Total Governmental Funds
<b>REVENUES</b>					
Taxes - real estate	\$ 211,909	\$ 0	\$ 0	\$ 0	\$ 211,909
Taxes levied under Act 511	968,400				968,400
Licenses and permits	75,328				75,328
Fines and forfeits	21,908				21,908
Interest income	832	2,499	578	305	4,214
Rents	22,252				22,252
Intergovernmental revenues	28,647			97,558	126,205
Charges for services	413,974		2,130		416,104
Contributions from private sector	10,480				10,480
Miscellaneous revenues	24,260				24,260
<b>Total revenues</b>	<b>1,777,990</b>	<b>2,499</b>	<b>2,708</b>	<b>97,863</b>	<b>1,881,060</b>
<b>EXPENDITURES</b>					
General government	548,915	0	0	0	548,915
Public safety	501,927				501,927
Public works - solid waste collection	242,062				242,062
Public works - highways and streets	148,895			138,531	287,426
Culture and recreation	14,321				14,321
Special project	19,316				19,316
Miscellaneous (payroll taxes, employee benefits)	117,680				117,680
<b>Total expenditures</b>	<b>1,593,116</b>	<b>0</b>	<b>0</b>	<b>138,531</b>	<b>1,731,647</b>
Excess (deficiency) of revenues over expenditures	184,874	2,499	2,708	(40,668)	149,413
<b>OTHER FINANCING SOURCES</b>					
Interfund transfers	63,320	(18,556)	0	0	44,764
Net change in fund balances	248,194	(16,057)	2,708	(40,668)	194,177
Fund balance--January 1, 2014	656,728	705,134	299,185	164,366	1,825,413
Fund balance--December 31, 2014	\$ 904,922	\$ 689,077	\$ 301,893	\$ 123,698	\$ 2,019,590

See accompanying notes to financial statements

**SADSBURY TOWNSHIP**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For The Year Ended December 31, 2014**

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TOTAL NET CHANGE IN FUND BALANCES—GOVERNMENTAL FUNDS \$ 194,177

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ 589,824	
Depreciation expense	(309,490)	280,334

Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Also, delinquent taxes will not go through the statement of activities because the amount is booked into the prior year. This amount represents all outstanding real estate taxes net of delinquent taxes collected. 2,384

Because some earned income taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in governmental funds. Amounts collected in the first two months of the next fiscal year need to be included and amounts from the first two months of the current year need to be deducted. This amount represents the combination of those two entries. (3,740)

Because some per capita and local services' taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in governmental funds. Amounts collected in the first two months of the next fiscal year need to be included and amounts from the first two months of the current year need to be deducted. This amount represents the combination of those two entries. (4,014)

Because some trash fees will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in governmental funds. Amounts collected in the first two months of the next fiscal year need to be included and amounts from the first two months of the current year need to be deducted. This amount represents the combination of those two entries. 147

Because some trash fees will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in governmental funds. Amounts collected in the first two months of the next fiscal year need to be included and amounts from the first two months of the current year need to be deducted. This amount represents the combination of those two entries. (2,500)

Change in net position of governmental activities \$ 466,788

**SADSBURY TOWNSHIP**  
**Statement of Net Position—Proprietary Fund**  
**December 31, 2014**

	<u>Sewer System</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 169,259
Accounts receivable	1,046,935
Prepaid expenses	<u>77,891</u>
Total current assets	<u>1,294,085</u>
<b>NON-CURRENT ASSETS</b>	
Land	49,112
Other capital assets, net of accumulated depreciation	6,928,874
Construction in progress	<u>93,914</u>
Total non-current assets	<u>7,071,900</u>
Total assets	<u>\$ 8,365,985</u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 45,714
Other current liabilities	2,398
Due to other funds	100,000
Debt obligations, current portion	235,000
Unearned revenues	<u>283,828</u>
Total current liabilities	<u>666,940</u>
<b>Non-current Liabilities</b>	
Debt obligations	<u>2,989,000</u>
Total liabilities	<u>3,655,940</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	3,847,900
Unrestricted	<u>862,145</u>
Total net position	<u>4,710,045</u>
Total liabilities and net position	<u>\$ 8,365,985</u>

**SADSBURY TOWNSHIP**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position—Proprietary Fund**  
**For the Year Ended December 31, 2014**

	<u>Sewer System</u>
<b>OPERATING REVENUES</b>	
Sewer system	\$ <u>1,276,730</u>
Total operating revenues	<u>1,276,730</u>
<b>OPERATING EXPENSES</b>	
Waste water / sewage collection	644,459
Interfund transfer	41,291
Depreciation	<u>186,506</u>
Total operating expenses	<u>872,256</u>
Operating income (loss)	<u>404,474</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Earnings and investments	388
Interest on long-term debt	<u>(130,972)</u>
Total non-operating revenue (expenses)	<u>(130,584)</u>
Change in net assets before contribution	273,890
Capital contribution - developers	<u>93,372</u>
Change in net position	367,262
Total net position - January 1, 2014	<u>4,342,783</u>
Total net position - December 31, 2014	<u>\$ 4,710,045</u>

**SADSBURY TOWNSHIP**  
**Statement of Cash Flows—Proprietary Fund**  
**For the Year Ended December 31, 2014**

	<u>Sewer System</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from users	\$ 1,060,594
Cash payments to suppliers for goods and services	<u>(691,768)</u>
Net cash provided by (used in) operating activities	<u>368,826</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
	<u>0</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Facilities acquisition/construction	2,438
Principal paid on debt obligation	(227,000)
Interest paid on debt obligation	<u>(131,135)</u>
Net cash provided by (used in) capital and related financing activities	<u>(355,697)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Redemption of investments	0
Earnings on Investments	<u>388</u>
Net cash provided by (used in) investing activities	<u>388</u>
Net Increase (decrease) in cash and cash flows	<u>13,517</u>
Cash and cash equivalents, beginning of year	<u>155,742</u>
Cash and cash equivalents, end of year	<u>\$ 169,259</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Operating income	<u>\$ 404,474</u>
Adjustments to reconcile operating income to net cash provided by (used in):	
Depreciation	186,506
(Increase) decrease in accounts receivable	(212,673)
(Increase) decrease in prepaid expenses	2,310
(Increase) decrease in due from other fund	(13,904)
Increase (decrease) in accounts payable	5,576
Increase (decrease) in unearned revenue	<u>(3,463)</u>
Total adjustments	<u>(35,648)</u>
Net cash provided by (used in) operating activities	<u>\$ 368,826</u>
<b>NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Capital assets contributed by developers	<u>\$ 93,372</u>

See accompanying notes to financial statements

**SADBURY TOWNSHIP**  
**Statement of Fiduciary Net Position**  
**December 31, 2014**

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	<u>Agency</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>513,881</u>
Total assets	\$ <u>513,881</u>
<b>LIABILITIES</b>	
Other current liabilities	\$ <u>513,881</u>
Total liabilities	\$ <u>513,881</u>

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**

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**1. ORGANIZATION**

Sadsbury Township is located in western Chester County, Pennsylvania. The Township was incorporated in 1717 and follows the provisions of Act P. L. 1481, No. 567, as amended, the Second Class Township Code. It operates under the supervisor form of government and provides the following services:

Public Safety (Police, Fire)  
Planning and Zoning  
Highways and Streets  
Culture - Recreation  
Public Improvements  
General Administrative  
Sewer

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Sadsbury Township (the Township) conform to United States generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies the Financial Township Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The following is a summary of the more significant accounting policies:

**A. BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities provide information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities and for the single business-type activity of the Township. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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**FUND FINANCIAL STATEMENTS**

During the fiscal year, the Township segregates transactions related to certain Township functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**REPORTING ENTITY**

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. No additional component units are included in the reporting entity of Sadsbury Township.

**B. FUND ACCOUNTING**

The Township uses funds to report its assets, liabilities, and fund balances and revenues and expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements into three broad fund categories, which include five generic fund types.

**GOVERNMENTAL FUNDS**

Governmental Funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be used. The difference between governmental fund assets and liabilities is reported as fund balance.

• **General Fund**

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

• **Special Revenue Funds**

Special Revenue Funds are generally used to account for the expenditure of revenues that have been restricted to specific program or projects. They may be separately accounted for because of specific legal or regulatory provisions or by administrative action. The Township has one special revenue fund:

**Liquid Fuels Fund**

The Liquid Fuels Fund is used to account for the Liquid Fuels Grant received from the Pennsylvania Department of Transportation.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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- **Capital Projects Funds**

- **Capital Project Fund**

- The Capital Project Fund is used to account for financial resources used in the acquisition, construction, or improvements of major capital facilities within the Township.

- **Act 209 Fund**

- The Act 209 Fund is used to account for transportation impact fees charged to new developments based on the effect each development will have on the Township roadways. These monies are to fund future roadway improvements.

**PROPRIETARY FUNDS**

- **Sewer Fund**

- The Sewer Fund is used to account for the operations of the sewer system. The sewer system is financed and operated in a manner similar to a private business operation, whereby the costs of providing goods or services to the general public on a continuing basis are recovered primarily through user charges.

**FIDUCIARY FUNDS**

- **Trust and Agency Funds**

- Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals and private organizations. This fund consists of an escrow fund.

**C. BUDGET AND BUDGETARY ACCOUNTING**

The Township follows these procedures in establishing the budget:

- 1) Prior to December 1st, the Township Treasurer submits to the Board of Supervisors a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to December 31st, the budget is legally enacted through passage of an ordinance by the Board of Supervisors.
- 4) The Board of Supervisors may, by resolution, transfer unencumbered budgeted amounts between departments within any fund.
- 5) Budgets for all funds are adopted on a cash basis.

**D. MEASUREMENT FOCUS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are prepared using a flow of economic resources measurement focus and the accrual 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. All assets and all liabilities associated with the operation of the Township are included on the statement of net position while excluding fiduciary activities.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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**FUND FINANCIAL STATEMENTS**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included in the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position.

The statement of changes in revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its proprietary fund.

**E. BASIS OF ACCOUNTING**

The basis of accounting that is used determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**F. REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within sixty days of fiscal year-end.

Non-exchange transactions, in which the Township receives value without directly giving equal in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year that the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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the resources are provided to the Township on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, income taxes, grants, and interest.

**G. UNEARNED REVENUES**

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance fiscal year 2015 operations, are recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as unearned revenue.

**H. EXPENSES/EXPENDITURES**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**I. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Investments with an original maturity of three months or less at the time they are issued are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

The Township maintains separate cash accounts for each fund. Under the Second Class Township Code of the Commonwealth of Pennsylvania, the Township is authorized to invest in the following types of investments:

United States Treasury Bills and Obligations of the United States Government or Commonwealth of Pennsylvania or their agencies or Instrumentalities backed by their full faith and credit.

Deposits in savings accounts or certificates of deposit in Institutions secured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, the National Credit Union Share Insurance Fund, the Pennsylvania Deposit Insurance Corporation, or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured. Amounts above the insured maximum are permitted, provided that approved collateral, as provided by law, shall be pledged by the depository.

Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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that the only investments of that company are in the authorized investments for Township funds listed above.

During 2014, the Township invested its funds as authorized by the Second Class Township Code.

**J. Accounts Receivable and Allowance for Doubtful Accounts**

The Township provides sewer and trash services to its residents and extends credit to them in the process. The Township has provided an allowance for uncollectible accounts of \$113,200 at December 31, 2014. In reviewing aged receivables, management considers their knowledge of the customers, historical activity, and current economic and other activity in establishing the allowance for doubtful accounts. A receivable is charged to bad debt expense when management determines the receivable is uncollectible.

**K. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2014, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which the services are consumed.

**L. INTERFUND RECEIVABLES/PAYABLES**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as Interfund Receivables/Payables. Interfund balances within the governmental activities and within the business-types activities are eliminated on the government-wide statement of net position.

**M. PROPERTY TAX**

The Township is permitted by the Second Class Township Code to levy taxes as follows:

General purposes (5 additional mills may be levied with court approval)	14 mills
Lighting—highways, roads, & public places	5 mills
Fire	3 mills
Fire hydrant	2 mills
Ambulance and rescue squads	0.5 mills
Parks and recreation	unlimited
Principal and interest payments	unlimited

Property taxes are levied on January 1<sup>st</sup> of each year. The appointed tax collector bills and collects all taxes and then remits them to the Township.

The taxes are subject to discount and penalty per the following schedule:

Discount Period	March 1 to April 30 - 2% of Gross Levy
Flat Period	May 1 to June 30
Penalty Period	July 1 to Collection - 10% of Gross Levy

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

Delinquent property taxes are billed in January of the following year and collected by Chester County.

**N. CAPITAL ASSETS**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position but are not reported on the fund financial statements. Capital assets used by the proprietary fund are reported in both the business-type activities column on the government-wide statement of net position and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The Township maintains a capitalization threshold of \$1,000.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15-40 years
Buildings and building improvements	15-40 years
Furniture and fixtures	5-10 years
Vehicles	5-15 years
Equipment	5-20 years
Highways and streets	15 years
Lighting	25 years
Sewer system	50 years
Storm system	50 years

**O. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary fund are reported on the business-type financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due.

**P. NET POSITION**

Net position represents the difference between assets and liabilities. Net position invested in capital assets represents the cost of fixed assets net of related debt and net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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**Q. NET POSITION/FUND BALANCES**

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- **Net Investment in Capital Assets** - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance of this category.
- **Restricted Net Position** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - This category presents net position of the Township not restricted for any project or other purpose.

The Township has implemented 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:

- **Nonspendable Fund Balance** includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- **Restricted Fund Balance** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- **Committed Fund Balance** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the Board of Supervisors and do not lapse at year end. To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** includes fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed, as expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority.
- **Unassigned Fund Balance** includes the residual classifications for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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The details of the fund balances are included in the Balance Sheet - Governmental Funds (page 5). Restricted funds are used first, as appropriate, followed by committed resources, and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Supervisors. The Township Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes, but does not meet the criteria to be classified as restricted or committed.

**R. OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Township, these revenues are charges for sewer service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the proprietary fund.

**S. INTERFUND TRANSACTIONS**

On fund financial statements, receivables and payables resulting from short-term Interfund loans or Interfund services provided and used are classified as "due to/from other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as "internal balances" in the financial statements.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become 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.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in enterprise funds.

**T. ESTIMATES**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**U. PROGRAM REVENUES**

Program revenues are allocated to specific departments and consist of charges for services for solid waste collection and building permits, cable franchise fees, citation income, and grants and subsidies.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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**3. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS**

The balances of short-term Interfund receivables and payables at December 31, 2014 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$	\$ 83,430
Special Revenues Fund		16,570
Sewer Fund	<u>100,000</u>	
Totals	<u>\$ 100,000</u>	<u>\$ 100,000</u>

Interfund transfers for the year ending December 31, 2014 are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 59,847	\$ 0
Capital Project Fund		18,556
Sewer Fund		<u>41,291</u>
Totals	<u>\$ 59,847</u>	<u>\$ 59,847</u>

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	\$ 407,868	\$ 0	\$ 0	\$ 407,868
Construction in progress	<u>252,493</u>	<u>82,771</u>		<u>335,264</u>
Total capital assets not being depreciated	<u>660,361</u>	<u>82,771</u>	<u>0</u>	<u>743,132</u>
Capital assets being depreciated:				
Building	1,601,010	6,002	0	1,607,012
Highways & streets	3,013,728	232,779		3,246,507
Machinery & equipment	381,908	21,680	(837)	402,751
Storm sewers	1,028,056	130,782		1,158,838
Vehicles	<u>394,452</u>	<u>115,810</u>	<u>(70,000)</u>	<u>440,262</u>
Total capital assets being depreciated	<u>6,419,154</u>	<u>507,053</u>	<u>(70,837)</u>	<u>6,855,370</u>
Total capital assets	<u>7,079,515</u>	<u>589,824</u>	<u>(70,837)</u>	<u>7,598,502</u>
Less accumulated depreciation:				
Building	302,117	42,286	0	344,403
Highways & streets	1,254,791	180,777		1,435,568
Machinery & equipment	313,970	24,179	(837)	337,312
Storm sewers	159,218	20,997		180,215
Vehicles	<u>307,068</u>	<u>41,251</u>	<u>(70,000)</u>	<u>278,319</u>
Total accumulated depreciation	<u>\$ 2,337,164</u>	<u>\$ 309,490</u>	<u>\$ (70,837)</u>	<u>\$ 2,575,817</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,742,351</u>	<u>\$ 280,334</u>	<u>\$ 0</u>	<u>\$ 5,022,685</u>

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated:				
Land	10,000	0	0	10,000
Right-of-way easements	39,112			39,112
Construction in progress	<u>2,980</u>	<u>99,025</u>	<u>(8,091)</u>	<u>93,914</u>
Total capital assets not being depreciated	<u>52,092</u>	<u>99,025</u>	<u>(8,091)</u>	<u>143,026</u>
Capital assets being depreciated:				
Building	140,000	0	0	140,000
Machinery & equipment	110,863			110,863
Sewer collection system	<u>8,521,323</u>			<u>8,521,323</u>
Total capital assets being depreciated	<u>8,772,186</u>	<u>0</u>	<u>0</u>	<u>8,772,186</u>
Total capital assets	<u>8,824,278</u>	<u>99,025</u>	<u>(8,091)</u>	<u>8,915,212</u>
Less accumulated depreciation:				
Building	36,633	2,800	0	39,433
Machinery & equipment	47,617	13,279		60,896
Sewer collection system	<u>1,572,556</u>	<u>170,427</u>		<u>1,742,983</u>
Total accumulated depreciation	<u>1,656,806</u>	<u>186,506</u>	<u>0</u>	<u>1,843,312</u>
Business-Type Activities Capital Assets, Net	<u>7,167,472</u>	<u>(87,481)</u>	<u>(8,091)</u>	<u>7,071,900</u>

Depreciation expense was charged to the functions/programs of the Township as follows:

Governmental activities	
General government	\$ 40,586
Public safety	33,021
Public works-highways and streets	228,783
Culture and recreation	<u>7,100</u>
Total governmental activities	309,490
Business-type activities	<u>186,506</u>
Total depreciation	<u>\$ 495,996</u>

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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**5. OPERATING LEASES**

The Township is the lessor of land under an operating lease expiring in 2014. This operating lease was renewed on July, 1, 2014 for an additional five-year period.

Minimum future rentals to be received on non-cancelable leases as of:

<b>YEAR ENDING DECEMBER 31,</b>	
2015	\$ 23,805
2016	23,805
2017	23,805
2018	23,805
2019	<u>11,902</u>
	<u>\$ 107,122</u>

Minimum future rentals do not include contingent rentals that may be received by the Township if the lessee subleases the property.

There were no contingent rentals received by the Township in 2014.

The lessee has the option to renew the lease for three additional five-year periods at the following annual rent:

Period 1	\$ 23,805 per year
Period 2	\$ 27,376 per year
Period 3	\$ 31,482 per year

**6. DEPOSITS AND INVESTMENTS**

**DEPOSITS**

Custodial credit risk – Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. At year-end, the total carrying amount of the Township’s checking, savings, and money market deposits was \$1,855,305 and the corresponding bank balance was \$2,027,242. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,777,242 was collateralized through pools of securities held by the respective depository institutions. There is no custodial credit risk.

**INVESTMENTS**

Statutes authorize the Township to invest in U.S. Treasury bills, U.S. Government Agency bonds, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC) or in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer’s Investment pools, and mutual funds.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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As of December 31, 2014, the Township had the following investments:

<u>Fund</u>	<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Governmental	Certificate of Deposit	August 17, 2015	<u>\$350,874</u>

Of the certificate of deposit, \$250,000 was covered by federal depository insurance and \$100,874 was collateralized through pools of securities held by the respective depository institutions. There is no custodial credit risk.

**Interest Rate Risk** - The Township has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township has no interest rate risk.

**Credit Risk** - The Township has no investment policy that would limit its investment choices to certain credit ratings.

**Concentration of Credit Risk** - The Township places no limit on the amount that the Township may invest in any one issuer.

**7. DEBT OBLIGATIONS**

Following is a summary of changes in debt obligations for the year ended December 31, 2014:

(See next page)

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

Description	Amount Outstanding 1/1/2014	Retired Current Year	Amount Outstanding 12/31/2014
<p>1998 Guaranteed Sewer Revenue Note.  The original issue amount of \$975,000 had a fixed interest rate of 4.584%. Beginning September 2006, the note bears interest at a fixed rate of 4.25%.</p>	\$ 510,000	\$ 30,000	\$ 480,000
<p>1998 Guaranteed Sewer Revenue Note.  The original issue amount of \$405,000 had a variable weekly rate based on the Municipal Swap Index as set by the Bond Market Association. This rate cannot exceed 25% per annum. The average rate was 3.35%. Beginning September 2006, the note bears interest at a fixed rate of 4.045%.</p>	254,000	15,000	239,000
<p>2003 Guaranteed Sewer Revenue Notes Series A. The original issue amount of \$2,123,000 had a variable weekly rate based on the Municipal Swap Index as set by the Bond Market Association. This rate cannot exceed 15% per annum. The average rate was 3.37%. Beginning September 2006, the note bears interest at a fixed rate of 3.979%.</p>	764,000	181,000	583,000
<p>2003 Guaranteed Sewer Revenue Notes Series B. The original issue amount of \$1,377,000 had a variable weekly interest rate based on the Municipal Swap Index as set by the Bond Market Association. This rate cannot exceed 15% per annum. The average rate was 3.37%. Beginning September 2006, the note bears interest at a fixed rate of 3.979%.</p>	1,377,000	-	1,377,000
<p>2009 Guaranteed Sewer Revenue Notes Series A-1. The original issue amount of \$8,000 had a variable weekly rate based on the Municipal Swap Index as set by the Securities Industry and Financial Market Associates. This rate cannot exceed 15% per annum. The average rate was .953%.</p>	4,000	1,000	3,000
<p>2009 Guaranteed Sewer Revenue Notes Series A-2. The original issue amount of \$542,000 had a variable weekly interest rate based on the Municipal Swap Index as set by the Securities Industry and Financial Market Association. This rate cannot exceed 15% per annum. The average rate was .953%.</p>	542,000	-	542,000
<b>Total Debt Obligations</b>	<b>\$ 3,451,000</b>	<b>\$ 227,000</b>	<b>\$ 3,224,000</b>

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

The Township can prepay the Guaranteed Sewer Revenue Notes—the Series of 1998, and both Series A and B of 2003, and both Series A-1 and A-2 of 2009, subject to paying the costs associated with the liquidation of the notes.

The Guaranteed Sewer Revenue Notes—Series of 1998, both Series A and B of 2003, and both Series A-1 and A-2 of 2009 are secured by the revenue base of the sewer system and by the full faith, credit, and taxing powers of the Township.

Interest expense was \$130,972 for the year-ended December 31, 2014.

The amounts of future annual principal and interest payments on debt outstanding assuming a variable rate of 4% for the 2009 notes, as of December 31, 2014, for each of the next five years and in the aggregate are as follows:

<b>YEAR ENDING DECEMBER 31,</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 235,000	\$ 127,192	\$ 362,192
2016	244,000	117,483	361,483
2017	254,000	107,383	361,383
2018	263,000	96,899	359,899
2019	273,000	86,029	359,029
2020-2028	<u>1,955,000</u>	<u>297,376</u>	<u>2,252,376</u>
	<u>\$ 3,224,000</u>	<u>\$ 832,362</u>	<u>\$ 4,056,362</u>

Proceeds from tax-exempt bonds issued after September 1, 1986, are subject to the 1986 Tax Reform Act. The Township invests, records, and reports these proceeds in the manner set forth by the U.S. Treasury and Internal Revenue Service to maintain the tax-exempt status of the bonds at December 31, 2014. There are no arbitrage liabilities.

The Township is in compliance with provisions of all note agreements.

The Township issued the Guaranteed Sewer Revenue Notes, 1998 A and B Series, the Guaranteed Sewer Revenue Notes, 2003 A and B Series, and the Guaranteed Sewer Revenue Notes, 2009 Series to the Delaware Valley Regional Finance Authority ("DelVal") to evidence its obligations for loans from DelVal. Under the terms of the Loan Agreements, the Township pays interest on the loans sufficient to pay its allocable share of DelVal's bond debt service, interest rate swaps (including termination costs), and administrative costs.

DelVal has entered into interest rate swap transactions to hedge its exposure to changing market conditions, to minimize the costs to provide loans, and to minimize fixed and variable loan rates. All DelVal loans are initially variable rate, and all loans are allocated a notional amount, equal to the outstanding principal of the loans, of DelVal interest rate swaps under which DelVal pays a variable rate to its Counterparty. These are programmatic swap agreements that would only be terminated if the DelVal Loan Program were being collapsed. DelVal provides a fixed rate loan if requested by a borrower by entering into an offsetting swap transaction under which DelVal pays a fixed rate. This offsetting transaction is entirely allocable to the fixed rate borrower. The offsetting transaction would only be terminated if the fixed rate borrower requested the termination (to prepay its loan or to reset the interest rate), the fixed rate borrower defaulted on its payment obligations, or the DelVal Loan Program were collapsed.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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**Interest Rate Swap – Series of 1998 Guaranteed Sewer Revenue Notes A**

Objective of the interest rate swap - The Township issued the \$975,000 Series of 1998 Guaranteed Sewer Revenue Notes to DelVal to minimize its costs of issuance and to take advantage of the ability to set the Notes at a variable rate or a fixed rate. The Notes were converted to a fixed rate in 2006.

Terms - The Township's obligations for the allocable notional amounts of the DelVal swap agreements are scheduled to terminate on September 25, 2026. The allocable notional amount equals the Notes balance outstanding. Currently, under the Loan Agreement, the Township pays DelVal a fixed rate of 4.25% plus a spread of 40 basis points.

Fair Value - The allocable portion of DelVal's variable rate swap had a positive fair value of \$39,212 at December 31, 2014. The fixed rate swap allocable to the Township had a positive fair value of \$24,760 at December 31, 2014. The fair value was derived from proprietary models based upon well recognized financial principals and reasonable estimates about relevant future market conditions.

Credit risk - As of December 31, 2014, the Township was not exposed to credit risk because the fixed rate swap had a positive fair value. The Township is exposed to credit risk in the amount of the derivatives fair value if the DelVal Loan Program is collapsed, the Township elects to prepay the Notes or to reset the interest rate on the Notes, or the Township defaults on its payment obligations. DelVal was rated A2 by Moody's Investors Service and A+ Standard and Poor's as of December 31, 2014.

Basis risk - The Township does not have any basis risk under the allocable DelVal swap agreements.

**Interest Rate Swap – Series of 1998 Guaranteed Sewer Revenue Notes B**

Objective of the interest rate swap - The Township issued the \$405,000 Series of 1998 Guaranteed Sewer Revenue Notes to DelVal to minimize its costs of issuance and to take advantage of the ability to set the Notes at a variable rate or a fixed rate. The Notes were converted to a fixed rate in 2006.

Terms - The Township's obligations for the allocable notional amounts of the DelVal swap agreements are scheduled to terminate on September 25, 2026. The allocable notional amount equals the Notes balance outstanding. Currently, under the Loan Agreement, the Township pays DelVal a fixed rate of 4.045% plus a spread of 40 basis points.

Fair Value - The allocable portion of DelVal's variable rate swap had a positive fair value of \$19,524 at December 31, 2014. The fixed rate swap allocable to the Township had a positive fair value of \$19,116 at December 31, 2014. The fair value was derived from proprietary models based upon well recognized financial principals and reasonable estimates about relevant future market conditions.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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Credit risk - As of December 31, 2014, the Township was not exposed to credit risk because the fixed rate swap had a positive fair value. The Township is exposed to credit risk in the amount of the derivatives fair value if the DelVal Loan Program is collapsed, the Township elects to prepay the Notes or to reset the interest rate on the Notes, or the Township defaults on its payment obligations. DelVal was rated A2 by Moody's Investors Service and A+ Standard and Poor's as of December 31, 2014.

Basis risk - The Township does not have any basis risk under the allocable DelVale swap agreements.

**Interest Rate Swap - Series of 2003 Guaranteed Sewer Revenue Notes A and B**

Objective of the interest rate swap - The Township issued the \$3,500,000 Series of 2003 Guaranteed Sewer Revenue Notes to DelVal to minimize its costs of issuance and to take advantage of the ability to set the Notes at a variable rate or a fixed rate. The Notes were converted to a fixed rate in 2006.

Terms - The Township's obligations for the allocable notional amounts of the DelVal swap agreements are scheduled to terminate on June 25, 2023. The allocable notional amount equals the Notes balance outstanding. Currently, under the Loan Agreement, the Township pays DelVal a fixed rate of 3.979% plus a spread of 40 basis points.

Fair Value - The allocable portion of DelVal's variable rate swap had a positive fair value of \$160,116 at December 31, 2014. The fixed rate swap allocable to the Township had a positive fair value of \$107,570 at December 31, 2014. The fair value was derived from proprietary models based upon well recognized financial principals and reasonable estimates about relevant future market conditions.

Credit risk - As of December 31, 2014, the Township was not exposed to credit risk because the fixed rate swap had a positive fair value. The Township is exposed to credit risk in the amount of the derivatives fair value if the DelVal Loan Program is collapsed, the Township elects to prepay the Notes or to reset the interest rate on the Notes, or the Township defaults on its payment obligations. DelVal was rated A2 by Moody's Investors Service and A+ Standard and Poor's as of December 31, 2014.

Basis risk - The Township does not have any basis risk under the allocable DelVal swap agreements.

**Interest Rate Swap - Series of 2009 Guaranteed Sewer Revenue Notes**

Objective of the interest rate swap - The Township issued the \$550,000 Series of 2009 Guaranteed Sewer Revenue Notes to DelVal to minimize its costs of issuance and to take advantage of the ability to set the Notes at a variable rate or a fixed rate. The Notes were issued at a variable rate.

Terms - The Township's obligations for the allocable notional amounts of the DelVal swap agreements are scheduled to terminate on June 25, 2023. The allocable notional amount equals the Notes balance outstanding. At December 31, 2014 the variable interest rate was 0.946%.

Fair value - The allocable portion of DelVal's variable rate swap had a positive fair value of \$44,522 at December 31, 2014. The fair value was derived from proprietary model based upon well recognized financial principals and reasonable estimates about relevant future market conditions.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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Credit risk - As of December 31, 2014, the Township had no credit risk because the variable rate swap had a positive fair value. DelVal was rated A2 by Moody's Investors Service and A+ Standard and Poor's as of December 31, 2014.

Basis risk - The Township does not have any basis risk under the allocable DelVal swap agreements.

**8. JOINT SEWER AGREEMENTS**

**PENNSYLVANIA-AMERICAN WATER COMPANY (FORMERLY CITY OF COATESVILLE AUTHORITY)**

Under an agreement dated July 7, 1997, the Pennsylvania-American Water Company (formerly City of Coatesville Authority) agreed to provide sewage conveyance and treatment capacity of 410,750 gallons per day to Sadsbury Township. The Pennsylvania-American Water Company constructed facilities needed for the additional sewage conveyance and financed this project by issuing bonds. This agreement expires thirty years from the effective date. Either party may terminate this agreement upon giving five-years written notice. The Township is responsible for the design, financing, and construction of the sewer lines and pumping stations located within the Township.

For this service, the Township is paying the Pennsylvania-American Water Company's standard, published rates for sewage conveyance on a monthly basis.

In addition, the Township has reimbursed the Pennsylvania-American Water Company its pro rata share of capacity fees and conveyance costs associated with the Township's connection to the system. The Township will also reimburse the Pennsylvania-American Water Company for the pro rata share of the Pennsylvania-American Water Company's bond interest directly attributable to the construction of facilities related to the additional system. These charges are being paid on a per connection basis. At December 31, 2014, prepaid expense was \$43,991 for conveyance costs and \$29,400 for capacity fees.

Under an agreement dated September 16, 2003, two developments located in West Caln Township agreed to connect to the Sadsbury Township system to have their sewage conveyed to the facility owned by the Pennsylvania-American Water Company. Pennsylvania-American Water Company has agreed to construct a force main to carry flows of 110,000 gallons per day from these two developments to the Township's sewage conveyance system. For this service, the two developments agree to pay to the Township connection fees of \$2,319 per equivalent dwelling unit of which the Township will reimburse \$1,178 per equivalent dwelling unit to Sadsbury Sewer Corporation, as discussed below. In addition, the two developments agreed to pay in advance \$26,000 as a sewage conveyance fee for the period beginning September 16, 2003, and ending December 31, 2006. Beginning January 1, 2007, the Township will charge for sewage conveyance on a quarterly basis on a formula contained in the agreement. Sewage fees were \$17,785 for the year ended December 31, 2014. The two developments and Pennsylvania-American Water Company agreed to reimburse the Township for all expenses incurred relating to this agreement.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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On August 3, 2013, the Township entered into a second agreement with a third development located in West Caln Township that agreed to connect to the Sadsbury Township system to have their sewage conveyed to the facility owned by the Pennsylvania-American Water Company. For this service, the third development agrees to pay to the Township the prevailing connection fees at the time of connection per equivalent dwelling unit. The current connection fee is \$2,938 per equivalent dwelling. In addition, the Township will charge for sewage conveyance on a quarterly basis based on a formula contained in the agreement. Also, Pennsylvania-American Water Company agreed to a proportionate share of future capital costs of the commonly used wastewater facilities and the developer agreed to pay the total capital costs for the upgrades and/or expansion of the pump station as necessary to correct any overload conditions caused by treatment of sewage from this development. Finally, the third development and Pennsylvania-American Water Company agreed to reimburse the Township for all expenses incurred relating to this agreement.

**SADSBURY SEWER CORPORATION**

Under an agreement dated July 7, 1997, the Sadsbury Sewer Corporation (SSC), a private third-party, constructed the sewage facilities needed to connect the Sadsbury Township system to the Pennsylvania-American Water Company (the interconnector) and a portion of the conveyance system in the SSC development. The Township is obligated to construct all other conveyance systems to be located in the Township. For building the interconnector, Sadsbury Sewer Corporation is entitled to 270,000 gallons per day of the Township's 410,750 gallons per day to be provided by the Pennsylvania-American Water Company. In addition, the Township has agreed to reimburse the Sadsbury Sewer Corporation for any connection to the SSC system by a property owner within the Township (but not in the SSC development) during the ten-year period commencing on the date of dedication of the SSC facilities, subject to extensions agreed upon by both parties. This rebate will be an amount equal to the collection component of the tapping fee (subject to a five-percent administrative fee).

During the same ten-year period, SSC shall also be entitled to reimbursement of a pro rata share of its capital costs incurred in the construction of its facilities when any connection to the system is made from outside the Township.

**9. COMMITMENTS AND CONTINGENCIES**

**Legal Proceedings**

The Township was named, along with other municipalities (Municipal Group) and industrial companies (Industrial Group), as a potentially responsible party by the United States Environmental Protection Agency (EPA) for serious environmental contamination to a landfill operation previously used to dispose of trash under a contract with the Township. EPA has given indications of preliminary approval of an alternative cap remedy proposed by the Industrial Group that would cost several million dollars. In negotiation, EPA is now giving indications that they would accept a proposal from the Municipal Group in which this group agrees to assume discrete tasks in effectuating the cleanup, for example the cost of inspection and maintenance of the remediation area for the next thirty years. The total cost to the Municipal Group is estimated to be approximately \$78,000 annually for years one through five and \$58,500 annually for years six through thirty. The Township will be responsible for a fraction of these total amounts depending on the final number of contributing municipalities. In any event,

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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both EPA and the Municipal Group are concerned that the Industrial Group might challenge the Municipal Group settlement based on the theory that the proposed contribution by the Municipal Group is disproportionately small compared to their contribution. At this time, the settlement discussions with both EPA and the Industrial Group continue. The potential liability of the Township could substantially exceed its share of the cost for inspection and maintenance if the Industrial Group were to pursue contribution claims against the Municipal Group or the Municipal Group settlement is not accepted by EPA. The potential liability to the Township cannot be reasonably estimated at this time.

**SELF-INSURANCE**

The Township is a member of the Pennsylvania Intergovernmental Risk Management Association (PIRMA), a public entity self-insurance pool. PIRMA is comprised of various townships, boroughs, cities, counties, and authorities in the Commonwealth of Pennsylvania. The Township pays an annual premium to PIRMA for its general liability, automobile, police professional liability, and public officials' errors and omissions insurance coverages. The agreement for formation of PIRMA provides that PIRMA will be self-sustaining through member premiums and will return the first \$250,000 of loss, will reinsure through the American Public Entity Excess Pool losses in an amount not to exceed \$1.75 million per claim and \$5 million in the aggregate per year, and will purchase \$5,000,000 annual aggregate excess coverage through a commercial reinsurance company.

If the Township were to withdraw from PIRMA, it would receive its vested interest in the cumulative reserve fund and become responsible for the Township's claims. At December 31, 2014, the vested interest is \$43,243.

**UNION CONTRACTS**

The police union contract was negotiated for a two-year term beginning January 1, 2014 through December 31, 2015 and covers two full-time employees and several part-time employees.

The highway department union contract was negotiated for a three year, two and one-half months term beginning October 19, 2012 through December 31, 2015 and covers two full-time employees.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2014**  
**(Continued)**

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**10. SUBSEQUENT EVENTS**

In accordance with ASC 855, the Township has evaluated all events subsequent to the financial statement date of December 31, 2014, through October 6, 2015, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or disclosure.

**11. CURRENT YEAR REAL ESTATE TAXES**

Assessed valuation, adjusted by authorized revisions	\$ 207,789,186
Approved tax rate in mills	<u>0.00105</u>
Gross levy	218,179
Plus penalties applied	<u>774</u>
	218,953
Deductions: Discount	(3,837)
Abatements	(3,474)
Taxes liened with county	<u>(5,189)</u>
Net current year real estate taxes collected	<u>\$ 206,453</u>

**12. RETIREMENT PLAN**

The Township established a defined contribution plan (SIMPLE IRA) effective February, 2006. The plan is available to all eligible employees. For purposes of Township matching and other discretionary contributions, all employees are eligible who are reasonably expected to receive \$5,000 in compensation in the calendar year and who have received at least \$5,000 in compensation during any two calendar years preceding the calendar year. The Township's contribution consists of a matching contribution equal to 3% of each employee's SIMPLE IRA elective deferral to the plan.

Retirement plan expense for the year ended December 31, 2014 was \$6,542.

**REQUIRED SUPPLEMENTAL INFORMATION**

**SADSBURY TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances--**  
**Budget and Actual--General Fund**  
**For the Year Ended December 31, 2014**

	Budgeted Amounts		Actual	Variance from Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes - real estate	\$ 203,000	\$ 203,000	\$ 211,909	\$ 8,909
Taxes levied under Act 511	746,500	746,500	968,400	221,900
Licenses and permits	69,700	69,700	75,328	5,628
Fines and forfeits	32,100	32,100	21,908	(10,192)
Interest income	1,500	1,500	832	(668)
Rents	20,700	20,700	22,252	1,552
Intergovernmental revenues	184,600	184,600	28,647	(155,953)
Charges for services	405,600	405,600	413,974	8,374
Contributions from private sectors	55,780	55,780	10,480	(45,300)
Miscellaneous revenues	20,700	20,700	24,260	3,560
<b>Total revenues</b>	<b>1,740,180</b>	<b>1,740,180</b>	<b>1,777,990</b>	<b>37,810</b>
<b>EXPENDITURES</b>				
General government	706,250	706,250	548,915	157,335
Public safety	593,950	593,950	501,927	92,023
Solid waste collection	244,600	244,600	242,062	2,538
Highways and streets	159,212	154,212	148,895	5,317
Culture and recreation	30,000	30,000	14,321	15,679
Special project	159,000	159,000	19,316	139,684
Miscellaneous (payroll taxes and employee benefits)	117,700	117,700	117,680	20
<b>Total expenditures</b>	<b>2,010,712</b>	<b>2,005,712</b>	<b>1,593,116</b>	<b>412,596</b>
Excess (deficiency) of revenues over expenditures	(270,532)	(265,532)	184,874	450,406
Other financing sources (uses) interfund transfers	133,300	133,300	63,320	69,980
<b>Net change in fund balances</b>	<b>(137,232)</b>	<b>(132,232)</b>	<b>248,194</b>	<b>380,426</b>
Fund balance - January 1, 2014	204,000	204,000	656,728	452,728
Fund balance - December 31, 2014	\$ 66,768	\$ 71,768	\$ 904,922	\$ 833,154

**SADSBURY TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—**  
**Budget and Actual—Capital Projects Fund**  
**For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance from Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest income	\$ 2,400	\$ 2,450	\$ 2,499	\$ 49
<b>EXPENDITURES</b>				
General government	0	0	0	0
Excess (deficiency) of revenues over expenditures	2,450	2,450	2,499	49
Other financing sources (uses) interfund transfers	(90,000)	(90,000)	(18,556)	71,444
Net change in fund balances	(87,550)	(87,550)	(16,057)	71,493
Fund balance - January 1, 2014	670,700	670,700	705,134	34,434
Fund balance - December 31, 2014	<u>\$ 583,150</u>	<u>\$ 583,150</u>	<u>\$ 689,077</u>	<u>\$ 105,927</u>

**SADSBURY TOWNSHIP****Statement of Revenues, Expenditures, and Changes in Fund Balances—  
Budget and Actual—Act 209 Fund  
For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance from Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest Income	\$ 700	\$ 700	\$ 578	\$ (122)
Charges for services	<u>0</u>	<u>0</u>	<u>2,130</u>	<u>2,130</u>
Total revenues	<u>700</u>	<u>700</u>	<u>2,708</u>	<u>2,008</u>
<b>EXPENDITURES</b>				
Public works - highways and streets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in fund balances	<u>700</u>	<u>700</u>	<u>2,708</u>	<u>2,008</u>
Fund balance - January 1, 2014	<u>288,400</u>	<u>288,400</u>	<u>299,185</u>	<u>10,785</u>
Fund balance - December 31, 2014	<u>\$ 289,100</u>	<u>\$ 289,100</u>	<u>\$ 301,893</u>	<u>\$ 12,793</u>

**SUPPLEMENTAL INFORMATION**

**SADSBURY TOWNSHIP**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances -**  
**Budget and Actual - Special Revenue Fund**  
**For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest income	\$ 200	\$ 200	\$ 305	\$ 105
Intergovernmental revenues	87,500	87,500	97,558	10,058
Total revenues	87,700	87,700	97,863	10,163
<b>Expenditures</b>				
Public works - highways and streets	133,800	138,800	138,531	269
Total expenditures	133,800	138,800	138,531	269
Net change in fund balances	(46,100)	(51,100)	(40,668)	10,432
Fund balance - January 1, 2014	164,200	164,200	164,366	166
Fund balance - December 31, 2014	\$ 118,100	\$ 113,100	\$ 123,698	\$ 10,598

**SADBURY TOWNSHIP  
FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**SADSBURY TOWNSHIP**Page  
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**Independent Auditor's Report**

To the Board of Supervisors  
Sadsbury Township  
Chester County, Pennsylvania

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Sadsbury Township 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 (GAAP).

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages MD&A 1 through MD&A 18 and budgetary comparison information on pages 35 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sadsbury Township's basic financial statement. The introductory section and the non-major fund budget and actual financial statement is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The non-major fund budget and actual financial statement is the responsibility of management and was derived from and relates 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 non-major fund budget and actual financial statement is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

*Maulo & Company, Ltd.*

West Chester, Pennsylvania  
October 18, 2016

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**

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The Management Discussion and Analysis of Sadsbury Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2015. The intent of this discussion and analysis is to look at the Township's financial performance as a whole. Readers should also review the financial statements and related notes.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis - for State and Local Governments*, presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

- The Township's assets exceeded its liabilities by \$12,398,583 (net position) for the fiscal year. The 2015 increase was \$409,490.
- Total net position is comprised of the following:
  - 1) Capital assets, net of related debt, of \$8,759,728 include property and equipment, net of accumulated depreciation, and are reduced by outstanding debt related to the purchase or construction of capital assets. The 2015 decrease was \$110,857.
  - 2) Net position of \$522,722 are restricted by constraints imposed from outside the Township such as grantors, laws, or regulations. The 2015 decrease was \$593,946.
  - 3) Unrestricted net assets of \$3,116,133 represent the portion available to maintain the Township's continuing obligations to citizens and creditors. The 2015 increase was \$1,114,293.
- The Township's governmental activities reported total ending net assets of \$7,475,648 this year. The 2015 increase was \$196,600.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$822,065 or 57.0% of total General Fund expenditures, including transfers, and 46.0% of total General Fund revenues, including transfers. The 2015 increase was \$289,611.
- This increase in fund balance relates to increased payroll related tax revenue such as earned income taxes and local service taxes, an increase in developer contributions, and a reduction in legal expenses and highway road project costs compared to 2014.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with GASB Statement Number 34 and present both government-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

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**Government-Wide Financial Statements**

- The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Township's overall financial status.
- 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 government's assets 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 they have changed. Net position, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.
- Over time, increases or decreases in the Township's net position are an indication of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, a reader needs to consider additional non-financial factors, such as changes in the Township's property tax base and increases in development in the Township.
- The government-wide financial statements of the Township are divided into two categories:
  - Governmental Activities - All of the Township's basic services are included here, such as administration and community services. Taxes, charges for services, and state grants finance most of these activities.
  - Business-Type Activities - The Township runs a sewer system and charges fees to residents for conveyance of waste through the Township's sewer system.

**Fund Level Financial Statements**

The remaining statements are fund financial statements that focus on individual parts of the Township's operations in more detail than the government-wide statements. The governmental fund statements tell how the Township's general services were financed in the short-term, as well as, what remains for future spending. Proprietary fund statements offer short-term and long-term financial information about the activities that the Township operates like a business. For this Township, this is the Sewer Fund. Fiduciary fund statements provide information about financial relationships in which the Township acts solely as a trustee or agent for the benefit of others.

- **Governmental Funds** - Most of the Township's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental funds are reported using an accounting basis called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's operations and the services it provides. Governmental fund information helps the reader 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 (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.



**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**Schedule of Net Position**  
**Year Ended December 31, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current and other assets	\$ 2,317,192	\$ 1,194,085	\$ 3,511,277
Capital assets, net	<u>5,022,685</u>	<u>7,071,900</u>	<u>12,094,585</u>
Total Assets	<u>\$ 7,339,877</u>	<u>\$ 8,265,985</u>	<u>\$ 15,605,862</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 60,829	\$ 566,940	\$ 627,769
Non-current liabilities	<u>                    </u>	<u>2,989,000</u>	<u>2,989,000</u>
Total Liabilities	<u>60,829</u>	<u>3,555,940</u>	<u>3,616,769</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	5,022,685	3,847,900	8,870,585
Restricted	1,116,668		1,116,668
Unrestricted	<u>1,139,695</u>	<u>862,145</u>	<u>2,001,840</u>
Total Net Position	<u>7,279,048</u>	<u>4,710,045</u>	<u>11,989,093</u>
Total Liabilities and Net Position	<u>\$ 7,339,877</u>	<u>\$ 8,265,985</u>	<u>\$ 15,605,862</u>

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, and revenues that directly relate to specific expense categories are represented to determine the final amount of the Township's activities that are supported by other general revenues. The largest revenues are property taxes, other taxes, and charges for services.

**SADBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

The following tables present condensed financial information for the Statement of Activities in a different format, in order to present total revenues for the years ended December 31, 2015 and 2014.

**Changes in Net Position**  
**For The Year Ended December 31, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>REVENUES</b>			
Program Services			
Charges for services	\$ 593,584	\$ 1,216,303	\$ 1,809,887
Operating grants and contributions	195,031		195,031
Capital grants and contributions			0
General Revenues			
Real estate taxes	215,163		215,163
Transfer taxes	72,886		72,886
Per capita taxes	6,030		6,030
Earned income taxes	641,165		641,165
Local Services taxes	106,680		106,680
Investment earnings	2,584	599	3,183
Rental income	23,805		23,805
Miscellaneous	13,836		13,836
<b>Total Revenues</b>	<u>1,870,764</u>	<u>1,216,902</u>	<u>3,087,666</u>
<b>EXPENSES</b>			
General government	428,460		428,460
Public safety	506,693		506,693
Solid waste collection	242,083		242,083
Highways and streets	441,186		441,186
Culture and recreation	13,422		13,422
Miscellaneous expenditures	92,049		92,049
Sewer system		954,283	954,283
<b>Total Expenses</b>	<u>1,723,893</u>	<u>954,283</u>	<u>2,678,176</u>
Increase (decrease) in net position before transfers	146,871	262,619	409,490
<b>TRANSFERS</b>	<u>49,729</u>	<u>(49,729)</u>	
Increase (decrease) in net position	196,600	212,890	409,490
Net position - beginning	<u>7,279,048</u>	<u>4,710,045</u>	<u>11,989,093</u>
Net position - ending	<u>\$ 7,475,648</u>	<u>\$ 4,922,935</u>	<u>\$ 12,398,583</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**Changes in Net Position**  
**For The Year Ended December 31, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>REVENUES</b>			
Program Services			
Charges for services	\$ 513,487	\$ 1,276,730	\$ 1,790,217
Operating grants and contributions	134,185		134,185
Capital grants and contributions	363,560	93,372	456,932
General Revenues			
Real estate taxes	214,293		214,293
Transfer taxes	174,941		174,941
Per capita taxes	8,754		8,754
Earned income taxes	671,464		671,464
Local Services taxes	105,487		105,487
Investment earnings	4,214	388	4,602
Rental income	22,252		22,252
Miscellaneous	24,260		24,260
Total Revenues	<u>2,236,897</u>	<u>1,370,490</u>	<u>3,607,387</u>
<b>EXPENSES</b>			
General government	523,237		523,237
Public safety	523,456		523,456
Solid waste collection	242,062		242,062
Highways and streets	390,210		390,210
Culture and recreation	18,228		18,228
Miscellaneous expenditures	117,680		117,680
Sewer system		961,937	961,937
Total Expenses	<u>1,814,873</u>	<u>961,937</u>	<u>2,776,810</u>
Increase (decrease) in net position before transfers	422,024	408,553	830,577
<b>TRANSFERS</b>	<u>44,764</u>	<u>(41,291)</u>	<u>3,473</u>
Increase (decrease) in net position	466,788	367,262	834,050
Net position - beginning	<u>6,812,260</u>	<u>4,342,783</u>	<u>11,155,043</u>
Net position - ending	<u>\$ 7,279,048</u>	<u>\$ 4,710,045</u>	<u>\$ 11,989,093</u>

**SADBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**EXPENSES**

The following tables present condensed financial information on the expenses of the Township by function.

**Expense Analyses**

**Expenses - Governmental Activities**

The following table illustrates both the gross and net costs of services. Unrestricted grants and contributions are deducted to reflect the amount needed to be funded by other revenue sources. Capital contributions from developers are not included in the analysis.

	<u>For the year ended December 31, 2015</u>		<u>For the year ended December 31, 2014</u>	
	<u>Total Cost of Services</u>	<u>Net Cost (Benefit) of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost (Benefit) of Services</u>
General government	\$ 428,460	\$ 342,750	\$ 523,237	\$ 518,412
Public safety	506,693	294,190	523,456	316,567
Solid waste collection	242,083	(90,242)	242,062	(93,258)
Highways and streets	441,186	323,858	390,210	(73,038)
Culture and recreation	13,422	(27,327)	18,228	17,278
Miscellaneous	92,049	92,049	117,680	117,680
Total Expenses	<u>\$ 1,723,893</u>	<u>\$ 935,278</u>	<u>\$ 1,814,873</u>	<u>\$ 803,641</u>
Less: Grants, subsidies, and contributions not restricted		<u>0</u>		<u>0</u>
Amount funded by other revenue sources		<u>\$ 935,278</u>		<u>\$ 803,641</u>

**Expenses - Business-Type Activities**

The following table reflects condensed financial activities of the sewer system, the only business-type activity of the Township.

	<u>For the year ended December 31, 2015</u>		<u>For the year ended December 31, 2014</u>	
	<u>Total Cost of Services</u>	<u>Net Cost (Benefit) of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost (Benefit) of Services</u>
Sewer system	<u>\$ 954,283</u>	<u>\$ (262,020)</u>	<u>\$ 961,937</u>	<u>\$ (408,165)</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**THE TOWNSHIP FUNDS**

**General Fund**

- At December 31, 2015 and 2014, the Township reported fund balances of \$1,256,027 and \$904,922, respectively, which represents 87.2% and 56.8% of total expenses. Fund balance as a percent of total expenses increased because of higher taxes as explained below and a reduction in legal expense and highway road project expenses as compared to 2014. The fund balance is allocated as follows:

Non-spendable - prepaid expense	\$	49,288
Restricted		
Parks capital		39,319
Stormwater maintenance		6,215
Assigned - budgetary reserve		339,140
Unassigned		<u>822,065</u>
	\$	<u>1,256,027</u>

**REVENUE**

General fund revenues totaled \$1,791,826 for the year ended December 31, 2015. The following table reflects a comparison of current year revenues with the revenues reflected in the 2015 budget year:

	<u>Actual</u> 2015	<u>% of</u> Total	<u>Budget</u> 2015	<u>Inc/(Dec)</u> from Budget
Taxes	\$ 1,076,564	60.1%	\$ 1,063,600	\$ 12,964
Licenses and permits	78,968	4.4%	73,400	5,568
Fees and fines	18,934	1.1%	27,700	(8,766)
Interest income	978	0.1%	740	238
Rental income	23,805	1.3%	23,800	5
Intergovernmental revenues	28,800	1.6%	473,500	(444,700)
Charges for services	441,076	24.6%	398,200	42,876
Contributions from private sector	59,136	3.3%	46,600	12,536
Miscellaneous	13,836	0.8%	3,800	10,036
Other financing sources	<u>49,729</u>	<u>2.7%</u>	<u>46,100</u>	<u>3,629</u>
	<u>\$ 1,791,826</u>	<u>100.0%</u>	<u>\$ 2,157,440</u>	<u>\$ (365,614)</u>

Intergovernmental revenues were lower than expected due to the 2015 budget including a transportation enhancement grant for \$436,000 that was not received. Contributions from private sector was higher than the budget due to increased developer projects in 2015.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**EXPENDITURES**

General fund expenditures totaled \$1,440,721. These expenditures were segregated into various programs depending on the functions of the activity. These programs and the costs associated with each, as well as, comparison to the original 2015 budget, are as follows:

	<u>Actual</u> 2015	<u>% of</u> <u>Total</u>	<u>Budget</u> 2015	<u>Inc/(Dec)</u> <u>from Budget</u>
General government	\$ 474,478	32.9%	\$ 726,200	\$ (251,722)
Public safety	477,774	33.2%	545,300	(67,526)
Public works, solid waste collection	242,083	16.8%	244,600	(2,517)
Public works, highways and streets	148,723	10.3%	140,600	8,123
Culture and recreation	5,614	0.4%	40,400	(34,786)
Special projects	3,600	0.2%	420,000	(416,400)
Miscellaneous	88,449	6.2%	114,300	(25,851)
	<u>\$ 1,440,721</u>	<u>100.0%</u>	<u>\$ 2,231,400</u>	<u>\$ (790,679)</u>

General government was lower than budget because of lower legal fees, engineering fees and administration costs such as payroll and insurance costs. Public safety was lower than budget because of lower payroll costs and gasoline cost by the police department. Culture and recreation were lower because a project that was budgeted did not occur in 2015. Special project costs were lower than budget because a highway project funded by federal and state grants was delayed.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**CONDENSED STATEMENT OF ACTIVITIES**

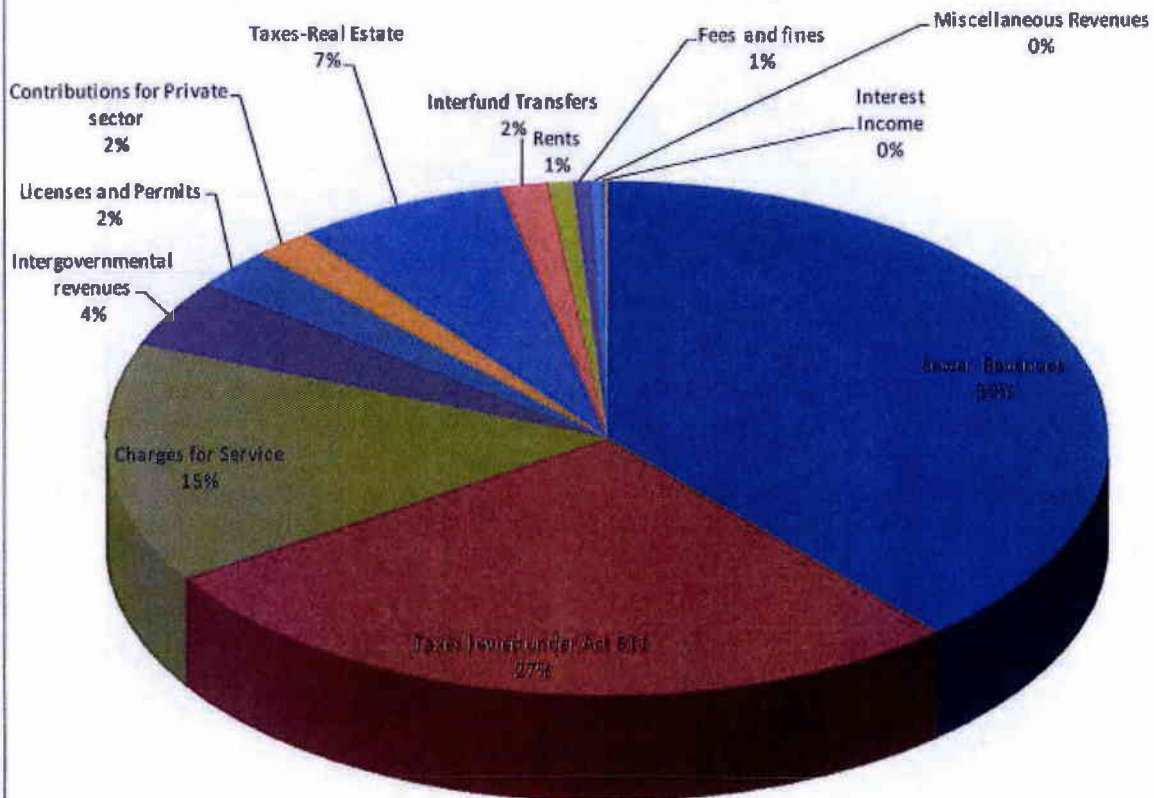
**Governmental and Proprietary (Sewer) Fund**

A comparison including graphs of the Township's Governmental and Proprietary (Sewer) Funds revenue and expenditures/expenses for 2015 and 2014 by category (as used for budgeting purposes) is shown below:

	<u>2015</u>	<u>2014</u>
<b><u>Revenues</u></b>		
Taxes-real estate	\$ 215,572	\$ 211,909
Taxes levied under Act 511	860,992	968,400
Licenses and permits	78,968	75,328
Fees and fines	18,934	21,908
Interest income	2,584	4,214
Rental income	23,805	22,252
Intergovernmental revenues	135,895	126,205
Charges for service	477,286	416,104
Contributions for private sector	59,136	10,480
Miscellaneous revenues	13,836	24,260
Interfund transfers	49,729	44,764
Sewer system revenues	<u>1,216,902</u>	<u>1,277,118</u>
<b>Total Revenues</b>	<b><u>\$ 3,153,639</u></b>	<b><u>\$ 3,202,942</u></b>
<b><u>Expenditures/Expenses</u></b>		
General Government	\$ 474,478	\$ 548,915
Public Safety	477,774	501,927
Public works-solid waste collection	242,083	242,062
Public works- highways and streets	241,363	287,426
Culture and recreation	5,614	14,321
Special project	3,600	19,316
Miscellaneous	88,449	117,680
Sewer system expenses	<u>1,004,012</u>	<u>1,003,228</u>
<b>Total Expenditures/Expenses</b>	<b><u>\$ 2,537,373</u></b>	<b><u>\$ 2,734,875</u></b>

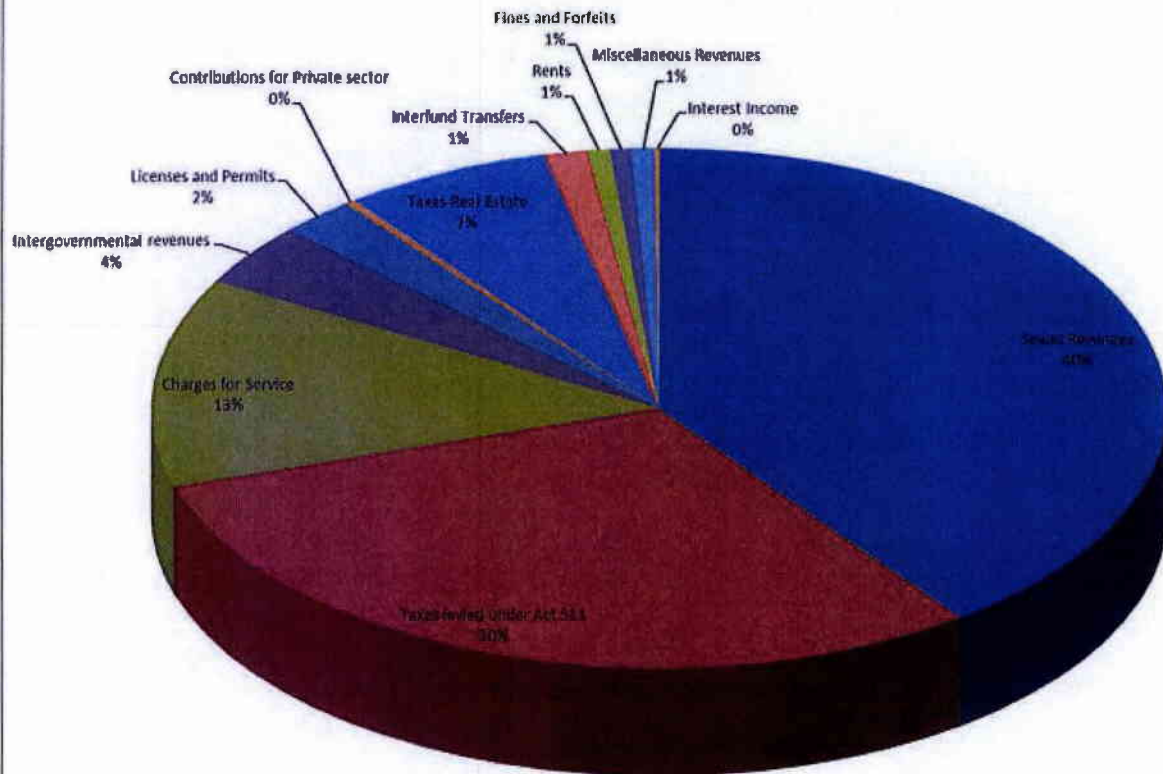
**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**Revenues Year ended December 31, 2015**



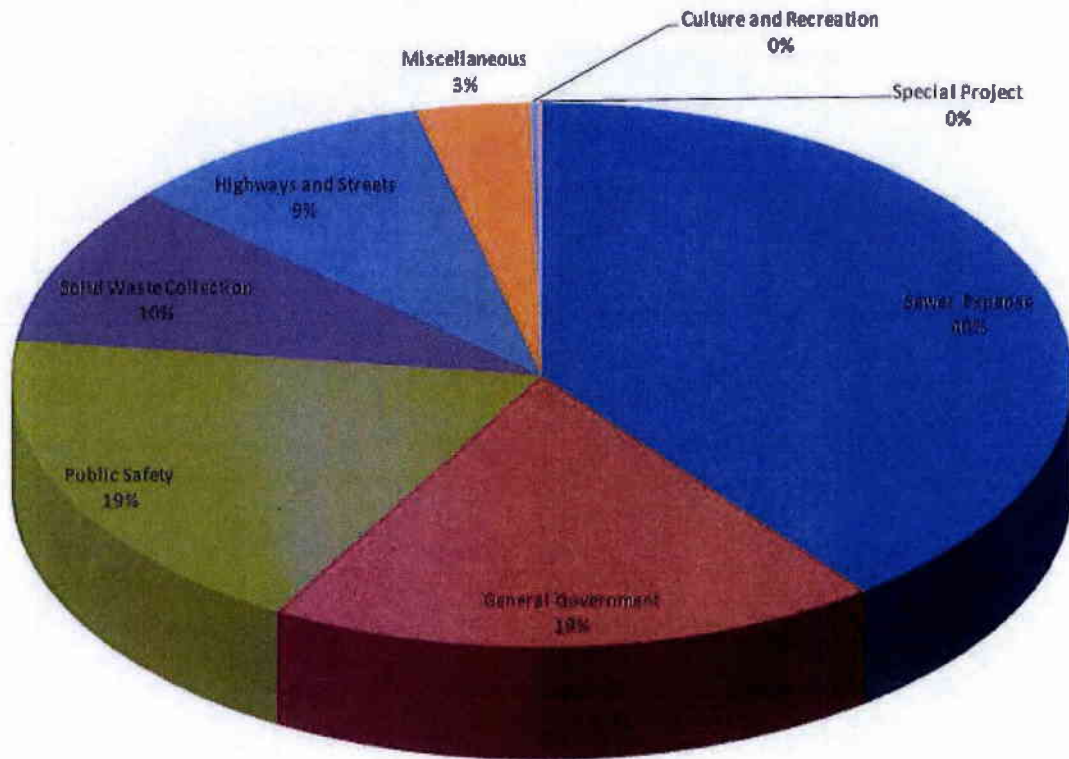
**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**Revenues Year Ended December 31, 2014**



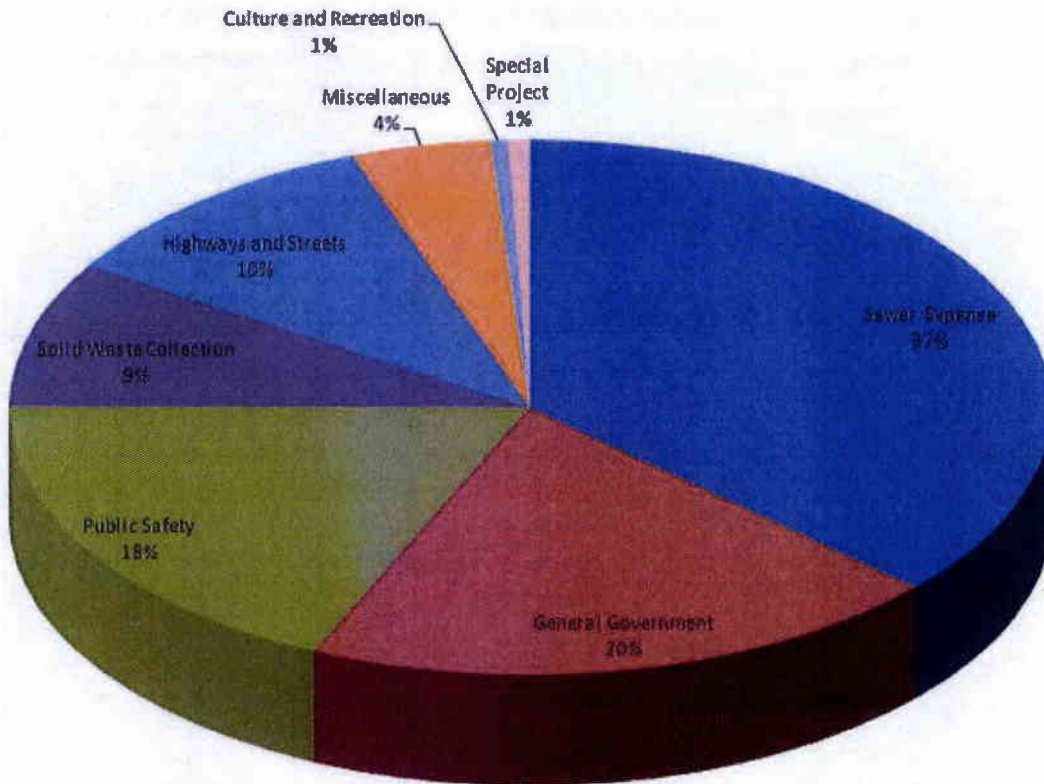
**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**Expenses/Expenditures Year ended December 31, 2015**



**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**Expenses/Expenditures Year Ended December 31, 2014**



**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

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**CAPITAL PROJECTS FUND**

At December 31, 2015 and 2014, the Township reported a fund balance of \$689,751 and \$689,077, which is an increase of \$674 and a decrease of \$16,057, respectively. During 2015 and 2014, this fund received no transfers from the general fund and transferred \$0 and \$18,556 respectively, to pay for capital assets.

**GENERAL FUND BUDGET**

During the fiscal year, the Board of Township Supervisors authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the Township. Those adjustments are again confirmed at the time the annual audit is accepted. This is done after the end of the fiscal year in accordance with state law. A schedule showing the Township's original and final budget amounts compared with amounts actually paid and received is provided in the financial statements.

The Township applies for federal, state, and local grants and these grants cannot always be anticipated in the budgeting process. Budgeted revenues are adjusted to reflect actual revenues received for all approved grants.

Budgeted expenditures are also adjusted to reflect the actual expenditures made for all approved grants. Transfers between specific categories of expenditures/financing uses occur during the year.

**CAPITAL ASSETS**

At December 31, 2015 and 2014, the Township had \$11,748,728 and \$12,094,585, respectively, invested in a broad range of capital assets (net of accumulated depreciation), including land, buildings, sewer, collection system, vehicles, and machinery and equipment. This amount represents a net increase in cost of \$167,226, and an increase in accumulated depreciation of \$513,083.

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

The following schedules present the changes in capital assets for the years ended December 31, 2015 and 2014. During this period, the Township had the following significant additions in capital assets.

**Schedule of Capital Assets**  
**For The Year Ended December 31, 2015**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>CAPITAL ASSETS</b>			
Land	\$ 407,868	\$ 49,112	\$ 456,980
Buildings	1,607,012	140,000	1,747,012
Machinery and equipment	431,013	143,652	574,665
Vehicles	440,262		440,262
Highways and streets	3,246,507		3,246,507
Storm sewers	1,189,215		1,189,215
Sewer collection system		8,521,323	8,521,323
Construction in progress	<u>411,062</u>	<u>93,914</u>	<u>504,976</u>
Total Capital Assets	<u>7,732,939</u>	<u>8,948,001</u>	<u>16,680,940</u>
<b>ACCUMULATED DEPRECIATION</b>			
Buildings	387,844	42,233	430,077
Machinery and equipment	363,988	75,815	439,803
Vehicles	322,154		322,154
Highways and streets	1,623,104		1,623,104
Storm sewers	203,696		203,696
Sewer collection system		<u>1,913,378</u>	<u>1,913,378</u>
Total Accumulated Depreciation	<u>2,900,786</u>	<u>2,031,426</u>	<u>4,932,212</u>
Capital Assets, Net	<u>\$ 4,832,153</u>	<u>\$ 6,916,575</u>	<u>\$ 11,748,728</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

**Schedule of Capital Assets**  
**For The Year Ended December 31, 2014**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>CAPITAL ASSETS</b>			
Land	\$ 407,868	\$ 49,112	\$ 456,980
Buildings	1,607,012	140,000	1,747,012
Machinery and equipment	402,751	110,863	513,614
Vehicles	440,262		440,262
Highways and streets	3,246,507		3,246,507
Storm sewers	1,158,838		1,158,838
Sewer collection system		8,521,323	8,521,323
Construction in progress	<u>335,264</u>	<u>93,914</u>	<u>429,178</u>
 Total Capital Assets	 <u>7,598,502</u>	 <u>8,915,212</u>	 <u>16,513,714</u>
<b>ACCUMULATED DEPRECIATION</b>			
Buildings	344,403	39,433	383,836
Machinery and equipment	337,312	60,896	398,208
Vehicles	278,319		278,319
Highways and streets	1,435,568		1,435,568
Storm sewers	180,215		180,215
Sewer collection system		<u>1,742,983</u>	<u>1,742,983</u>
 Total Accumulated Depreciation	 <u>2,575,817</u>	 <u>1,843,312</u>	 <u>4,419,129</u>
 Capital Assets, Net	 <u>\$ 5,022,685</u>	 <u>\$ 7,071,900</u>	 <u>\$ 12,094,585</u>

**SADSBURY TOWNSHIP**  
**Management Discussion and Analysis**  
**December 31, 2015**  
**(Continued)**

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**DEBT ADMINISTRATION**

As of January 1, 2015, the Township had total outstanding principal on notes of \$3,224,000. During the year, the Township made payments against principal in the amount of \$235,000, resulting in ending outstanding debt, as of December 31, 2015, of \$2,989,000.

**Debt Service Schedule**  
**December 31, 2015**

	<u>Principal Outstanding Jan. 1, 2015</u>	<u>Additions</u>	<u>Payments</u>	<u>Principal Outstanding Dec. 31, 2015</u>
Guaranteed Sewer Revenue Note Series 1998	\$ 719,000	\$ 0	\$ 47,000	\$ 672,000
Guaranteed Sewer Revenue Note Series 2003	1,960,000		187,000	\$ 1,773,000
Guaranteed Sewer Revenue Note Series 2009	<u>545,000</u>		<u>1,000</u>	<u>544,000</u>
	<u>\$ 3,224,000</u>	<u>\$ 0</u>	<u>\$ 235,000</u>	<u>\$ 2,989,000</u>

More detailed information about our long-term liabilities is included in the Notes to the Financial Statements.

**THE TOWNSHIP'S FUTURE**

The Township expects to experience growth in the next five years as the economy improves.

**FINANCIAL MANAGEMENT**

Our financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact Linda Shank, Assistant Secretary/Assistant Treasurer at the Township office.

**SADSBURY TOWNSHIP**  
**Statement of Net Position**  
**December 31, 2015**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,897,069	\$ 292,134	\$ 2,189,203
Investments			
Accounts receivables	392,581	974,805	1,367,386
Taxes receivable, net	289,486		289,486
Internal balances	1,107	(1,107)	
Prepaid items	49,288	75,580	124,868
Other current assets	43,243		43,243
Capital assets not being depreciated			
Land	407,868	10,000	417,868
Right-of-way easements		39,112	39,112
Construction in progress	411,062	93,914	504,976
Capital assets, net of accumulated depreciation			
Buildings	1,219,168	97,767	1,316,935
Highways and streets	1,623,403		1,623,403
Machinery and equipment	67,025	67,837	134,862
Storm Sewer	985,519		985,519
Vehicles	118,108		118,108
Sewer collection system		6,607,945	6,607,945
<b>Total assets</b>	<b>\$ 7,504,927</b>	<b>\$ 8,257,987</b>	<b>\$ 15,762,914</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 25,514	\$ 42,184	\$ 67,698
Accrued liabilities	3,765		3,765
Interest payable		2,225	2,225
Unearned revenue		301,643	301,643
Long-term liabilities			
Portion due or payable within one year			
Notes payable		244,000	244,000
Portion due or payable after one year			
Notes payable		2,745,000	2,745,000
<b>Total liabilities</b>	<b>29,279</b>	<b>3,335,052</b>	<b>3,364,331</b>
<b>NET POSITION</b>			
Net investment in capital assets	4,832,153	3,927,575	8,759,728
Restricted			
Parks capital	39,319		39,319
Stormwater maintenance	6,215		6,215
Highways and streets	138,524		138,524
Act 209 capital projects	338,664		338,664
Unrestricted	2,120,773	995,360	3,116,133
<b>Total net position</b>	<b>7,475,648</b>	<b>4,922,935</b>	<b>12,398,583</b>
<b>Total liabilities and net position</b>	<b>\$ 7,504,927</b>	<b>\$ 8,257,987</b>	<b>\$ 15,762,914</b>

See accompanying notes to the financial statements.

**SADSBURY TOWNSHIP**  
**Statement of Activities**  
**For the 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	Governmental Activities	Business-Type Activities	Totals
<b>Governmental activities</b>							
General government	\$ 428,460	\$ 74,968	\$ 10,742	\$ 0	\$ (342,750)	\$ 0	\$ (342,750)
Public safety	506,693	183,325	29,178		(294,190)		(294,190)
Solid waste collection	242,083	331,941	384		90,242		90,242
Highways and streets	441,186	2,500	114,828		(323,858)		(323,858)
Culture and recreation	13,422	850	39,899		27,327		27,327
Miscellaneous	92,049				(92,049)		(92,049)
Total governmental activities	<u>1,723,893</u>	<u>593,584</u>	<u>195,031</u>	<u>0</u>	<u>(935,278)</u>	<u>0</u>	<u>(935,278)</u>
<b>Business activities</b>							
Sewer system	954,283	1,216,303				262,020	262,020
Total primary government	<u>\$ 2,678,176</u>	<u>\$ 1,809,887</u>	<u>\$ 195,031</u>	<u>\$ 0</u>	<u>(935,278)</u>	<u>262,020</u>	<u>(673,258)</u>
<b>General revenues</b>							
Taxes							
Real estate taxes					215,163		215,163
Transfer taxes					72,886		72,886
Per capita taxes					6,030		6,030
Earned income taxes					641,165		641,165
Local services taxes					106,680		106,680
Investment earnings					2,584	599	3,183
Rental income					23,805		23,805
Miscellaneous					13,836		13,836
Transfers					49,729	(49,729)	
Total general revenues					<u>1,131,878</u>	<u>(49,130)</u>	<u>1,082,748</u>
Change in net position					196,600	212,890	409,490
Net position - beginning					<u>7,279,048</u>	<u>4,710,045</u>	<u>11,989,093</u>
Net position - ending					<u>\$ 7,475,648</u>	<u>\$ 4,922,935</u>	<u>\$ 12,398,583</u>

See accompanying notes to the financial statements.

**SADSBURY TOWNSHIP**  
**Balance Sheet—Governmental Funds**  
**December 31, 2015**

	General Fund	Capital Projects Fund	Act 209 Fund	Liquid Fuels Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 728,218	\$ 689,751	\$ 338,664	\$ 140,436	\$ 1,897,069
Other receivables, net	392,433			148	392,581
Taxes receivable	289,486				289,486
Due from other funds	3,077				3,077
Prepaid expenses	49,288				49,288
Other current assets	43,243				43,243
Total assets	<u>\$ 1,505,745</u>	<u>\$ 689,751</u>	<u>\$ 338,664</u>	<u>\$ 140,584</u>	<u>\$ 2,674,744</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 25,424	\$ 0	\$ 0	\$ 90	\$ 25,514
Payroll and withholding taxes payable	3,765				3,765
Due to other funds				1,970	1,970
Total liabilities	<u>29,189</u>	<u>0</u>	<u>0</u>	<u>2,060</u>	<u>31,249</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue, property taxes	7,947				7,947
Unavailable revenue, other taxes	72,973				72,973
Unavailable revenue, trash services	139,609				139,609
Total deferred inflows of resources	<u>220,529</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>220,529</u>
<b>FUND BALANCES</b>					
Nonspendable, prepaid expenses	49,288				49,288
Restricted					
Parks capital	39,319				39,319
Stormwater maintenance	6,215				6,215
Highways and streets				138,524	138,524
Act 209 capital projects			338,664		338,664
Assigned					
Capital projects		689,751			689,751
Budgetary reserve	339,140				339,140
Unassigned	822,065				822,065
Total fund balances	<u>1,256,027</u>	<u>689,751</u>	<u>338,664</u>	<u>138,524</u>	<u>2,422,966</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,505,745</u>	<u>\$ 689,751</u>	<u>\$ 338,664</u>	<u>\$ 140,584</u>	<u>\$ 2,674,744</u>

See accompanying notes to the financial statements.

**SADSBURY TOWNSHIP**  
**Reconciliation of Total Governmental Funds Balances**  
**To Net Position of Governmental Activities**  
**December 31, 2015**

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**Total Fund Balances - Governmental Funds** \$ 2,422,966

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements but are reported in the governmental activities of the statement of net position. Those assets consist of:

Land	\$ 407,868	
Construction in progress	411,062	
Buildings and improvements, net of accumulated depreciation of \$387,844	1,219,168	
Machinery and equipment, net of accumulated depreciation of \$363,988	67,025	
Storm sewers, net of accumulated depreciation of \$203,696	985,519	
Vehicles, net of accumulated depreciation of \$322,154	118,108	
Infrastructure, net of accumulated depreciation of \$1,623,104	<u>1,623,403</u>	<u>4,832,153</u>

Taxes receivable will be collected this year but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds. 220,529

**Total Net Position - Governmental Activities** \$ 7,475,648

See accompanying notes to the financial statements.

**SADSBURY TOWNSHIP**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances--**  
**Governmental Funds**  
**For the Year Ended December 31, 2015**

	General Fund	Capital Projects Fund	Act 209 Fund	Liquid Fuels Fund	Total Governmental Funds
<b>REVENUES</b>					
Taxes - real estate	\$ 215,572	\$ 0	\$ 0	\$ 0	\$ 215,572
Act 511 taxes	860,992				860,992
Licenses and permits	78,968				78,968
Fees and fines	18,934				18,934
Interest income	978	674	561	371	2,584
Rental income	23,805				23,805
Intergovernmental revenues	28,800			107,095	135,895
Charges for services	441,076		36,210		477,286
Contributions from private sector	59,136				59,136
Miscellaneous revenue	13,836				13,836
<b>Total revenues</b>	<b><u>1,742,097</u></b>	<b><u>674</u></b>	<b><u>36,771</u></b>	<b><u>107,466</u></b>	<b><u>1,887,008</u></b>
<b>EXPENDITURES</b>					
General government	474,478	0	0	0	474,478
Public safety	477,774				477,774
Public works, solid waste collection	242,083				242,083
Public works, highways and streets	148,723			92,640	241,363
Culture and recreation	5,614				5,614
Special Project	3,600				3,600
Miscellaneous (payroll taxes, employee benefits)	88,449				88,449
<b>Total Expenditures</b>	<b><u>1,440,721</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>92,640</u></b>	<b><u>1,533,361</u></b>
Excess (deficiency) of revenues over expenditures	<u>301,376</u>	<u>674</u>	<u>36,771</u>	<u>14,826</u>	<u>353,647</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund Transfers	49,729				49,729
Net Change in Fund Balances	351,105	674	36,771	14,826	403,376
Fund balance--January 1, 2015	904,922	689,077	301,893	123,698	2,019,590
Fund balance--December 31, 2015	<u>\$ 1,256,027</u>	<u>\$ 689,751</u>	<u>\$ 338,664</u>	<u>\$ 138,524</u>	<u>\$ 2,422,966</u>

See accompanying notes to the financial statements.

**SADSBURY TOWNSHIP**  
**Reconciliation of the Governmental Funds Statement of Revenues,**  
**Expenditures and Changes in Fund Balances to the Statement of Activities**  
**For the Year Ended December 31, 2015**

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<b>Total net change in fund balances - governmental funds</b>	<b>\$ 403,376</b>
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 depreciation (\$324,969) exceeds capital outlay (\$134,437) in the current period (Note 4).	(190,532)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the	<u>(16,244)</u>
<b>Change in net position of governmental activities</b>	<b>\$ <u>196,600</u></b>

See accompanying notes to the financial statements.

**SADBURY TOWNSHIP**  
**Statement of Net Position—Proprietary Fund**  
**December 31, 2015**

	<u>Sewer System Fund</u>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 292,134
Accounts receivable	974,805
Prepaid expenses	<u>75,580</u>
Total current assets	<u>1,342,519</u>
<b>Noncurrent assets</b>	
Capital assets	
Land	10,000
Right-of-way easements	39,112
Construction in progress	93,914
Other capital assets, net of accumulated depreciation	<u>6,773,549</u>
Total noncurrent assets	<u>6,916,575</u>
Total assets	<u>\$ 8,259,094</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 42,184
Other current liabilities	2,225
Unearned revenues	301,643
Due to other funds	1,107
Notes payable, current	<u>244,000</u>
Total current liabilities	<u>591,159</u>
<b>Noncurrent liabilities</b>	
Portion due or payable in more than one year	
Notes payable	<u>2,745,000</u>
Total liabilities	<u>3,336,159</u>
<b>Net position</b>	
Net investment in capital assets	3,927,575
Unrestricted	<u>995,360</u>
Total net position	<u>4,922,935</u>
Total liabilities and net position	<u>\$ 8,259,094</u>

See accompanying notes to the financial statements.

**SADSBURY TOWNSHIP**  
**Statement of Revenues, Expenses and**  
**Changes in Net Position—Proprietary Fund**  
**For the Year Ended December 31, 2015**

	<u>Sewer System Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ <u>1,216,303</u>
<b>OPERATING EXPENSES</b>	
Wastewater and sewage collection	645,552
Depreciation	<u>188,114</u>
Total Operating expenses	<u>833,666</u>
Operating Income	<u>382,637</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	599
Interest expense	<u>(120,617)</u>
Total non-operating revenues (expenses)	<u>(120,018)</u>
Income before transfers	262,619
<b>TRANSFERS OUT</b>	<u>(49,729)</u>
Change in net positions	212,890
Total net position - January 1, 2015	<u>4,710,045</u>
Total net position - December 31, 2015	<u>\$ 4,922,935</u>

See accompanying notes to the financial statements.

**SADSBURY TOWNSHIP**  
**Statement of Cash Flows—Proprietary Fund**  
**For the Year Ended December 31, 2015**

	<u>Sewer System Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,306,248
Payments to suppliers	<u>(646,771)</u>
Net cash provided by (used in) operating activities	<u>659,477</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	<u>(148,622)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(32,789)
Principal payments on debt	(235,000)
Interest paid on long-term debt	<u>(120,790)</u>
Net cash provided by (used in) capital and related financing activities	<u>(388,579)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>599</u>
Net increase in cash and cash equivalents	122,875
Cash and cash equivalents at beginning of year	<u>169,259</u>
Cash and cash equivalents at end of year	<u>\$ 292,134</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 382,637
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	188,114
Change in assets and liabilities	
Decrease in accounts receivable	72,130
Decrease in prepaid expenses	2,311
Decrease in accounts payable	(3,530)
Increase in unearned revenue	<u>17,815</u>
Net cash provided by operating activities	<u>\$ 659,477</u>

See accompanying notes to the financial statements.

**SADSBURY TOWNSHIP**  
**Statement of Fiduciary Net Position**  
**December 31, 2015**

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>397,596</u>
<b>LIABILITIES</b>	
Other current liabilities	\$ <u>397,596</u>

See accompanying notes to the financial statements.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**

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**1. ORGANIZATION**

Sadsbury Township is located in western Chester County, Pennsylvania. The Township was incorporated in 1717 and follows the provisions of Act P. L. 1481, No. 567, as amended, the Second Class Township Code. It operates under the supervisor form of government and provides the following services:

- Public Safety (Police, Fire)
- Planning and Zoning
- Highways and Streets
- Culture - Recreation
- Public Improvements
- General Administrative
- Sewer

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Sadsbury Township (the Township) conform to United States generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

**A. BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of net position and the statement of activities provide information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the Township at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Township's governmental activities and for the single business-type activity of the Township. Direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**  
**(Continued)**

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**FUND FINANCIAL STATEMENTS**

During the fiscal year, the Township segregates transactions related to certain Township functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**REPORTING ENTITY**

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision whether to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. No component units are included in the reporting entity of Sadsbury Township.

**B. FUND ACCOUNTING**

The Township uses funds to report its assets, liabilities, and fund balances and revenues and expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements into three broad fund categories, which include five generic fund types.

**GOVERNMENTAL FUNDS**

Governmental Funds are those through which most governmental functions of the Township are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be used. The difference between governmental fund assets and liabilities is reported as fund balance.

• **General Fund**

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

• **Special Revenue Funds**

Special Revenue Funds are generally used to account for the expenditure of revenues that have been restricted to specific program or projects. They may be separately accounted for because of specific legal or regulatory provisions or by administrative action. The Township has one special revenue fund:

**Liquid Fuels Fund**

The Liquid Fuels Fund is used to account for the Liquid Fuels Grant received from the Pennsylvania Department of Transportation.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**  
**(Continued)**

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- **Capital Projects Funds**

- **Capital Reserve Fund**

- The Capital Reserve Fund is used to account for financial resources used in the acquisition, construction, or improvements of major capital facilities within the Township.

- **Act 209 Fund**

- The Act 209 Fund is used to account for transportation impact fees charged to new developments based on the effect each development will have on the township roadways. These monies are to fund future roadway improvements.

**PROPRIETARY FUNDS**

- **Sewer Fund**

- The Sewer Fund is used to account for the operations of the sewer system. The sewer system is financed and operated in a manner similar to a private business operation, whereby the costs of providing goods or services to the general public on a continuing basis are recovered primarily through user charges.

**FIDUCIARY FUNDS**

- **Trust and Agency Funds**

- Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals and private organizations. This fund consists of an escrow fund.

**C. BUDGET AND BUDGETARY ACCOUNTING**

The Township follows these procedures in establishing the budget:

- 1) Prior to December 1st, the Township Treasurer submits to the Board of Supervisors a proposed operating budget for the fiscal year commencing the following January 1st. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to December 31st, the budget is legally enacted through passage of an ordinance by the Board of Supervisors.
- 4) The Board of Supervisors may, by resolution, transfer unencumbered budgeted amounts between departments within any fund.
- 5) Budgets for all funds are adopted on a cash basis.

**D. MEASUREMENT FOCUS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements are prepared using a flow of economic resources measurement focus and the accrual 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. All assets and all liabilities associated with the operation of the Township are included on the statement of net position while excluding fiduciary activities.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**  
**(Continued)**

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**FUND FINANCIAL STATEMENTS**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included in the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position.

The statement of changes in revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the Township finances and meets the cash flow needs of its proprietary fund.

**E. BASIS OF ACCOUNTING**

The basis of accounting that is used determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**F. REVENUES - EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Township, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the Township receives value without directly giving equal in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year that the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Township must provide local

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**  
**(Continued)**

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resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**G. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In additions to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has three items, which arise only under a modified basis of accounting, which qualify for reporting in this category. Accordingly, unavailable revenues for property taxes, other taxes and trash services, are reported only in the Governmental Funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**H. EXPENSES/EXPENDITURES**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**I. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Investments with an original maturity of three months or less at the time they are issued are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

The Township maintains separate cash accounts for each fund. Under the Second Class Township Code of the Commonwealth of Pennsylvania, the Township is authorized to invest in the following types of investments:

United States Treasury Bills, Obligations of the United States Government or Commonwealth of Pennsylvania or its agencies or instrumentalities backed by their full faith and credit.

Deposits in savings accounts or certificates of deposit in institutions secured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, the National Credit Union Share Insurance Fund, the Pennsylvania Deposit Insurance Corporation, or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured. Amounts above the insured maximum are permitted, provided that approved collateral, as provided by law, shall be pledged by the depository.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**  
**(Continued)**

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Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for Township funds listed above.

During 2015, the Township invested its funds as authorized by the Second Class Township Code.

**J. Accounts Receivable and Allowance for Doubtful Accounts**

The Township provides sewer and trash services to its residents and extends credit to them in the process. The Township has provided an allowance for uncollectible accounts of \$29,000 on trash service receivables and \$81,000 on sewer service receivables at December 31, 2015. In reviewing aged receivables, management considers their knowledge of the customers, historical activity, and current economic and other activity in establishing the allowance for doubtful accounts. A receivable is charged to bad debt expense when management determines the receivable is uncollectible.

**K. PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which the services are consumed.

**L. INTERFUND RECEIVABLES/PAYABLES**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as Interfund Receivables/Payables. Interfund balances within the governmental activities and within the business-types activities are eliminated on the government-wide statement of net assets.

**M. PROPERTY TAX**

The Township is permitted by the Second Class Township Code to levy taxes as follows:

General purposes (5 additional mills may be levied with court approval)	14 mills
Lighting—highways, roads, & public places	5 mills
Fire	3 mills
Fire hydrant	2 mills
Ambulance and rescue squads	0.5 mills
Parks and recreation	unlimited
Principal and interest payments	unlimited

Property taxes are levied on January 1<sup>st</sup> of each year. The elected tax collector bills and collects all taxes and then remits them to the Township.

The taxes are subject to discount and penalty per the following schedule:

Discount Period	March 1 to April 30 - 2% of Gross Levy
Flat Period	May 1 to June 30
Penalty Period	July 1 to Collection - 10% of Gross Levy

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**  
**(Continued)**

Delinquent property taxes are liened in January of the following year and collected by Chester County.

**N. CAPITAL ASSETS**

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets used by the proprietary fund are reported in both the business-type activities column on the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value on the date donated. The Township maintains a capitalization threshold of \$1,000.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following lives:

<u>Description</u>	<u>Estimated Lives</u>
Land improvements	15-40 years
Buildings and building improvements	15-40 years
Furniture and fixtures	5-10 years
Vehicles	5-15 years
Equipment	5-20 years
Highways and streets	15 years
Lighting	25 years
Sewer system	50 years
Storm system	50 years

**O. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS**

All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary fund are reported on the business-type financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**P. NET POSITION**

Net position represents the difference between assets and liabilities. Net position invested in capital assets represents the cost of fixed assets net of related debt and net of accumulated depreciation. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**  
**(Continued)**

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**Q. NET POSITION/FUND BALANCES**

The government-wide and business-type activities financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- **Net Investment in Capital Assets** - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance of this category.
- **Restricted Net Position** - This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** - This category represents net position of the Township not restricted for any project or other purpose.

The Township has implemented 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:

- **Nonspendable Fund Balance** includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- **Restricted Fund Balance** includes fund balance amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- **Committed Fund Balance** includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Township through formal action of the Board of Directors and do not lapse at year-end. To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- **Assigned Fund Balance** includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed, as expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.
- **Unassigned Fund Balance** includes the residual classifications for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**  
**(Continued)**

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The details of the fund balances are included in the Governmental Funds balance sheet (page 5). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Supervisors. The Township Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

**R. OPERATING REVENUES AND EXPENSES**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the Township, these revenues are charges for sewer service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the proprietary fund.

**S. INTERFUND TRANSACTIONS**

On fund financial statements, receivables and payables resulting from short-term Interfund loans or Interfund services provided and used are classified as "due to/from other funds". Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position. The only interfund balances which remain on the government-wide statement of net position are those between governmental and business-type activities. These amounts are reflected as "internal balances" in the financial statements.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become 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.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in enterprise funds.

**T. ESTIMATES**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**U. PROGRAM REVENUES**

Program revenues are allocated to specific departments and consist of charges for services for solid waste collection and building permits, cable franchise fees, citation income, and grants and subsidies.

**SADSBURY TOWNSHIP**  
**Notes to Financial Statements**  
**December 31, 2015**  
**(Continued)**

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**3. INTERFUND RECEIVABLE/PAYABLE AND TRANSFER**

The balances of short-term Interfund receivables and payables at December 31, 2015, are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 3,077	\$
Capital Project Fund		
Act 209 Fund		
Liquid Fuels Fund		1,970
Sewer System Fund		<u>1,107</u>
Totals	<u>\$ 3,077</u>	<u>\$ 3,077</u>

Interfund transfers for the year ending December 31, 2015, are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 49,729	\$
Sewer Fund		<u>49,729</u>
Totals	<u>\$ 49,729</u>	<u>\$ 49,729</u>