

FINANCIAL SECTION

This Page Intentionally Left Blank



INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
TOWNSHIP OF FALLS
Fairless Hills, 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 the TOWNSHIP OF FALLS, Pennsylvania (the Township) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the TOWNSHIP OF FALLS, Pennsylvania, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other post employment benefit information on pages 19 through 30 and pages 64 through 65 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 historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TOWNSHIP OF FALLS' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, capital asset schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, capital asset schedules and the budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, capital asset schedules and the budgetary comparison schedules 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.

June 20, 2014

MAJOR & MASTRO, LLC
Montgomeryville, Pennsylvania
Certified Public Accountants

A handwritten signature in black ink that reads "Major & Mastro LLC". The signature is written in a cursive, slightly slanted style.

This Page Intentionally Left Blank

**Falls Township
Bucks County, Pennsylvania**

**Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Fiscal Year Ended December 31, 2013**

Unaudited

As management of the Township of Falls, we offer readers of the Falls Township financial statements this narrative overview and analysis of the financial activities of Falls Township for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 3-8 of this report. Readers should also review the independent auditor's opinion letter, the notes to the basic financial statements, and the financial statements themselves to enhance their understanding of the Township's financial performance. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The assets of Falls Township exceeded its liabilities by \$136,815,561 and \$138,378,583 at the close of the years ended December 31, 2013 and 2012, respectively. Of the 2013 amount, \$40,530,435 may be used to meet the government's ongoing obligations for general operations of the Township, whereas in 2012 \$47,192,366 was available for that purpose.

The Township's governmental net position decreased by a total of \$1,589,165 over the prior year. This decrease is primarily due to a decrease in the Township's cash reserves.

As of the end of 2013, Falls Township's governmental funds reported combined ending fund balances of \$44,058,145. As a comparison, at the end of 2012, the balance was \$50,673,106, a reduction of \$6,614,961.

Business-type activities' net position increased by \$26,143 from (\$27,019) in 2012 to (\$876) in 2013. The reason for this increase is a reduction in current liabilities, specifically interfund payable.

At the end of the 2013, the unassigned fund balance for the general fund was \$22,781,297 or 83.4% of the total general fund expenditures.

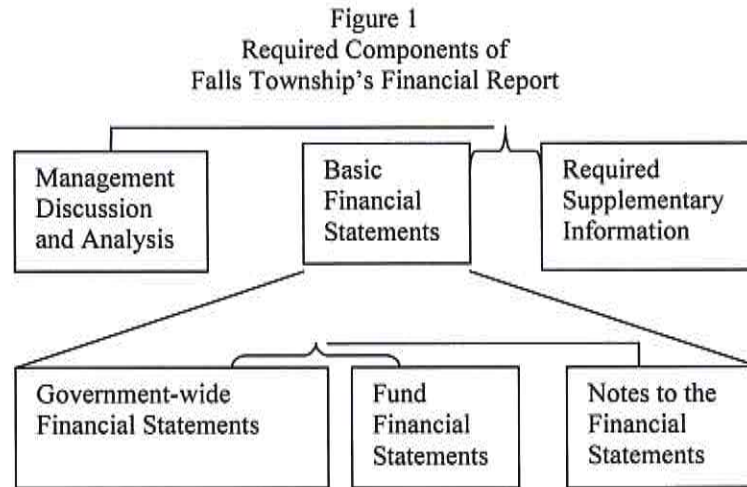
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Falls Township's basic financial statements. Falls Township's basic financial statements are comprised of three components:

- 1) government-wide financial statements
- 2) fund financial statements
- 3) notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

Figure 1 shows how the required parts of the Financial Section are arranged and relate to one another.



Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of Falls Township's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of Falls Township's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Falls Township is improving or deteriorating. To assess the overall health of the Township, you need to consider additional non-financial factors, such as changes in the property tax base or the condition of Township infrastructure.

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

Both of the government-wide financial statements distinguish functions of Falls Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Falls Township include general government, public safety, highways and culture and recreation. The business-type activities of the Township of Falls include the ongoing operation of a recreational pool.

The government-wide financial statements can be found on pages 32 and 33 of this report.

Fund financial statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Falls Township maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and the Capital Reserve fund, which are considered major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Falls Township adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 34-38 of this report.

Proprietary Funds

Falls Township maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Falls Township uses an enterprise fund to account for its Pinewood Pool fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 39-41 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds.

The basic fiduciary fund financial statements can be found on pages 42 and 43 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 44-61 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township’s progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 64 and 65 of this report.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on pensions and other post-employment benefits. Combining and non-major governmental fund budget comparison schedules can be found on pages 69-79 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. For Falls Township, assets exceed liabilities by \$136,815,561 and \$138,378,583 at the close of the years ended December 31, 2013 and 2012, respectively.

The following table provides a summary of the Township’s net position at December 31, 2013 compared to the prior year’s figures:

**FALLS TOWNSHIP
NET POSITION**

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 46,735,933	\$ 53,370,574	\$ -	\$ -	\$ 46,735,933	\$ 53,370,574
Capital assets	95,245,962	89,871,750	174,538	176,511	95,420,500	90,048,261
Other noncurrent assets	-	-	-	-	-	-
Total Assets	141,981,895	143,242,324	174,538	176,511	142,156,433	143,418,835
Long-term liabilities outstanding	2,673,485	2,215,879	-	-	2,673,485	2,215,879
Other liabilities	2,491,973	2,620,843	175,414	203,530	2,667,387	2,824,373
Total Liabilities	5,165,458	4,836,722	175,414	203,530	5,340,872	5,040,252
Net Position:						
Invested in capital assets	95,245,962	89,871,750	174,538	176,511	95,420,500	90,048,261
Restricted	864,626	1,137,956	-	-	864,626	1,137,956
Unrestricted	40,705,849	47,395,896	(175,414)	(203,530)	40,530,435	47,192,366
Total Net Position	\$ 136,816,437	\$ 138,405,602	\$ (876)	\$ (27,019)	\$ 136,815,561	\$ 138,378,583

The largest portion of Falls Township's net position, 69.7%, reflects its investment in capital assets (land, building, machinery, equipment, open space, and roads/road improvements). Falls Township uses these capital assets to provide services to the citizens and, therefore, these assets are not available for future spending. Note that all capital assets reported have no outstanding debt on their initial purchases.

A very small portion of Falls Township's net position, 0.63%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$40,530,435, may be used to meet the government's ongoing obligations to citizens and creditors of the Township.

At the end of the current fiscal year, Falls Township is able to report positive balances in all three categories of net position for the government as a whole.

CHANGES IN NET POSITION

Governmental activities

Governmental activities decreased Falls Township's net position by \$1,589,165 for the year ended December 31, 2013 in addition to the decrease in net position by \$2,175,386 for the year ended December 31, 2012. The 2013 and 2012 decreases are both due to a reduction in the Township's cash reserve. Falls Township is committed to maintaining high quality services and recreation facilities for its residents without increasing real estate taxes or charging exorbitant user fees. Some cash reserves have been expended in order to meet rising costs without burdening our residents.

Business-type activities

Business-type activities increased Falls Township's net position by \$26,143 for the year ended December 31, 2013 as opposed to the decrease of \$49,940 for the prior year. These activities represent ongoing operations at the Pinewood Pool for 2013.

The results of this year's operations as a whole are reported in the Statement of Activities on page 33. All expenses are reported in the first column. Specific charges, grants, and contributions that directly relate to specific expense categories are netted against them to determine the final amount of the Township's activities that are supported by other general revenues, primarily Host Community Fees and Property Taxes. Basically, the Statement shows which Township expenses are funded by specific program revenues and the balance of expenses left to be funded by general revenues.

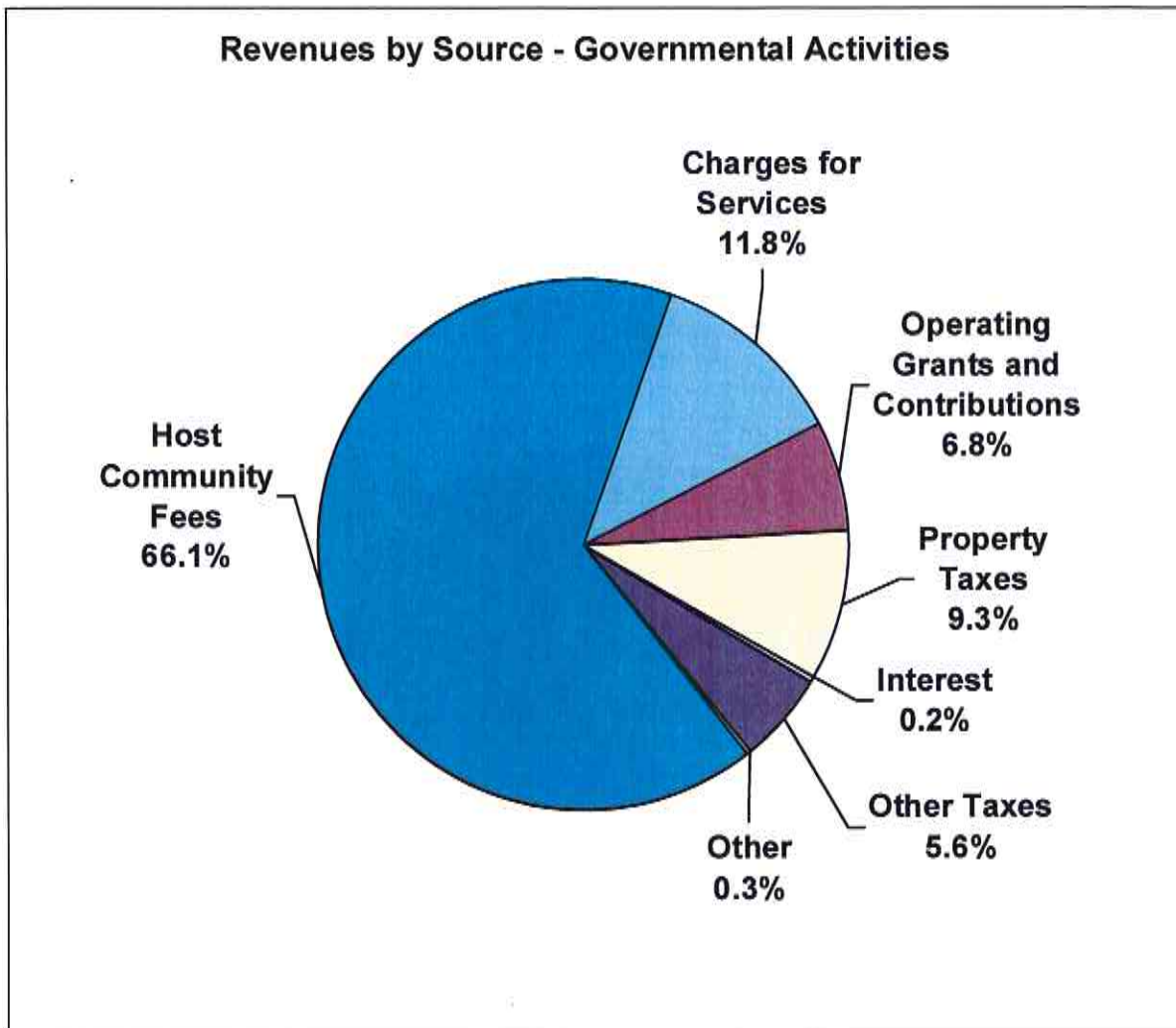
The following table takes the information from the Statement of Activities and rearranges it slightly, so you can see the Township's total revenues for the year ended December 31, 2013 compared to the prior year's figures.

**FALLS TOWNSHIP
CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ 2,877,268	\$ 2,683,787	\$ 173,989	\$ 176,139	\$ 3,051,257	\$ 2,859,926
Operating Grants and Contributions	1,643,377	1,722,785	-	-	1,643,377	1,722,785
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	2,263,235	2,274,529	-	-	2,263,235	2,274,529
Other taxes	1,352,917	1,076,975	-	-	1,352,917	1,076,975
Host Community Fees	16,082,578	14,104,136	-	-	16,082,578	14,104,136
Other	114,575	334,782	-	-	114,575	334,782
Total Revenues	<u>\$ 24,333,950</u>	<u>\$ 22,196,994</u>	<u>\$ 173,989</u>	<u>\$ 176,139</u>	<u>\$ 24,507,939</u>	<u>\$ 22,373,133</u>
EXPENSES:						
General Government	\$ 2,573,012	\$ 2,415,703			\$ 2,573,012	\$ 2,415,703
Public Safety	15,554,489	14,588,506			15,554,489	14,588,506
Highway and Streets	5,817,812	5,530,481			5,817,812	5,530,481
Culture and Recreation	1,902,802	1,837,690			1,902,802	1,837,690
Pinewood Pool	-	-	\$ 222,846	\$ 226,079	222,846	226,079
Total Expenses	<u>25,848,115</u>	<u>24,372,380</u>	<u>222,846</u>	<u>226,079</u>	<u>26,070,961</u>	<u>24,598,459</u>
Change in net position before transfers	(1,514,165)	(2,175,386)	(48,857)	(49,940)	(1,563,022)	(2,225,326)
Transfers	(75,000)	-	75,000	-	-	-
Change in Net Position	(1,589,165)	(2,175,386)	26,143	(49,940)	(1,563,022)	(2,225,326)
Net Position, Beginning	138,405,602	140,580,988	(27,019)	22,921	138,378,583	140,603,909
Net Position, Ending	<u>\$ 136,816,437</u>	<u>\$ 138,405,602</u>	<u>\$ (876)</u>	<u>\$ (27,019)</u>	<u>\$ 136,815,561</u>	<u>\$ 138,378,583</u>

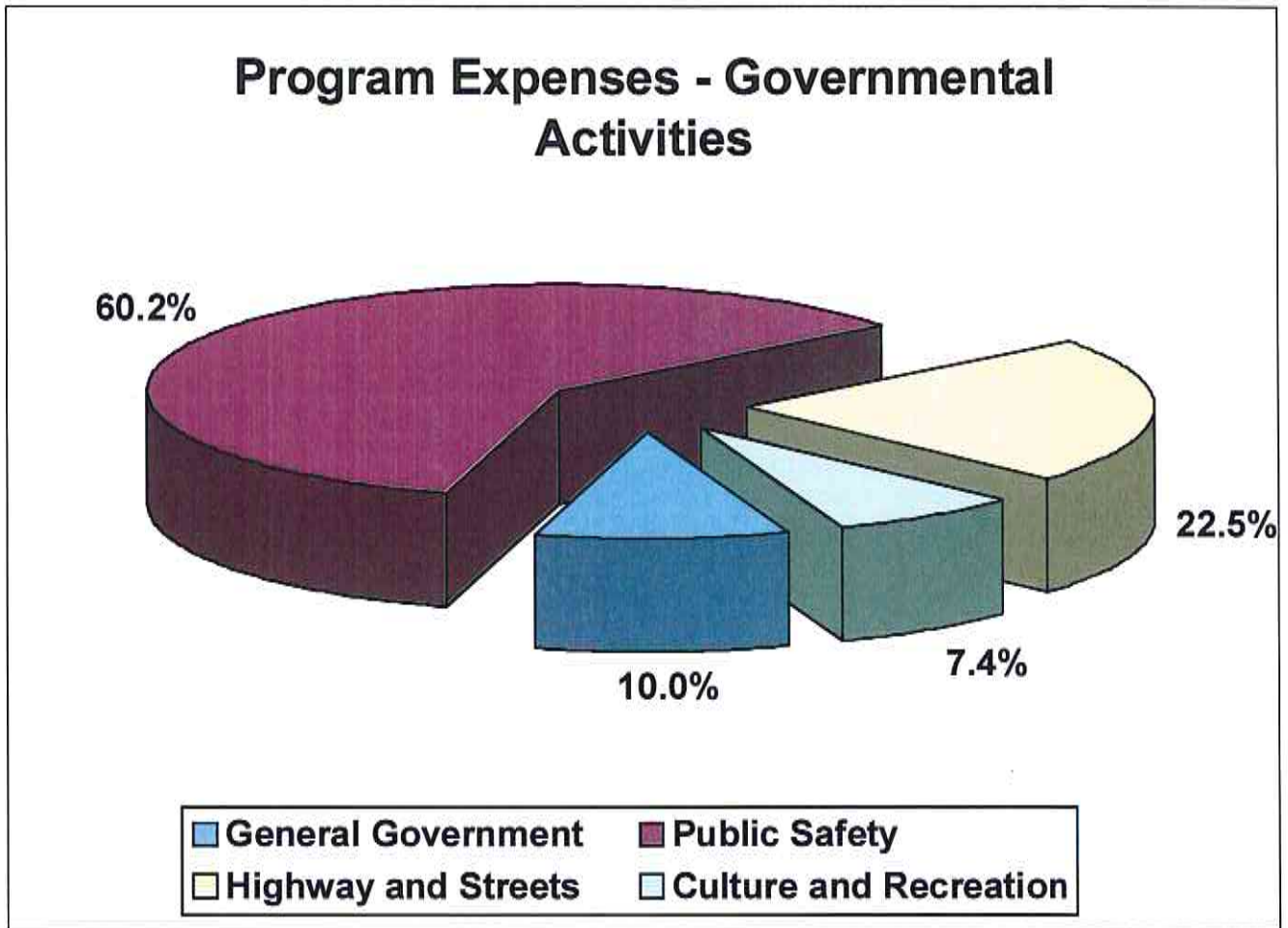
Governmental Activities

The following chart shows the Government-wide sources of revenues for the year ended December 31, 2013:



Of the total Government-wide revenues of \$24,333,950, \$16,082,578 were Host Community Fees or “tipping” fees received from Waste Management for the landfill and incinerator operations. Also contributing to the Township’s revenue stream were Charges for Services with revenues of \$2,877,268 which were generated for various items from business licenses to permits. Property taxes netted the Township \$2,263,235, Other Taxes brought in \$1,352,917, Operating Grants and Contributions added \$1,643,377, Interest Earnings netted \$37,434 and Other (miscellaneous) revenues were \$77,141.

The following chart shows the Government-wide sources of program expenses and revenues for the year ended December 31, 2013:

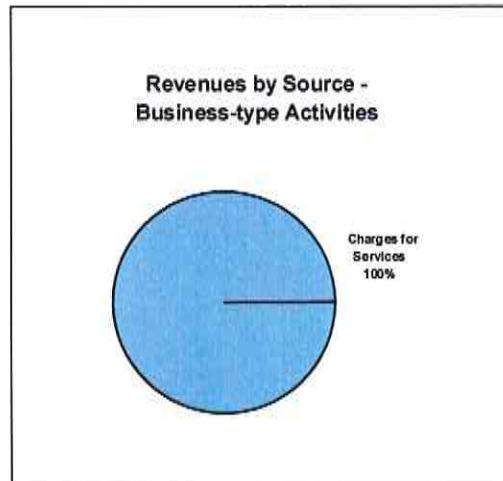
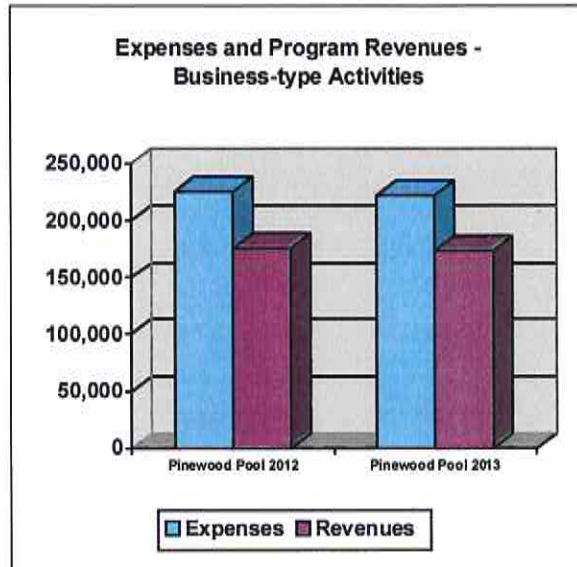


Most of the expenses that occurred in the year 2013 were related to Public Safety. Public Safety expenses were \$15,554,489. This broad category encompasses police protection, animal control, fire marshal's services, code enforcement, zoning services and environmental protection. Highway and Streets expenses were \$5,817,812 which includes road reconstruction, engineering costs, construction and rebuilding of storm sewers, operation and maintenance of traffic signals, and snow removal. Culture and Recreation expenses were \$1,902,802 which includes maintenance/upgrades at over 16 parks including the Falls Township Community Park. General Government expenses were \$2,573,012 and include costs for staffing, benefits, insurance and various other administrative costs.

Business-type activities

Business-type activities increased the Township’s net position by \$26,143. The single business-type activity of Falls Township is the operation of the Pinewood Pool.

The Pinewood Pool fund experienced an operating loss of \$48,857 in 2013. The Pool underwent a reconstruction in 2003 and was reopened to the public in 2004. 2013 was the tenth full year of operation for the renovated site. The loss is attributed to continued increases in operating costs outpacing revenues, in spite of an increase in the number of pool membership registrations.



Charges for services represent 100% of program revenues for the Pinewood Pool. Although the pool is operating at a loss, the Township continues to offer low membership rates to residents in the interest of providing affordable family entertainment.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

As Falls Township completed the year, its governmental funds reported a combined fund balance of \$44,058,145 a decrease of \$6,614,961 compared to the previous year. Of the combined fund balance total: \$22,579,523 constitutes *unassigned fund balance*, which is available to meet the Township's current and future needs at the Township's discretion; an additional \$20,417,093 is assigned for specific purposes; \$864,626 is restricted for particular purposes; and, the remaining \$196,903 is non-spendable.

As noted earlier, Falls Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of Falls Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Falls Township's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

General Fund

The General Fund is the chief operating fund of Falls Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$22,781,297 while total fund balance reached \$40,340,962. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The fund balance of Falls Township's general fund decreased \$1,732,277 during 2013. Expenditures for Public Safety rose by over \$1 million, and the capital outlay for Township roads was \$2.6 million higher than the prior year. The increased costs were mostly offset by a \$2 million increase in revenues from Waste Management for tipping fees. A large transfer from the Capital Reserve to fund the Township road reconstruction program and other capital projects also helped to cover rising costs.

Capital Reserve

The Capital Reserve fund serves the Township to finance various Township purchases and projects. At the end of 2013, the assigned and total fund balance was \$3,054,331. This is a decrease in the amount of \$4,535,699 due to a substantial transfer into the General Fund to fund ongoing capital programs.

Proprietary Funds

Falls Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Pinewood Pool

The Pinewood Pool fund accounts for the operations of a recreational community pool. At the end of 2013, the net position was (\$876). This represents an increase of \$26,143 over the prior year. Expenses continue to outpace revenues at the community pool; however, pool memberships are on the rise. The Township strives to offer a state of the art facility at an affordable rate for our residents.

General Fund Budgetary Highlights

No differences between the original budget and the final amended budget occurred during the year. Some of the highlights of the comparison between the original budget and actual were as follows. Overall, total revenues were over budget by \$1,332,842 for 2013. The largest contributing factors were: Real Estate Transfer Taxes over budget by \$298,764, Host Community Fees over budget by \$1,446,478, Intergovernmental revenues over budget by \$77,086, and Charges for Services coming in over budget by \$272,540. This was more than enough to offset Interest Earnings coming in short by \$743,376. Total expenditures for the year were under budget by a total of \$6,769,856. The greatest savings occurred in expenditures for Capital Outlays, primarily the 2013 Road Program, which will not be completed until 2014.

Capital Asset and Debt Administration

Capital Assets

The Township’s investment in capital assets for its governmental and business type activities as of December 31, 2013, amount to \$95,420,500 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, open space, roads, and bridges.

Major capital asset events during 2013 included the following:

Construction and engineering costs for the Senior Citizen Center addition were \$933,013.

The purchase of a 2014 Dump Truck with plow cost \$158,623.

Road improvements for various roads in the Township amounted to just over \$6,554,000 in construction and engineering costs. Also improving our roadways were continuing upgrades to Township traffic signals and street lights at a cost of \$70,488 and twenty-five new drainage grates costing \$19,375.

Park improvements in the form of soccer field reconstruction at the Community Park cost \$55,925; engineering costs for the Biles Island master plan cost \$58,407; and, construction and engineering costs for the reconstruction of the Penns Grant tennis courts amounted to \$114,581.

Capital purchases for the Police Department, including radio replacements for Police and EMS, were just under \$815,000.

FALLS TOWNSHIP
Capital Assets
(net of accumulated depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 16,460,926	\$ 16,460,926	\$ 162,700	\$ 162,700
Construction in Progress	24,263	-	-	-
Building and System	3,106,473	2,175,977	-	-
Improvements other than Building	2,760,352	3,174,411	-	-
Machinery and Equipment	2,045,841	1,237,404	11,838	13,811
Infrastructure	70,848,107	66,823,032	-	-
	<u>\$ 95,245,962</u>	<u>\$ 89,871,750</u>	<u>\$ 174,538</u>	<u>\$ 176,511</u>

Additional information on Falls Township’s capital assets can be found in Note D on pages 54 and 55 of this report.

Falls Township prepared a ten year capital purchase plan in 2004. All long-term planning for the acquisition of these various assets would be primarily funded through host community fees. The capital assets for the year 2013 in the Township’s ten year capital purchase plan were acquired in accordance with the budget. These assets, along with the 2013 road program, were the Township’s significant additions or improvements for the year.

Debt Administration

As of December 31, 2009, Falls Township had no outstanding long term debt. The previous balance of \$3,055,000 on the Township-held Water and Sewer Revenue Bonds, Series 2004, was paid in full on December 15, 2009. The outstanding balance of the revenue bonds had been transferred from the proprietary funds to a governmental fund in 2007 due to the sale of the Township's water and sewer operations. The bonds were originally set to mature through December 15, 2016. Calling these bonds for early redemption resulted in an interest savings to the Township of just under \$325,000.

Additional information on Falls Township's long-term debt can be found in Note F on page 56 of this report.

Economic Factors and Next Year's Budgets and Rates

1) Tipping fees received from the landfill located in the Township have been on the rise since 2010, netting \$866,000 more than budgeted for that year. In 2011, earnings recovered even further coming in over budget by \$1,465,421. Fiscal years 2012 and 2013 saw a large increase in landfill revenues topping \$13 million and \$14 million respectively. The projection for 2014 is not as favorable. Waste Management has projected that tonnages will decrease next year netting Falls Township revenues of just over \$11 million.

2) The Pinewood Pool is expected to continue operations while trying to contain costs and exceed projected revenues. The Township has continued in-house management of the pool for 2013 in an effort to control costs. Pool membership registration is on an upswing. And, the Host Community Fees fund will provide another cash transfer in 2014, if needed.

3) The Parks and Recreation department will receive additional funding from the Host Community Fees fund as the department continues to offer an extensive list of programs and events in the Community. Also as the Falls Township Community Park grows, additional spending will be required to maintain the quality of service needed to operate at a superior level.

All of these factors were considered in preparing the Falls Township budget for 2014.

Requests for Information

Falls Township's financial report is designed to provide a general overview of the Township's finances for those interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, Falls Township, 188 Lincoln Highway, Suite 100, Fairless Hills, PA 19030.

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF FALLS

STATEMENT OF NET POSITION

DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash & cash equivalents	\$ 28,393,263	\$	\$ 28,393,263
Investments	16,325,766		16,325,766
Taxes receivable	93,101		93,101
Accounts receivable (net of allowance for uncollectibles)	1,726,900		1,726,900
Prepaid assets	196,903		196,903
Total Current Assets	46,735,933	-	46,735,933
Capital Assets (net of accumulated depreciation):			
Land	16,460,926	162,700	16,623,626
Construction in progress	24,263		24,263
Buildings and systems	3,106,473		3,106,473
Infrastructure	70,848,107		70,848,107
Improvements other than buildings	2,760,352		2,760,352
Machinery, equipment, and vehicles	2,045,841	11,838	2,057,679
Total Capital Assets	95,245,962	174,538	95,420,500
TOTAL ASSETS	141,981,895	174,538	142,156,433
LIABILITIES			
Current Liabilities:			
Accounts payable	575,707	1,907	577,614
Accrued salary and benefits	361,251	729	361,980
Unearned revenue	235,556		235,556
Deposits	808,396		808,396
Internal balances	(172,778)	172,778	-
Portion due or payable within one year			
Compensated absences	683,841		683,841
Total Current Liabilities	2,491,973	175,414	2,667,387
Long-term Liabilities:			
Portion due or payable after one year			
Compensated absences	808,604		808,604
Other post-employment benefits	1,864,881		1,864,881
Total Long-term Liabilities	2,673,485	-	2,673,485
TOTAL LIABILITIES	5,165,458	175,414	5,340,872
NET POSITION			
Investment in capital assets	95,245,962	174,538	95,420,500
Restricted for			
Recycling expenditures	446,235		446,235
Rescue squad	1,929		1,929
Highway aid	222,604		222,604
Drug prevention	193,858		193,858
Unrestricted	40,705,849	(175,414)	40,530,435
TOTAL NET POSITION	\$ 136,816,437	\$ (876)	\$ 136,815,561

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Business-Type Activities	Total
					Governmental Activities	Business-Type Activities		
GOVERNMENTAL ACTIVITIES								
General government	\$ 2,573,012	\$ 1,021,066	\$ 628,019	\$ -	\$ (923,927)	\$ -	\$ (923,927)	(923,927)
Public safety	15,534,489	1,537,430	312,828	-	(13,704,231)	-	(13,704,231)	(13,704,231)
Public works - highways and streets	5,817,812	140,425	702,500	-	(4,974,887)	-	(4,974,887)	(4,974,887)
Culture and recreation	1,902,802	178,347	30	-	(1,724,425)	-	(1,724,425)	(1,724,425)
TOTAL GOVERNMENTAL ACTIVITIES	25,848,115	2,877,268	1,643,377	-	(21,327,470)	-	(21,327,470)	(21,327,470)
BUSINESS-TYPE ACTIVITIES								
Pinewood Pool	222,846	173,989	-	-	(48,857)	-	(48,857)	(48,857)
TOTAL BUSINESS-TYPE ACTIVITIES	222,846	173,989	-	-	(48,857)	-	(48,857)	(48,857)
TOTAL GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES	\$ 26,070,961	\$ 3,051,257	\$ 1,643,377	\$ -	(21,327,470)	(48,857)	(21,376,327)	(21,376,327)
GENERAL REVENUES								
Property taxes, levied for general purposes					2,263,235		2,263,235	2,263,235
Real estate transfer taxes					858,764		858,764	858,764
Local services taxes					371,842		371,842	371,842
Mechanical device tax					34,023		34,023	34,023
Other taxes					13,288		13,288	13,288
Payment in lieu of taxes					75,000		75,000	75,000
Contributions not restricted to specific programs					16,082,578		16,082,578	16,082,578
Interest earnings					37,434		37,434	37,434
Miscellaneous revenues					77,141		77,141	77,141
Transfers					(75,000)	75,000	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					19,738,305	75,000	19,813,305	19,813,305
CHANGE IN NET POSITION					(1,589,165)	26,143	(1,563,022)	(1,563,022)
NET POSITION AT BEGINNING OF YEAR					138,405,602	(27,019)	138,378,583	138,378,583
NET POSITION AT END OF YEAR					\$ 136,816,437	\$ (876)	\$ 136,815,561	\$ 136,815,561

TOWNSHIP OF FALLS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Capital Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 23,667,721	\$ 3,837,060	\$ 888,482	\$ 28,393,263
Investments	16,325,766			16,325,766
Accounts receivable (net of allowance for uncollectibles)	1,726,899	1		1,726,900
Taxes receivable	35,164		57,937	93,101
Interfund receivable	293,541		-	293,541
Prepaid items	196,903			196,903
TOTAL ASSETS	\$ 42,245,994	\$ 3,837,061	\$ 946,419	\$ 47,029,474
LIABILITIES				
Accounts payable	\$ 533,995	\$ 11,009	\$ 30,703	\$ 575,707
Deposits	36,425	771,721	250	808,396
Interfund payable			120,763	120,763
Salaries and benefits payable	969,649		75,443	1,045,092
Unearned revenue	323,794			323,794
TOTAL LIABILITIES	1,863,863	782,730	227,159	2,873,752
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - real estate taxes	34,167		56,408	90,575
Unavailable revenue - other	7,002			7,002
TOTAL DEFERRED INFLOWS OF RESOURCES	41,169	-	56,408	97,577
FUND BALANCES				
Nonspendable:				
Prepaid items	196,903			196,903
Restricted for:				
Recycling expenditures			446,235	446,235
Rescue squad			1,929	1,929
Highway aid			222,604	222,604
Drug prevention			193,858	193,858
Assigned to:				
Capital projects	8,429,981	3,054,331		11,484,312
Subsequent year's budget: appropriation of fund balance	8,932,781			8,932,781
Unassigned	22,781,297		(201,774)	22,579,523
TOTAL FUND BALANCES	40,340,962	3,054,331	662,852	44,058,145
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 42,245,994	\$ 3,837,061	\$ 946,419	\$ 47,029,474

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

DECEMBER 31, 2013

TOTAL GOVERNMENTAL FUND BALANCES	\$ 44,058,145
Amounts reported for governmental activities on the statement of net position are different because of the following:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$148,924,239 and the accumulated depreciation is \$53,678,277	95,245,962
Certain revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds	185,815
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Those liabilities consist of:	
Other post employment benefits	(1,864,881)
Compensated absences	<u>(808,604)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 136,816,437</u>

See accompanying notes to the basic financial statements

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

FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Capital Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes				
Property	\$ 828,406	\$	\$ 1,440,332	\$ 2,268,738
Real estate transfer	858,764			858,764
Local services	371,787			371,787
Mechanical device	34,023			34,023
Motor fuel tax			621,321	621,321
Payment in lieu of taxes	27,320		47,680	75,000
Host community fees	16,082,578			16,082,578
Licenses and permits	816,356			816,356
Fines and forfeits	200,345			200,345
Interest earnings	31,924	4,951		37,431
Rents	91,617			91,617
Intergovernmental	696,436		13,154	713,590
Charges for services	1,569,640		277,028	1,846,668
Contributions and donations	26,855		178,347	205,202
Refunds of prior years	34,674		35,830	70,504
TOTAL REVENUES	21,670,725	4,951	2,614,248	24,289,924
EXPENDITURES				
Current				
General government	2,326,866	62,210	-	2,389,076
Public safety	13,763,965		1,140,007	14,903,972
Public works - highways and streets	1,907,909	5,688	1,122,348	3,035,945
Culture and recreation	34,935		1,099,703	1,134,638
Capital outlay				
General government	399,969			399,969
Public safety	839,433			839,433
Public works - highways and streets	6,748,981	57,688	82,175	6,888,844
Culture and recreation	1,277,434			1,277,434
TOTAL EXPENDITURES	27,299,492	125,586	3,444,233	30,869,311
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,628,767)	(120,635)	(829,985)	(6,579,387)
OTHER FINANCING SOURCES (USES)				
Transfers in	4,642,064	200,000	510,000	5,352,064
Transfers out	(785,000)	(4,615,064)	(27,000)	(5,427,064)
Sale of capital assets	39,426			39,426
TOTAL OTHER FINANCING SOURCES (USES)	3,896,490	(4,415,064)	483,000	(35,574)
NET INCREASE (DECREASE) IN FUND BALANCES	(1,732,277)	(4,535,699)	(346,985)	(6,614,961)
FUND BALANCES AT BEGINNING OF YEAR	42,073,239	7,590,030	1,009,837	50,673,106
FUND BALANCES, ENDING	\$ 40,340,962	\$ 3,054,331	\$ 662,852	\$ 44,058,145

TOWNSHIP OF FALLS

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

FOR THE YEAR ENDED DECEMBER 31, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (6,614,961)
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense:</p>	
Capital outlay	9,405,680
Depreciation expense	(4,031,468)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	4,600
<p>Compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.</p>	
	(48,670)
<p>On the Statement of Activities the actual and projected long term expenditures for post-employment benefits are reported, whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.</p>	
	(408,936)
<p>Judgement payable does not require the use of current financial resources, therefore, is not reported as an expenditure in Governmental Funds.</p>	
	<u>104,590</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,589,165)</u>

TOWNSHIP OF FALLS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$ 869,920	\$ 869,920	\$ 828,406	\$ (41,514)
Real estate transfer	560,000	560,000	858,764	298,764
Local services	400,000	400,000	371,787	(28,213)
Mechanical device	35,000	35,000	34,023	(977)
Payment in lieu of taxes	29,605	29,605	27,320	(2,285)
Host community fees	14,636,100	14,636,100	16,082,578	1,446,478
Licenses and permits	845,000	845,000	816,356	(28,644)
Fines and forfeits	148,000	148,000	200,345	52,345
Interest earnings	775,300	775,300	31,924	(743,376)
Rents	90,408	90,408	91,617	1,209
Intergovernmental	619,350	619,350	696,436	77,086
Charges for services	1,297,100	1,297,100	1,569,640	272,540
Contributions and donations	-	-	26,855	26,855
Refunds of prior years	32,000	32,000	34,674	2,674
Miscellaneous revenues	100	100	-	(100)
TOTAL REVENUES	20,337,883	20,337,883	21,670,725	1,332,842
EXPENDITURES				
Current				
General government				
Supervisors	34,926	34,926	89,207	(54,281)
Manager	373,340	373,340	386,343	(13,003)
Finance and administration	506,027	506,027	532,832	(26,805)
Attorney	307,500	307,500	468,123	(160,623)
Other	907,386	907,386	850,361	57,025
Total general government	2,129,179	2,129,179	2,326,866	(197,687)
Public safety				
Police	11,345,836	11,345,836	12,209,748	(863,912)
Fire	503,857	503,857	483,958	19,899
Code Enforcement	1,037,756	1,037,756	1,070,259	(32,503)
Total public safety	12,887,449	12,887,449	13,763,965	(876,516)
Public works				
Highways and streets	1,749,050	1,749,050	1,907,909	(158,859)
Total public works	1,749,050	1,749,050	1,907,909	(158,859)
Total culture and recreation	-	-	34,935	(34,935)
Capital outlay				
General government	1,269,723	1,269,723	399,969	869,754
Public safety	1,633,902	1,633,902	839,433	794,469
Public works - highway and streets	12,601,689	12,601,689	6,748,981	5,852,708
Culture and recreation	1,798,356	1,798,356	1,277,434	520,922
Total capital outlay	17,303,670	17,303,670	9,265,817	8,037,853
TOTAL EXPENDITURES	34,069,348	34,069,348	27,299,492	6,769,856
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,731,465)	(13,731,465)	(5,628,767)	8,102,698
OTHER FINANCING SOURCES (USES)				
Transfers in	4,642,064	4,642,064	4,642,064	-
Transfers out	(785,000)	(785,000)	(785,000)	-
Sale of assets	2,000	2,000	39,426	37,426
TOTAL OTHER FINANCING SOURCES (USES)	3,859,064	3,859,064	3,896,490	37,426
NET INCREASE (DECREASE) IN FUND BALANCE	(9,872,401)	(9,872,401)	(1,732,277)	8,140,124
FUND BALANCE, BEGINNING	42,073,239	42,073,239	42,073,239	-
FUND BALANCE, ENDING	\$ 32,200,838	\$ 32,200,838	\$ 40,340,962	\$ 8,140,124

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds	
	Pinewood Pool Current Year	Pinewood Pool Prior Year
	ASSETS	
Capital Assets (net of accumulated depreciation):		
Land	\$ 162,700	\$ 162,700
Machinery and equipment	11,838	13,811
TOTAL CAPITAL ASSETS	174,538	176,511
TOTAL ASSETS	174,538	176,511
LIABILITIES		
Current liabilities		
Accounts payable	1,907	120
Interfund payable	172,778	202,771
Salaries and benefits payable	729	639
TOTAL CURRENT LIABILITIES	175,414	203,530
NET POSITION		
Investment in capital assets	174,538	176,511
Unrestricted	(175,414)	(203,530)
TOTAL NET POSITION	\$ (876)	\$ (27,019)

TOWNSHIP OF FALLS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds	
	Pinewood Pool Current Year	Pinewood Pool Prior Year
OPERATING REVENUES		
Charges for sales and services		
Pool memberships	\$ 156,186	\$ 155,443
Concession income	17,803	20,696
	173,989	176,139
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Costs of sales and services	195,011	195,946
Administration	25,862	28,160
Depreciation on capital assets	1,973	1,973
	222,846	226,079
TOTAL OPERATING EXPENSES		
Operating Loss	(48,857)	(49,940)
Transfers in	75,000	-
	26,143	(49,940)
CHANGE IN NET POSITION		
NET POSITION, BEGINNING	(27,019)	22,921
NET POSITION, ENDING	\$ (876)	\$ (27,019)

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	Business-type Activities - Enterprise Funds	
	Pinewood Pool Current Year	Pinewood Pool Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 173,989	\$ 176,139
Payments to suppliers	(98,504)	(88,504)
Payments to employees	(120,492)	(135,395)
	(45,007)	(47,760)
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from other funds	45,007	47,760
	45,007	47,760
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (48,857)	\$ (49,940)
Adjustments to reconcile operating loss to net cash provided (used) by operating expenses		
Depreciation expense	1,973	1,973
Increase (decrease) in accounts payable	1,787	120
Increase (decrease) in salaries and benefits payable	90	87
	3,850	2,180
TOTAL ADJUSTMENTS		
NET CASH USED IN OPERATING ACTIVITIES	\$ (45,007)	\$ (47,760)

TOWNSHIP OF FALLS

COMBINED STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2013

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 4,624,533	\$ 2,027,168
Receivables	161,248	
Accounts receivable		1,704
Investment, at fair value		
Certificates of deposit	1,486,000	
Common stock, mutual funds	<u>17,893,718</u>	
TOTAL ASSETS	24,165,499	<u>\$ 2,028,872</u>
LIABILITIES		
Pension payable	<u>3,626</u>	
Escrow deposits		<u>\$ 2,028,872</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 24,161,873</u>	

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PENSION TRUST FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 1,053,647
Plan member	278,779
Commonwealth	516,620
Total Contributions	<u>1,849,046</u>
Investment Income	
Interest	32,284
Dividend income	327,813
Net appreciation in fair market value of investments	1,810,980
Total investment income	<u>2,171,077</u>
Less: investment expenses	<u>55,513</u>
Net investment income	<u>2,115,564</u>
TOTAL ADDITIONS	<u>3,964,610</u>
DEDUCTIONS	
Benefits	1,858,227
Administrative expenses	519
Total deductions	<u>1,858,746</u>
Change in Net Position	2,105,864
NET POSITION BEGINNING OF YEAR	<u>22,056,009</u>
NET POSITION END OF YEAR	<u>\$ 24,161,873</u>

See accompanying notes to the basic financial statements