

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
East Fallowfield Township
Chester County, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of East Fallowfield Township, Pennsylvania, as of and for the year ended December 31, 2012, 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, each major fund, and the aggregate remaining fund information of East Fallowfield Township, as of December 31, 2012, and the respective changes in financial position 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, budgetary comparison information, schedule of pension funding progress, and schedule of contributions from the employer and other contributing entities, on pages 3 through 12 and 36 through 40 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 sufficient evidence to express an opinion or provide any assurance.

Mingis, Gutowski & Company, LLP

Swarthmore, Pennsylvania
July 11, 2013

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the 2012 East Fallowfield Township annual report presents our discussion and analysis of the financial performance during the fiscal year ended December 31, 2012. The inclusion of this section is in compliance with *Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued by the Governmental Accounting Standards Board (GASB). Our comments are intended to be read in conjunction with the Independent Auditor's report preceding this discussion and the financial statements, and supplementary information immediately following this section.

FINANCIAL HIGHLIGHTS

The Township's Net Position as of December 31, 2012 totaled \$9,844,268, an increase of \$74,058 from 2011. Net Position was comprised of capital assets, net of related debt, in the amount of \$8,409,870, assets restricted for road service maintenance in the amount of \$177,277 and unrestricted assets consisting of cash and accounts receivable, net of liabilities totaling \$1,257,121.

During 2012, the Township's total revenue was \$2,986,872 and was \$96,228 more than the prior year. The increase was primarily due to a \$69,454 increase in earned income, real estate transfer, and local services tax revenue in 2012.

Township expenses during 2012 decreased by \$55,367 from 2011. Costs decreased primarily due to a decrease in parks and recreation expense for the pavilion and footbridge construction at the township park in 2011, in addition to decreased financial administration costs as a result of staff decreases. These decreases were offset by an increase in Liquid Fuels expenses, due to paving projects in 2012.

On the legally enacted budgetary basis, the Township's General Fund ended the fiscal year with an increase in fund balance of \$478,921 compared to an increase in fund balance of \$78,974 in 2011. The increase was the result of the increase in tax revenue, as well as the decrease in overall expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Financial Statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The first two statements included in Government-Wide Financial Statements are the Statement of Net Position and the Statement of Activities. These statements provide long-term and short-term information about the Township's overall financial status.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Statement of Net Position includes all of the Township's assets and liabilities. The Statement of Activities reflects all of the current year's revenues and expenses regardless of when cash is received or paid. These two government-wide statements when viewed in conjunction with each other report the Township's Net Position and how it has changed. Analyzing the difference between the Township's assets and liabilities and the resulting net position provides a measure of the Township's financial health or position. Increases or decreases in the Township's net position over time are an indication of changing financial health. The overall health of the Township, however, must consider additional non-financial factors, such as changes in the Township's earned income tax base, the adequacy of Township services, and the competence of Township employees and officials.

Our Township's Statement of Activities consist solely of governmental activities and discloses basic services, such as general government (administration), public safety, code enforcement, public works, and culture and recreation. Earned income taxes, real estate transfer taxes, and charges for municipal services finance most of the Township's activities.

Fund Level Financial Statements

Fund Level Financial Statements focus on individual segments of the Township's operations and offer greater detail than Government-Wide Financial Statements. These financial statements include activities from two types of funds: Government Funds and Agency Funds.

Most of the Township's activities are reported in Governmental Funds. Governmental Funds statements report the sources for financing the Township's general services for the short-term, and services that will remain to be funded by future spending. Governmental Funds are reported using a modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. The focus of Government Funds is to account for changes in the Township's financial position. Accordingly, Governmental Fund information assists the reader in determining whether there are greater or fewer financial resources available in the near future to finance Township programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and reported in Governmental Funds is reconciled in the financial statements and accompanying Notes to Financial Statements are included to offer explanations for some of the information and provide more detailed data.

Agency Fund statements disclose activities when the Township serves as an Agent for escrowed funds. Agency Funds are custodial in nature. Since assets in the fund are restricted from use to finance Township operations, Agency Fund activity is reported in a separate statement entitled, Statement of Net Position – Agency Fund.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL ANALYSIS OF THE TOWNSHIP – GOVERNMENT-WIDE STATEMENTS

The Township's total net position was \$9,844,268 and \$9,770,210 on December 31, 2012 and 2011, respectively. The increase of \$74,058 was comprised of an increase of \$99,994 in total assets and an increase of \$25,936 in current and non-current liabilities. The following table presents condensed financial information comparing Net Assets as of December 31, 2012 and 2011:

	Net Position December 31,	
	Governmental Activities 2012	2011
Assets		
Current and other assets	\$ 1,724,941	\$ 1,444,792
Capital assets, net	8,501,107	8,681,262
Total assets	<u>10,226,048</u>	<u>10,126,054</u>
Liabilities		
Current and other liabilities	304,265	264,679
Noncurrent liabilities	77,515	91,165
Total liabilities	<u>381,780</u>	<u>355,844</u>
Net Position		
Invested in capital assets	8,409,870	8,580,407
Unrestricted	1,257,121	737,846
Restricted	177,277	288,367
Unassigned	-	163,590
Total net position	<u>\$ 9,844,268</u>	<u>\$ 9,770,210</u>

The results of this year's operations as a whole are reported in the Statement of Activities. Specific charges, grants, revenues, and subsidies 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 Township's most significant revenues are generally from earned income taxes, real estate transfer taxes, and trash fees.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The following table presents financial information extracted and condensed from the Statement of Activities to facilitate a comparison of total revenue from governmental activities from 2012 to 2011:

		Governmental Activities	
		2012	2011
Revenues			
Program revenues:			
Charges for services	\$	922,988	\$ 925,589
Operating grants and contributions		398,717	393,995
Capital grants and contributions		-	-
General revenues:			
Taxes		1,467,493	1,398,039
Other revenue		<u>197,674</u>	<u>173,021</u>
Total revenues		<u>2,986,872</u>	<u>2,890,644</u>
Expenses			
General government		298,526	350,029
Public safety		1,087,507	1,044,956
Codes		23,361	30,726
Public works – sanitation		590,965	616,276
Public works – highways		666,035	595,628
Culture and recreation		19,223	101,492
Unallocated depreciation		<u>227,197</u>	<u>229,074</u>
Total expenses		<u>2,912,814</u>	<u>2,968,181</u>
Change in net position	\$	<u>74,058</u>	<u>(77,537)</u>

During 2012, the Township's total revenue was \$2,986,872 and increased by \$96,228 from the prior year. This increase was due primarily to a \$69,454 increase in earned income, real estate transfer, and local services tax revenue in 2012.

Township expenses during 2012 decreased \$55,367 from 2011. Costs decreased primarily due to a decrease in parks and recreation expense for the pavilion and footbridge construction at the township park in 2011, in addition to prior year office staff reductions. These decreases were offset by an increase in Liquid Fuels expenses, due to paving projects in 2012.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL ANALYSIS OF THE TOWNSHIP – GOVERNMENTAL FUNDS

Most Township activities are reported in Governmental Funds. Governmental Funds are reported using the modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. The Township's Governmental Funds include the General Fund, Capital Projects Fund, Liquid Fuels Fund, and Parks and Recreation Fund.

General Fund

The General Fund is the principal operating fund of the Township. On the legally enacted budgetary basis, the General Fund ended the fiscal year with an increase in fund balance of \$478,921 compared to an increase in fund balance of \$78,974 in 2011. The increase in fund balance in 2012 is due to an increase in revenues of \$398,086, and a decrease in expenditures of \$50,008.

Revenues increased primarily due to an increase in earned income taxes.

Expenditures decreased by \$50,008 in 2012 primarily due to decreased financial administration costs as a result of staff decreases.

The following table compares the actual revenues and expenditures for 2012 and 2011:

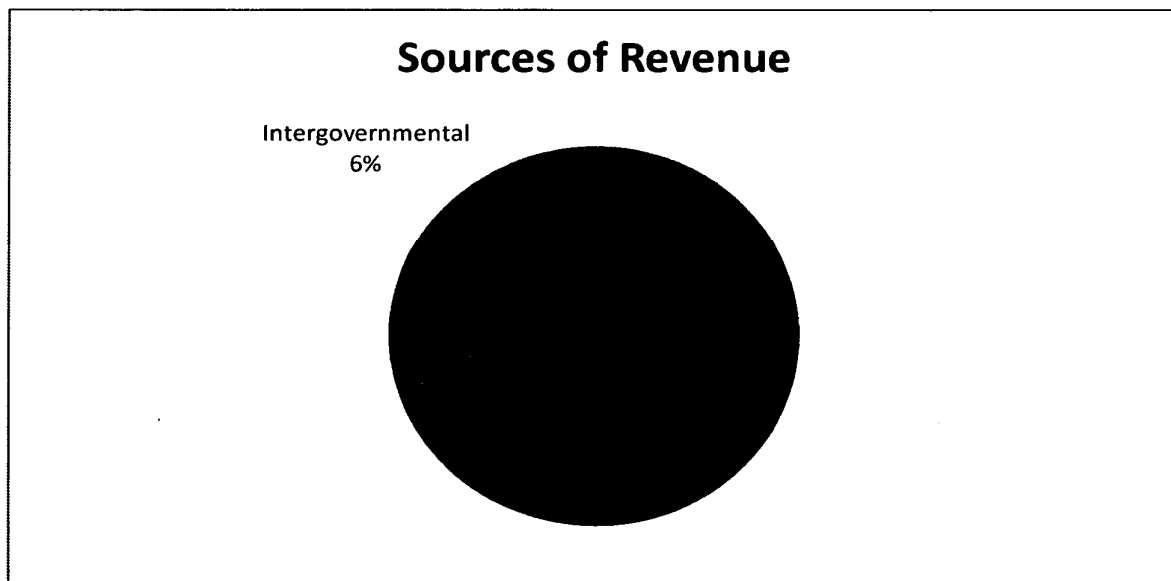
Comparison of Revenues, Expenditures, and Changes in Net Assets
General Fund
For the Years Ended December 31,

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Revenues			
Taxes	\$ 1,567,864	\$ 1,180,678	\$ 387,186
Franchise fees	140,502	132,156	8,346
Fines and forfeits	40,004	22,868	17,136
Interest earned	377	448	(71)
Intergovernmental revenues	175,428	203,451	(28,023)
Charges for services:			
Trash fees	817,335	797,798	19,537
Building permits	54,534	74,627	(20,093)
Road and commercial permits	11,760	8,423	3,337
Other	36,321	31,744	4,577
Miscellaneous revenues	<u>7,467</u>	<u>1,313</u>	<u>6,154</u>
Total revenues	<u>2,851,592</u>	<u>2,453,506</u>	<u>398,086</u>

**EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
Expenditures			
General government	\$ 298,526	\$ 349,522	\$ 50,996
Public safety	1,083,334	1,038,882	(44,452)
Codes	23,361	30,726	7,365
Public works – sanitation	590,965	616,276	25,311
Public works – highways	410,698	420,470	9,772
Culture and recreation	<u>4,105</u>	<u>5,121</u>	<u>1,016</u>
Total expenditures	<u>2,410,989</u>	<u>2,460,997</u>	<u>50,008</u>
Other Financing Sources (Uses)			
Sales of Capital Assets	945	3,126	(2,181)
Interfund Transfers In	(12,627)	83,339	(95,966)
Interfund Transfers Out	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total other financing sources	<u>38,318</u>	<u>86,465</u>	<u>(48,147)</u>
Net change in fund balance	478,921	78,974	<u>\$ 399,947</u>
Fund balance, beginning	<u>(51,561)</u>	<u>(130,535)</u>	
Fund balance, ending	<u>\$ 427,360</u>	<u>\$ (51,561)</u>	

Annual budgeting for the General Fund is based on four primary sources of revenue. The following chart illustrates each source's contribution by percentage. Earned income taxes and real estate transfer taxes contributed 55% of the General Fund's total revenues. Fees generated from charges for services contributed 32%. These two sources combined to contribute 87% of the General Fund's revenue. Revenues from "other" sources total 7% and included interest earnings, franchise fees, fines, and miscellaneous revenues. Intergovernmental revenues accounted for the remaining 6% of the General fund's revenue.



EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

General Fund Budgeted Revenues

The 2012 revenues from taxes were \$479,257 higher than budgeted due to higher earned income taxes than budgeted. Charges for services were \$55,444 less than budgeted overall, largely due to a decrease of \$43,759 of trash fee revenue lower than budgeted. The other revenues were relatively consistent with the overall budget projections.

General Fund Budgeted Expenditures

Departmental expenditures were \$124,557 under the projected budget. General Government was under budget by \$92,953 largely due to staff decreases. Overall, the result of last year's operations was an increase in fund balance of \$478,921.

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the Year Ended December 31, 2012

	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Taxes	\$ 1,088,607	\$ 1,088,607	\$ 1,567,864	\$ 479,257
Franchise fees	133,000	133,000	140,502	7,502
Fines and forfeits	29,000	29,000	40,004	11,004
Interest earned	1,000	1,000	377	(623)
Intergovernmental revenues	166,240	166,240	175,428	9,188
Charges for services:				
Trash fees	861,094	861,094	817,335	(43,759)
Building permits	60,000	60,000	54,534	(5,466)
Road and commercial permits	11,000	11,000	11,760	760
Other	43,300	43,300	36,321	(6,979)
Miscellaneous revenues	2,000	2,000	7,467	5,467
Sale of Fixed Assets	-	-	945	945
Total revenues	<u>2,395,241</u>	<u>2,395,241</u>	<u>2,852,537</u>	<u>457,296</u>
Expenditures				
General government	391,479	391,479	298,526	92,953
Public safety	1,074,232	1,074,232	1,083,334	(9,102)
Codes	40,750	40,750	23,361	17,389
Public works – sanitation	642,544	642,544	590,965	51,579
Public works – highways	368,041	368,041	410,698	(42,657)
Culture and recreation	<u>18,500</u>	<u>18,500</u>	<u>4,105</u>	<u>14,395</u>
Total expenditures	<u>2,535,546</u>	<u>2,535,546</u>	<u>2,410,989</u>	<u>124,557</u>
Excess (deficiency) of revenues over expenditures	<u>(140,305)</u>	<u>(140,305)</u>	<u>441,548</u>	<u>581,853</u>

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other financing sources (uses)				
Other	\$ 140,305	\$ 140,305	\$ 37,373	\$ (102,932)
Total other financing sources (uses)	<u>140,305</u>	<u>140,305</u>	<u>37,373</u>	<u>(102,932)</u>
Net change in fund balance	-	-	478,921	478,921
Fund balance, January 1	-	-	(51,561)	(51,561)
Fund balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,360</u>	<u>\$ 427,360</u>

Liquid Fuels Fund

Under the Liquid Fuels Tax Act 655, the Township receives a subsidy from the Commonwealth of Pennsylvania for the maintenance of roads. Funds received are deposited into the Township's Liquid Fuels Fund and restricted from use in other Township activities. Costs subsidized include acquisition of vehicles and equipment, maintenance of vehicles and equipment, fuel, and supplies for snow removal. During 2012, subsidies received totaled \$223,289. Liquid Fuels Fund expenses totaled \$255,337. As of December 31, 2012, the Liquid Fuels Fund had a fund balance of \$177,573.

Capital Projects Fund

The Township maintains a Capital Projects Fund for the purpose of funding acquisitions of capital assets. During 2012, there was nominal activity in the Capital Projects Fund, exclusive of earned interest in the amount of \$226. As of December 31, 2012, the fund balance of the Capital Projects Fund amounted to \$419,978.

Parks and Recreation Fund

The Township maintains a Parks and Recreation Fund to restrict certain revenues for the sole use of improving and enhancing public parks. The primary sources of revenue for the Parks and Recreation Fund are grants, contributions, and proceeds from developers. Funding from developers occurs when the developer, who is obligated to comply with the Township ordinances and include recreation areas and facilities as a part of the land development plan, opts to provide "in lieu of" funds to be used by the Township for alternate recreation facilities. As of December 31, 2012, the fund balance of the Parks and Recreation Fund was \$307,321.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

CAPITAL ASSETS

As of December 31, 2012, the Township had \$8,501,107 of value in a broad range of Capital Assets, including land, buildings and furniture, equipment and infrastructure. This amount represents a net decrease of \$180,155 in value from 2011 that is attributed to \$52,000 in asset disposals and depreciation expense of \$227,197.

The following schedule delineates the ending value of Capital Assets for the period ending December 31, 2012 and changes in each capital asset category:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Land	\$ 3,050,001			\$ 3,050,001
Park improvements	779,880			779,880
Building and improvements	316,451			316,451
Infrastructure	5,380,702			5,380,702
Vehicles	882,128	\$ 37,633	\$ 42,000	877,761
Machinery and equipment	<u>237,515</u>	<u>9,409</u>	<u>10,000</u>	<u>236,924</u>
Total capital assets, being depreciated	<u>10,646,677</u>	<u>47,042</u>	<u>52,000</u>	<u>10,641,719</u>
Less accumulated depreciation for:				
Park improvements	54,593	15,598		70,191
Building and improvements	174,700	12,884		187,584
Infrastructure	863,732	107,614		971,346
Vehicles	692,253	70,006	42,000	720,259
Machinery and equipment	<u>180,137</u>	<u>21,095</u>	<u>10,000</u>	<u>191,232</u>
Total accumulated depreciation	<u>1,965,415</u>	<u>227,197</u>	<u>52,000</u>	<u>2,140,612</u>
Governmental activities capital assets, net	<u>\$ 8,681,262</u>	<u>\$ (180,155)</u>	<u>\$ -</u>	<u>\$ 8,501,107</u>

THE TOWNSHIP'S FUTURE

As anticipated, East Fallowfield Township saw an increase in earned income tax collections in 2012, once the State of Pennsylvania enacted Act 32, and Chester County engaged Keystone Collections to collect all earned income and local services taxes. The Act required all employers to determine each employee's municipality of residence and to remit earned income taxes to those municipalities. It had been projected that this new requirement would increase earned income remittances to the majority of municipalities and school districts within Pennsylvania. As the pie chart on page 8 indicates, 55% of East Fallowfield's revenue comes from tax revenues. Our current revenues are limited to sources that are directly affected by general economic conditions. Tax revenues are driven by our residents' ability to be employed and earn taxable compensation. Real estate transfer taxes are driven by real estate sales.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Although one of our primary sources of revenue is billed trash collection services, these monies are offset by the cost incurred for trash collection contracts. The Township's financial solvency will therefore depend on creative new concepts for generating revenue while maintaining programs whose costs are escalating to ensure the safety of our residents. Future financial planning will consider the following:

- Multi-year budgeting and or projections
- Capital project funding and fixed asset replacement and long-term infrastructure improvement strategy
- Development of new funding sources from enacting safety, real estate, or other taxes; expanding public water and sewer franchise areas to attract developers, and aggressively pursuing available grants.

FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances and to show the Board's accountability. If you have questions about this report or wish to request additional financial information, please contact the Township Treasurer.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities
Assets	
Current Assets:	
Cash	\$ 1,120,185
Receivables:	
Taxes, net	415,045
Trash, net	38,603
Franchise fees	15,400
Prepaid items	11,974
Grants	16,617
Miscellaneous	19,256
Escrow fund receivable	87,861
Total current assets	<u>1,724,941</u>
Capital Assets:	
Land	3,050,001
Other capital assets, net of accumulated depreciation	<u>5,451,106</u>
Total capital assets, net	<u>8,501,107</u>
Total assets	<u>10,226,048</u>
Deferred Outflows of Resources	-
Liabilities	
Current Liabilities:	
Accounts payable and accrued liabilities	75,510
Accrued payroll	42,988
Payroll deductions and withholdings	16,101
Lease obligation	40,774
Prepaid trash fees	128,892
Total current liabilities	<u>304,265</u>
Noncurrent Liabilities:	
Lease obligation	50,463
Compensated absences	27,052
Total noncurrent liabilities	<u>77,515</u>
Total liabilities	<u>381,780</u>
Deferred Inflows of Resources	-
Net Position	
Invested in capital assets, net of related debt	8,409,870
Restricted for: Road service and maintenance	177,277
Unrestricted	<u>1,257,121</u>
Total net position	<u>\$ 9,844,268</u>

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants And Contributions</u>	
Governmental Activities:					
General government	\$ 298,526		\$ 175,428		\$ (123,098)
Public safety	1,087,507	\$ 40,004			(1,047,503)
Codes	23,361	66,294			42,933
Public works – sanitation	590,965	809,190			218,225
Public works – highways	666,035		223,289		(442,746)
Culture and recreation	19,223	7,500			(11,723)
Unallocated depreciation expense	<u>227,197</u>				<u>(227,197)</u>
Total governmental activities	<u>\$2,912,814</u>	<u>\$ 922,988</u>	<u>\$ 398,717</u>	<u>\$ -</u>	<u>(1,591,109)</u>
General revenues					
Taxes:					
Earned income taxes					1,326,809
Real estate transfer taxes					120,570
Local services taxes					20,114
Franchise fees					140,502
Investment earnings					1,043
Donated equipment					6,000
Miscellaneous income					<u>50,129</u>
Total general revenues					<u>1,665,167</u>
Change in net position					74,058
Net position, beginning of year					<u>9,770,210</u>
Net position, end of year					<u>\$ 9,844,268</u>

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Liquid Fuels Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 290,357	\$ 419,978	\$ 179,193	\$ 230,657	\$ 1,120,185
Receivables:					
Earned income tax	391,996				391,996
Local services tax	2,760				2,760
Real estate transfer tax	20,289				20,289
Trash fees	38,603				38,603
Franchise fees	15,400				15,400
Grants	16,617				16,617
Miscellaneous	19,256				19,256
Prepaid items	11,678		296		11,974
Due from other funds				87,861	87,861
Total assets	<u>\$ 806,956</u>	<u>\$ 419,978</u>	<u>\$ 179,489</u>	<u>\$ 318,518</u>	<u>\$ 1,724,941</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 62,397		\$ 1,916		\$ 64,313
Deposits				\$ 11,197	11,197
Accrued payroll	42,988				42,988
Payroll deductions and withholdings	16,101				16,101
Prepaid trash fees	128,892				128,892
Deferred revenue	129,218				129,218
Total liabilities	<u>379,596</u>	<u>\$ -</u>	<u>1,916</u>	<u>11,197</u>	<u>392,709</u>
Fund Balances:					
Nonspendable	11,678		296		11,974
Restricted – Road service and maintenance			177,277		177,277
Committed – Parks and recreation				307,321	307,321
Committed – Capital purchases		419,978			419,978
Assigned					
Unassigned	415,682				415,682
Total fund balances	<u>427,360</u>	<u>419,978</u>	<u>177,573</u>	<u>307,321</u>	<u>1,332,232</u>
Total liabilities and fund balances	<u>\$ 806,956</u>	<u>\$ 419,978</u>	<u>\$ 179,489</u>	<u>\$ 318,518</u>	<u>\$ 1,724,941</u>

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total fund balances – governmental funds \$ 1,332,232

Amounts reported for governmental activities in the statement
of net assets 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 \$10,641,719 and the accumulated
depreciation is \$2,140,612. 8,501,107

Long-term liabilities, comprised of compensated absences,
are not due and payable in the current period and,
therefore, are not reported as liabilities in the funds. (27,052)

Capital lease obligations that consume resources of
Governmental funds that have no input on net assets (91,237)

Trash and other fees will be collected next year, but are
not available soon enough to pay for the current
period's expenditures and, therefore, are deferred
in the funds statements. They are recorded as
revenue in the entity-wide statements. 12,228

Earned income taxes receivable will be collected next
year, but are not available soon enough to pay for the
current period's expenditures and, therefore, are
deferred in the funds. However, they are recorded
as revenue in the entity-wide statements. 116,990

Total net position – governmental activities \$ 9,844,268

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Liquid Fuels Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes:					
Earned income	\$ 1,427,180				\$ 1,427,180
Real estate transfer	120,570				120,570
Local services	<u>20,114</u>				<u>20,114</u>
Total taxes	1,567,864				1,567,864
Grants					
Franchise fees	140,502				140,502
Fines and forfeits	40,004				40,004
Interest	377	\$ 226	\$ 327	\$ 113	1,043
Intergovernmental revenues	175,428		223,289		398,717
Charges for services:					
Trash fees	817,335				817,335
Building permits	54,534				54,534
Road and commercial permits	11,760				11,760
Other	36,321				36,321
Fee in lieu				7,500	7,500
Miscellaneous revenues	<u>7,467</u>			<u>414</u>	<u>7,881</u>
Total revenues	<u>2,851,592</u>	<u>226</u>	<u>223,616</u>	<u>8,027</u>	<u>3,083,461</u>
Expenditures:					
General government	298,526				298,526
Public safety	1,083,334				1,083,334
Codes	23,361				23,361
Public works – sanitation	590,965				590,965
Public works – highways	410,698		255,337		666,035
Culture and recreation	<u>4,105</u>			<u>15,118</u>	<u>19,223</u>
Total expenditures	<u>2,410,989</u>	<u>-</u>	<u>255,337</u>	<u>15,118</u>	<u>2,681,444</u>
Excess (deficiency) of revenues over expenditures	<u>440,603</u>	<u>226</u>	<u>(31,721)</u>	<u>(7,091)</u>	<u>402,017</u>
Other financing sources (uses):					
Sales of capital assets	945			5,000	5,945
Purchase of capital assets		(8,682)	(9,409)		(18,091)
Principal payment on capital lease			(32,587)		(32,587)
Interfund transfers	<u>37,373</u>		<u>(37,373)</u>		<u>-</u>
Total Other Financial Sources (Uses)	<u>38,318</u>	<u>(8,682)</u>	<u>(79,369)</u>	<u>5,000</u>	<u>(44,733)</u>
Net change in fund balances	478,921	(8,456)	(111,090)	(2,091)	357,284
Fund Balance, January 1	<u>(51,561)</u>	<u>428,434</u>	<u>288,663</u>	<u>309,412</u>	<u>974,948</u>
Fund Balance, December 31	<u>\$ 427,360</u>	<u>\$ 419,978</u>	<u>\$ 177,573</u>	<u>\$ 307,321</u>	<u>\$ 1,332,232</u>

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

Total net change in fund balances – governmental funds \$ 357,284

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

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

Capital outlays	\$ 9,409	
Depreciation expense	<u>(227,197)</u>	(217,788)

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 the governmental funds.
Deferred earned income tax revenues decreased by
this amount this year. (100,371)

Long-term liabilities, including compensated absences,
are not due and payable and, therefore, are not
reported as liabilities in the funds. (4,173)

The repayment of principal of long-term debt
consumes the current financial resources of
governmental funds but has no effect on net assets. 41,251

The value of a donated asset that is not recorded as
revenue in the funds. 6,000

Because some trash and other fees will not be collected
for several months after the Township's fiscal year
ends, they are not considered as "available" in the
funds statements. They have been earned and are
recorded as revenue in the entity-wide statements.
Deferred trash revenue decreased by this amount. (8,145)

Change in net position of governmental activities \$ 74,058

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
STATEMENT OF NET POSITION – AGENCY FUND
DECEMBER 31, 2012

	<u>Agency</u>
Assets	
Cash and cash equivalents	\$ 416,881
Contractor receivables	19,656
Due from other funds	<u>-</u>
Total assets	<u>\$ 436,537</u>
Liabilities	
Contractor deposits	\$ 114,572
Due to other funds	87,861
Deposits held for West Chester Road	191,607
Reserved for escrow liabilities	<u>42,497</u>
Total liabilities	<u>\$ 436,537</u>

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of East Fallowfield Township (the “Township”) conform to accounting principles generally accepted in the United States of America 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:

Organization

The Township is the basic level of government which has oversight responsibility and control over all activities related to the local government in East Fallowfield Township. The Township receives funding from local and Commonwealth government sources and must comply with the requirements of these funding source entities. However, the Township is not included in any other governmental “reporting entity” as defined by the GASB pronouncement, since the Township supervisors are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The Township does not have a corresponding Municipal Authority. Based on component unit evaluation, no other organization is included as a component unit of the Township’s reporting entity.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental 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. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, are 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.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fund Financial Statements

During the fiscal year, the Township segregates transactions related to certain Township functions or activities in 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 fund financial statements is on major funds. The Township has elected to present each major and non-major fund in a separate column. Fiduciary funds are reported by type.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent. The Township has the following 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 paid. The difference between governmental fund assets and liabilities is reported as fund balance. The Township's major governmental funds are as follows:

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.

Capital Projects Fund: The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Liquid Fuels Fund: The Liquid Fuels Fund, as required by state law, accounts for receipts from the State Motor License Fund (gasoline tax distribution, etc.) and the payment of allowable street and highway-related expenditures.

Parks and Recreation Fund: The Parks and Recreation Fund is used to account for financial resources to be used for the acquisition of park and recreation related expenditures.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fiduciary 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. Agency Funds are custodial in nature and do not involve measurement of results of operations. The Township's Agency Fund is the Escrow Fund.

Measurement Focus and Basis of Accounting

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 liabilities associated with the operation of the Township are included on the statement of net assets.

In the 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.

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. Government funds use the modified accrual basis of accounting and the fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Nonexchange 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.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Nonexchange transactions, in which the Township receives value without directly giving equal in return, include earned income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year which the taxes are levied.

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

Deferred Revenues

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

Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time the obligation is 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.

Date of Management's Review

Management of the Township have evaluated subsequent events through July 11, 2013, the date on which the financial statements were available to be issued.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Equity Classification Government-Wide

Equity is classified as net assets and displayed in three components for government-wide presentation:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Equity

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/ undesignated were replaced with five new classifications – Nonspendable, restricted, committed, assigned, and unassigned.

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

- Committed – Amounts that have been formally set aside by the Township board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Township board.
- Assigned – Amounts that are intended to be spent on specific purposes expressed by the Township Board; or Supervisor, Clerk, and Treasurer; who are authorized by policy approved by the Township Board to make assignments. All current year assignments have been made by the Township Board.
- Unassigned – Amounts that do not fall into any other aforementioned category. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Budgets

The Township is required by state law to adopt an annual budget for the General Fund. The budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to November 15 of the preceding fiscal year, the Township prepares a budget for the next succeeding calendar year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Supervisors is then called for the purpose of adopting the proposed budget.
3. Prior to December 31, the budget is legally enacted through passage of a resolution by the Board of Supervisors.
4. The budget must be filed with the Pennsylvania Department of Community Affairs by January 31.

Once a budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Supervisors. Amendments are presented at the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end as dictated by law.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The budget is controlled by the finance officer at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Supervisors. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year end.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012, 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.

Interfund Transactions

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 are eliminated on the government-wide statement of net assets.

Earned Income Taxes, Real Estate Transfer Taxes, and Local Services Taxes

The Township recognizes assets from earned income taxes, real estate transfer taxes, and local services taxes when the underlying exchange transaction occurs or when resources are received, whichever is first. In the governmental fund financial statements, under the modified accrual basis of accounting, revenue is recorded when the underlying exchange occurs and when the resources are available. Revenue that is not available is deferred.

Property Tax

There have been no property taxes levied since 1996.

Compensated Absences

The Township's policy is to permit employees to accumulate sick days. Upon retirement, employees will be paid for 25% of unused sick days up to a maximum of 200 days at their current pay rate.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Capital Assets

Capital 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. Purchases of capital assets are recognized as expenditures in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Township maintains a capitalization threshold of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the assets are not capitalized.

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

<u>Depreciation</u>	<u>Estimated Lives</u>
Park improvements	15-50 years
Buildings and building improvements	15-40 years
Infrastructure	20-80 years
Furniture and fixtures	5-20 years
Vehicles	5-7 years
Equipment	5-20 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities, once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Position

Net Position represent the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net Position invested in capital assets represent the costs of capital 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.

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.

Fund Balance Reserves

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

New Accounting Standard

Effective January 1, 2012, the Township adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. GASB No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. There was no significant impact to the financial statements as a result of adopting this statement.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 2 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	<u>\$ 3,050,001</u>	<u> </u>	<u> </u>	<u>\$ 3,050,001</u>
Total capital assets, not being depreciated	<u>3,050,001</u>	<u> </u>	<u> </u>	<u>3,050,001</u>
Capital assets, being depreciated				
Park improvements	779,880			779,880
Building and improvements	316,451			316,451
Infrastructure	5,380,702			5,380,702
Vehicles	882,128	\$ 37,633	\$ 42,000	877,761
Machinery and equipment	<u>237,515</u>	<u>9,409</u>	<u>10,000</u>	<u>236,924</u>
Total capital assets, being depreciated	<u>7,596,676</u>	<u>47,042</u>	<u>52,000</u>	<u>7,591,718</u>
Less accumulated depreciation for:				
Park improvements	54,593	15,598		70,191
Building and improvements	174,700	12,884		187,584
Infrastructure	863,732	107,614		971,346
Vehicles	692,253	70,006	42,000	720,259
Machinery and equipment	<u>180,137</u>	<u>21,095</u>	<u>10,000</u>	<u>191,232</u>
Total accumulated depreciation	<u>1,965,415</u>	<u>227,197</u>	<u>52,000</u>	<u>2,140,612</u>
Total capital assets being depreciated, net	<u>5,631,261</u>	<u>(180,155)</u>	<u> </u>	<u>5,451,106</u>
Governmental activities capital assets, net	<u>\$ 8,681,262</u>	<u>\$ (180,155)</u>	<u>\$ </u>	<u>\$ 8,501,107</u>

NOTE 3 CAPITAL LEASES

The Township's capital leases payable at December 31, 2012 consists of the following:

<u>Description</u>	<u>Balance 12/31/11</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/12</u>
Capital Lease – First Niagara Leasing, Inc., annual payment of \$35,785, interest at 3.189%, maturing 2014, secured by road equipment	\$ 100,855	\$ -	\$ 32,569	\$ 68,286
Capital Lease – Ford Motor Credit Co., annual payment of \$8,682, interest at 6.6%, maturing 2015, secured by police car	-	31,633	8,682	22,951

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3 CAPITAL LEASES (CONTINUED)

The cost of equipment and related accumulated depreciation recorded under capital leases is as follows:

Road Equipment	\$ 136,640
Police Car	31,633
Less: Accumulated depreciation	<u>(51,963)</u>
	<u>\$ 116,310</u>

Future minimum capital lease payments are as follows:

	<u>Freighter</u>	<u>Police Car</u>	<u>Total</u>
2013	\$ 35,785	\$ 8,682	\$ 44,467
2014	35,785	8,682	44,467
2015	<u>-</u>	<u>8,682</u>	<u>8,682</u>
	<u>\$ 71,570</u>	<u>\$ 26,046</u>	<u>\$ 97,616</u>

NOTE 4 INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

Interfund receivable and payable balances of each individual fund as of December 31, 2012 are as follows (certain amounts are netted for presentation in the fund financial statements):

	<u>Due from Other Fund</u>	<u>Due to Other Fund</u>
Escrow Fund	\$ -	\$ 87,861
Park and Recreation Fund	<u>87,861</u>	<u>-</u>
	<u>\$ 87,861</u>	<u>\$ 87,861</u>

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

**NOTE 4 INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS
(CONTINUED)**

The following transfers occurred during 2012:

Transfer from Liquid Fuels to the General Fund for reimbursement of Public Works salaries	\$ 50,000
Transfer from General Fund to the Liquid Fuels Fund for reimbursement of prior years expenses	12,627

NOTE 5 EMPLOYEE PENSION PLANS

Non-Uniform Pension Plan

The Township maintains a defined contribution plan covering substantially all full-time employees of the Township except police. The pension program is administered by the Pennsylvania Municipal Retirement System ("PMRS"). PMRS is an agent, multiple-employer system with the purpose to administer sound, cost-effective pensions for local government employees. Responsibility for the organization and administration of the system is vested in the eleven-member Pennsylvania Municipal Retirement Board. PMRS issues a separate Comprehensive Annual Financial Report ("CAFR"). A copy of the CAFR can be obtained by contacting the PMRS Accounting Office, PO Box 1165, Harrisburg, PA 17108-1165.

Contributions to the plan are at the discretion of the Board of Supervisors. In 2004, the Board established an employer contribution rate of 5.0% of the employees' salary for the non-uniform pension plan. The Township contributed \$9,519 to the plan in 2012.

Police Pension Plan

The Township sponsors a defined benefit plan for police. As of December 31, 2012, all police employees were participating in the plan. All employees are eligible to participate in the plan after six months of employment. The plan is authorized and enacted under authority of Act 205 of Pennsylvania ("the Act") and local ordinances. The plan is administered by PMRS.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 5 EMPLOYEE PENSION PLANS (CONTINUED)

As of December 31, 2012, pension plan membership consisted of:

	Police	Non-Uniform
Covered employees	All regular, full-time sworn police officers	All regular, full-time employees, excluding sworn police officers
Number of covered active employees	7	8
Number of persons receiving benefits:		
Retired employees and beneficiaries	1	3
Terminated employees vested but not receiving benefits	0	1
Normal retirement date	After 55 th birthday and 12 years of service	Normal social security mandated age
Retirement benefit	Equal 50% of the average monthly compensation during the final 36 months of employment	Plan is defined contribution
Early retirement date	Voluntary after 20 years of service	Normal social security mandated age

Contributions and Funding Policy for Police Pension Plan

The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation ("MMO"). The MMO calculation is based upon the biennial actuarial valuation. The Commonwealth allocates certain funds to assist in the pension funding. Any financial requirement established by the MMO which exceeds the Commonwealth allocation must be funded by the Township or employee members.

Currently, employees covered under the Police Pension Plan are required to contribute 5% of their salaries. Administrative costs, including investment manager fees, custodial trustee fees, and actuarial fees are charged to the Plan and funded through investment earnings.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 5 EMPLOYEE PENSION PLANS (CONTINUED)

The Township's annual pension cost for the year ended December 31, 2012 and related information for the Police Pension Plan is as follows:

	<u>Police Pension Plan</u>
Annual pension cost	\$63,155
Contributions made	\$63,155
Valuation Date	January 1, 2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar-Closed
Remaining Amortization Period	14.84 years
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Investment Rate of Return	6.0%
Projected Salary Increases	5.2%

Trend Information

Year Ended December 31,	Police Annual Pension Cost (APC)	Non-Uniform Pension Cost (APC)	Police % Contributed	Non-Uniform % Contributed
2009	\$54,675	\$12,779	100.0	100.0
2010	58,629	12,278	100.0	100.0
2011	63,674	29,261	100.0	100.0
2012	63,155	9,519	100.0	100.0

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 5 EMPLOYEE PENSION PLANS (CONTINUED)

Funded Status and Funding Progress

The following is funded status information as of January 31, 2011, the most recent actuarial valuation date:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL	Funded Ratio	Covered Payroll	Unfunded (Overfunded) AAL as a % of Covered Payroll
Police	\$859,876	\$1,009,859	\$149,983	85.15%	\$479,590	31.27%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 6 CASH

Legal and Contractual Restrictions

The Township is permitted to invest in U.S. Treasury bills, short-term obligations of the U.S. Government or its agencies, and shares of an investment company as defined, provided that the only investments of the company are in authorized investments for Township funds. The Township may also plan deposits that are insured by the Federal Deposit Insurance Corporation ("FDIC") and deposits that are collateralized on an individual or on a pooled basis in accordance with Act No. 72 of the Commonwealth of Pennsylvania, August 6, 1971.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits 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 \$1,537,732 and the corresponding bank balance was \$1,724,594. Of the bank balance, \$308,060 was covered by federal depository insurance, and \$1,416,534 was collateralized through pools of securities held by the respective depository institutions.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 7 COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

<u>Balance</u> <u>January 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31, 2012</u>
<u>\$ 22,879</u>	<u>\$ 4,173</u>	<u>\$ -</u>	<u>\$ 27,052</u>

NOTE 8 RISK MANAGEMENT

The Township is exposed to various risks of loss related to third-party liability claims, damages to and losses of Township-owned property, errors and omissions by public officials and injuries to employees. The Township carries various types of commercial insurance to manage certain risks of loss and has joined a municipal risk sharing pool to manage certain other risks of loss.

There were no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9 ACCOUNTING PRONOUNCEMENTS ISSUED, NOT YET IMPLEMENTED

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued June 2012, will be effective for the Township beginning with the year ending December 31, 2014. This statement revises existing guidance for most pension plans and details note-disclosure requirements for defined benefit and defined contribution pension plans.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012 will be effective for the Township beginning with the year ending December 31, 2015. This statement will require governments with defined benefit pension plans to disclose a "net pension liability" on their balance sheets.

The Township's management has not yet determined the effect, if any, these Statements will have on the Township's financial statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 10 CONTINGENCIES

In the normal course of business, there are various claims and suits pending against the Township. In the opinion of Township Management, the Township has adequate legal defenses or insurance coverage with respect to these claims and lawsuits and does not believe they will materially affect the Township's financial statements.

The use of grant monies is subject to compliance audits by governmental agencies. Management of the Township believes the Township is in compliance with substantially all the significant requirements of such grants.

REQUIRED SUPPLEMENTARY INFORMATION

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION FUNDING PROGRESS – POLICE PENSION PLAN
SIX YEARS ENDED DECEMBER 31, 2012

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c))
2007	\$407,460	\$ 422,886	\$ 15,426	96.35%	\$391,653	3.94%
2008*	407,460	422,886	15,426	96.35%	391,653	3.94%
2009	603,798	660,682	56,884	91.39%	460,707	12.35%
2010*	603,798	660,682	56,884	91.39%	460,707	12.35%
2011	859,876	1,009,859	149,983	85.15%	479,590	31.27%
2012*	859,876	1,009,859	149,983	85.15%	479,590	31.27%

*An actuarial valuation was not prepared for these years. Actuarial valuation information from the previous year's valuation as at January 1 was utilized in preparing this information.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND
OTHER CONTRIBUTION ENTITIES – POLICE PENSION PLAN
SIX YEARS ENDED DECEMBER 31, 2012

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2007	\$40,625	100%
2008	46,428	100%
2009	54,675	100%
2010	58,629	100%
2011	63,674	100%
2012	65,135	100%

EAST FALLOWFIED TOWNSHIP, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
POLICE PENSION PLAN

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the actuarial latest valuation date is as follows:

Actuarial Valuation Date:	January 1, 2011
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar Closed
Remaining Amortization Period:	14.84 Years
Asset Valuation Method:	Fair Value
Actuarial Assumptions:	
Investment Rate of Return	6.00%
Projected Salary Increases	5.2%

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31 2012

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary	Final Budget
			Basis)	Positive
				(Negative)
Revenues:				
Taxes:				
Earned income	\$ 961,837	\$ 961,837	\$ 1,427,180	\$ 465,343
Real estate transfer	110,000	110,000	120,570	10,570
Local services	<u>16,770</u>	<u>16,770</u>	<u>20,114</u>	<u>3,344</u>
Total taxes	1,088,607	1,088,607	1,567,864	479,257
Franchise fees	133,000	133,000	140,502	7,502
Fines and forfeits	29,000	29,000	40,004	11,004
Interest earned	1,000	1,000	377	(623)
Intergovernmental revenues	166,240	166,240	175,428	9,188
Charges for services:				
Trash fees	861,094	861,094	817,335	(43,759)
Building permits	60,000	60,000	54,534	(5,466)
Road and commercial permits	11,000	11,000	11,760	760
Other	43,300	43,300	36,321	(6,979)
Miscellaneous revenues	2,000	2,000	7,467	5,467
Sale of fixed assets	-	-	945	945
Total revenues	<u>2,395,241</u>	<u>2,395,241</u>	<u>2,852,537</u>	<u>457,296</u>
Expenditures:				
General government	391,479	391,479	298,526	92,953
Public safety	1,074,232	1,074,232	1,083,334	(9,102)
Codes	40,750	40,750	23,361	17,389
Public works – sanitation	642,544	642,544	590,965	51,579
Public works – highways	368,041	368,041	410,698	(42,657)
Culture and recreation	<u>18,500</u>	<u>18,500</u>	<u>4,105</u>	<u>14,395</u>
Total expenditures	<u>2,535,546</u>	<u>2,535,546</u>	<u>2,410,989</u>	<u>124,557</u>
Excess (deficiency) of revenues				
over expenditures	<u>(140,305)</u>	<u>(140,305)</u>	<u>441,548</u>	<u>581,853</u>
Other financing sources (uses):				
Transfer from Capital Project	140,305	140,305	-	-
Other operating transfers	-	-	37,373	37,373
Total other financing sources (uses)	<u>140,305</u>	<u>140,305</u>	<u>37,373</u>	<u>37,373</u>
Net change in fund balances	-	-	478,921	619,226
Fund balance, January 1	-	-	(51,561)	(51,561)
Fund balance, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427,360</u>	<u>\$ 427,360</u>

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON

1. SIGNIFICANT ACCOUNTING POLICIES

The budget presented in the required supplementary information is prepared on modified accrual basis of accounting.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2012, expenditures exceeded the budget in General Fund – Public Works Highways in the amount of \$42,657 and General Fund – Public Safety in the amount of \$9,102. The expenditures were funded by appropriable fund balances.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA

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Certified Public Accountants 791 South Chester Road, Swarthmore, PA 19081

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FAX: 610-544-9767

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
East Fallowfield Township
Chester County, Pennsylvania

We have audited the accompanying financial statements of the governmental activities and each major fund of East Fallowfield Township, Pennsylvania, 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 and each major fund of East Fallowfield Township, as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 9 to the financial statements, the Township implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of pension funding progress, and schedule of contributions from the employer and other contributing entities, on pages 3 through 12 and 37 through 40 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 sufficient evidence to express an opinion or provide any assurance.

Mingis, Gutowski & Company, LLP

Swarthmore, Pennsylvania
August 15, 2014

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the 2013 East Fallowfield Township annual report presents our discussion and analysis of the financial performance during the fiscal year ended December 31, 2013. The inclusion of this section is in compliance with *Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued by the Governmental Accounting Standards Board (GASB). Our comments are intended to be read in conjunction with the Independent Auditor's report preceding this discussion and the financial statements, and supplementary information immediately following this section.

FINANCIAL HIGHLIGHTS

The Township's Net Position as of December 31, 2013 totaled \$9,812,441, a decrease of \$31,827 from 2012. Net Position was comprised of capital assets, net of related debt, in the amount of \$8,296,266, assets restricted for road service maintenance in the amount of \$98,398 and unrestricted assets consisting primarily of cash and accounts receivable, net of liabilities totaling \$1,417,777.

During 2013, the Township's total revenue was \$3,040,102 and was \$53,230 more than the prior year. The increase was primarily due to a \$68,800 Park & Recreation grant in addition to an increase in building permits, offset by a decrease in earned income taxes.

Township expenses during 2013 increased by \$159,115 from 2012. Costs increased primarily due to an increase in police personnel costs.

On the legally enacted budgetary basis, the Township's General Fund ended the fiscal year with an increase in fund balance of \$124,107 compared to an increase in fund balance of \$478,921 in 2012. This difference was primarily due to the fact that in 2013, there was a decrease in tax revenues and an increase in public safety expenses.

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Financial Statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The first two statements included in Government-Wide Financial Statements are the Statement of Net Position and the Statement of Activities. These statements provide long-term and short-term information about the Township's overall financial status.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The Statement of Net Position includes all of the Township's assets and liabilities. The Statement of Activities reflects all of the current year's revenues and expenses regardless of when cash is received or paid. These two government-wide statements when viewed in conjunction with each other report the Township's Net Position and how it has changed. Analyzing the difference between the Township's assets and liabilities and the resulting net position provides a measure of the Township's financial health or position. Increases or decreases in the Township's net position over time are an indication of changing financial health. The overall health of the Township, however, must consider additional non-financial factors, such as changes in the Township's earned income tax base, the adequacy of Township services, and the competence of Township employees and officials.

Our Township's Statement of Activities consist solely of governmental activities and discloses basic services, such as general government (administration), public safety, code enforcement, public works, and culture and recreation. Earned income taxes, real estate transfer taxes, and charges for municipal services finance most of the Township's activities.

Fund Level Financial Statements

Fund Level Financial Statements focus on individual segments of the Township's operations and offer greater detail than Government-Wide Financial Statements. These financial statements include activities from two types of funds: Government Funds and Agency Funds.

Most of the Township's activities are reported in Governmental Funds. Governmental Funds statements report the sources for financing the Township's general services for the short-term, and services that will remain to be funded by future spending. Governmental Funds are reported using a modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. The focus of Government Funds is to account for changes in the Township's financial position. Accordingly, Governmental Fund information assists the reader in determining whether there are greater or fewer financial resources available in the near future to finance Township programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and reported in Governmental Funds is reconciled in the financial statements and accompanying Notes to Financial Statements are included to offer explanations for some of the information and provide more detailed data.

Agency Fund statements disclose activities when the Township serves as an Agent for escrowed funds. Agency Funds are custodial in nature. Since assets in the fund are restricted from use to finance Township operations, Agency Fund activity is reported in a separate statement entitled, Statement of Net Position – Agency Fund.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

The Township's total net position was \$9,812,441 and \$9,844,268 on December 31, 2013 and 2012, respectively. The decrease of \$31,827 was comprised of a decrease of \$179,678 in total assets and a decrease of \$147,851 in current and non-current liabilities. The following table presents condensed financial information comparing Net Assets as of December 31, 2013 and 2012:

		Net Position December 31,	
		Governmental Activities 2013	2012
Assets			
Current and other assets	\$	1,643,003	\$ 1,724,941
Capital assets, net		<u>8,403,367</u>	<u>8,501,107</u>
Total assets		<u>10,046,370</u>	<u>10,226,048</u>
Liabilities			
Current and other liabilities		158,608	304,265
Noncurrent liabilities		<u>75,321</u>	<u>77,515</u>
Total liabilities		<u>233,929</u>	<u>381,780</u>
Net Position			
Invested in capital assets		8,296,266	8,409,870
Unrestricted		1,417,777	1,257,121
Restricted		<u>98,398</u>	<u>177,277</u>
Total net position	\$	<u>9,812,441</u>	<u>\$ 9,844,268</u>

The results of this year's operations as a whole are reported in the Statement of Activities. Specific charges, grants, revenues, and subsidies 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 Township's most significant revenues are generally from earned income taxes, real estate transfer taxes, and trash fees.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The following table presents financial information extracted and condensed from the Statement of Activities to facilitate a comparison of total revenue from governmental activities from 2013 to 2012:

Revenues, Expenses, and Changes in Net Position For the Years Ended December 31,		
	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues:		
Charges for services	\$ 953,847	\$ 922,988
Operating grants and contributions	458,215	398,717
General revenues:		
Taxes	1,391,319	1,467,493
Other revenue	<u>236,721</u>	<u>197,674</u>
Total revenues	<u>3,040,102</u>	<u>2,986,872</u>
Expenses		
General government	338,311	298,526
Public safety	1,232,390	1,087,507
Codes	38,514	23,361
Public works – sanitation	574,559	590,965
Public works – highways	666,596	666,035
Culture and recreation	11,961	19,223
Unallocated depreciation	<u>209,598</u>	<u>227,197</u>
Total expenses	<u>3,071,929</u>	<u>2,912,814</u>
Change in net position	<u>\$ (31,827)</u>	<u>\$ 74,058</u>

During 2013, the Township's total revenue was \$3,040,102 and increased by \$53,230 from the prior year. This increase was primarily due to a \$68,800 Park and Recreation grant, in addition to an increase in building permits, offset by a decrease in earned income taxes.

Township expenses during 2013 increased \$159,115 from 2012. Costs increased primarily due to an increase in police personnel costs.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL ANALYSIS OF THE TOWNSHIP – GOVERNMENTAL FUNDS

Most Township activities are reported in Governmental Funds. Governmental Funds are reported using the modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. The Township's Governmental Funds include the General Fund, Capital Projects Fund, Liquid Fuels Fund, and Parks and Recreation Fund. The Township has elected to present each fund as a major fund.

General Fund

The General Fund is the principal operating fund of the Township. On the legally enacted budgetary basis, the General Fund ended the fiscal year with an increase in fund balance of \$124,107 compared to an increase in fund balance of \$478,921 in 2012. The lower fund balance increase in 2013 is due to a decrease in revenues of \$110,013, and an increase in expenditures of \$206,483.

Revenues decreased primarily due to a decrease in earned income taxes.

Expenditures increased by \$206,483 in 2013 primarily due to increased police personnel costs.

The following table compares the actual revenues and expenditures for 2013 and 2012:

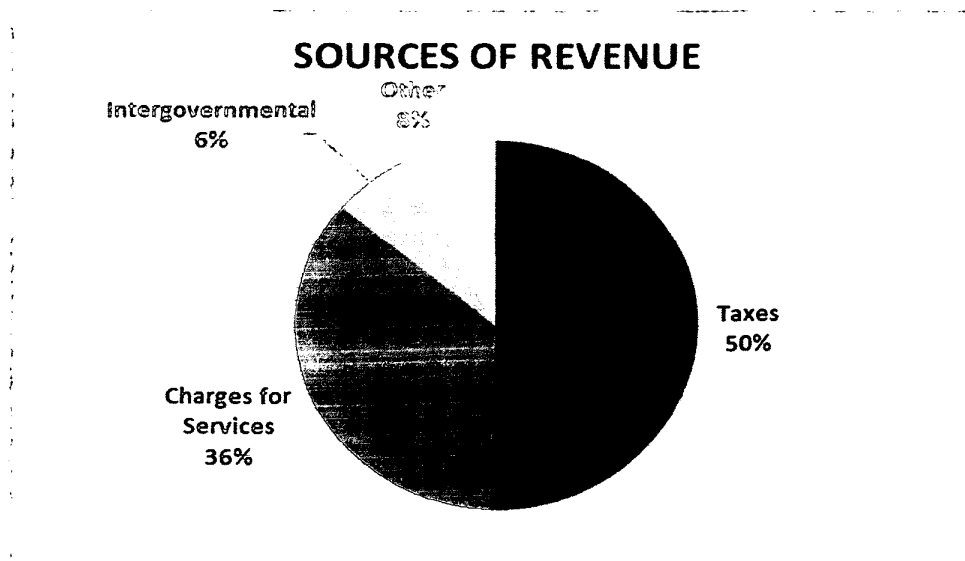
Comparison of Revenues, Expenditures, and Changes in Net Assets
General Fund
For the Years Ended December 31,

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
Revenues			
Taxes	\$ 1,416,369	\$ 1,567,864	\$ (151,495)
Franchise fees	178,651	140,502	38,149
Fines and forfeits	21,677	40,004	(18,327)
Interest earned	732	377	355
Intergovernmental revenues	165,120	175,428	(10,308)
Charges for services:			
Trash fees	815,815	817,335	(1,520)
Building permits	95,038	54,534	40,504
Road and commercial permits	1,561	11,760	(10,199)
Other	32,781	36,321	(3,540)
Miscellaneous revenues	<u>13,835</u>	<u>7,467</u>	<u>6,368</u>
Total revenues	<u>2,741,579</u>	<u>2,851,592</u>	<u>(110,013)</u>

**EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

	<u>2013</u>	<u>2012</u>	<u>Variance</u>
Expenditures			
General government	\$ 322,094	\$ 298,526	\$ 23,568
Public safety	1,233,192	1,083,334	149,858
Codes	38,514	23,361	15,153
Public works – sanitation	574,559	590,965	(16,406)
Public works – highways	442,256	410,698	31,558
Culture and recreation	<u>6,857</u>	<u>4,105</u>	<u>2,752</u>
Total expenditures	<u>2,617,472</u>	<u>2,410,989</u>	<u>206,483</u>
Other Financing Sources (Uses)			
Sales of Capital Assets	-	945	(945)
Interfund Transfers In	-	(12,627)	12,627
Interfund Transfers Out	<u>-</u>	<u>50,000</u>	<u>(50,000)</u>
Total other financing sources	<u>-</u>	<u>38,318</u>	<u>(38,318)</u>
Net change in fund balance	124,107	478,921	<u>\$ (354,814)</u>
Fund balance, beginning	<u>427,360</u>	<u>(51,561)</u>	
Fund balance, ending	<u>\$ 551,467</u>	<u>\$ 427,360</u>	

Annual budgeting for the General Fund is based on four primary sources of revenue. The following chart illustrates each sources contribution by percentage. Earned income taxes and real estate transfer taxes contributed 50% of the General Fund's total revenues. Fees generated from charges for services contributed 36%. These two sources combined to contribute 86% of the General Fund's revenue. Revenues from "other" sources total 8% and included interest earnings, franchise fees, fines, and miscellaneous revenues. Intergovernmental revenues accounted for the remaining 6% of the General fund's revenue.



EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

General Fund Budgeted Revenues

The 2013 revenues from taxes were \$252,774 higher than budgeted due to higher earned income taxes than budgeted. Charges for services were \$28,650 less than budgeted overall, largely due to a decrease of \$63,130 of trash fee revenue lower than budgeted, offset by building permit fees \$45,038 higher than budgeted. The other revenues were relatively consistent with the overall budget projections.

General Fund Budgeted Expenditures

Departmental expenditures were \$126,571 over the projected budget. This was primarily due to higher than budgeted public safety expense, primarily for police personnel, in addition to higher than budgeted public works expenses. Overall, the result of last year's operations was an increase in fund balance of \$124,107.

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual
For the Year Ended December 31, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Taxes	\$ 1,163,595	\$ 1,163,595	\$ 1,416,369	\$ 252,774
Franchise fees	141,000	141,000	178,651	37,651
Fines and forfeits	26,500	26,500	21,677	(4,823)
Interest earned	400	400	732	332
Intergovernmental revenues	149,000	149,000	165,120	16,120
Charges for services:				
Trash fees	878,945	878,945	815,815	(63,130)
Building permits	50,000	50,000	95,038	45,038
Road and commercial permits	10,300	10,300	1,561	(8,739)
Other	34,600	34,600	32,781	(1,819)
Miscellaneous revenues	<u>300</u>	<u>300</u>	<u>13,835</u>	<u>13,535</u>
Total revenues	<u>2,454,640</u>	<u>2,454,640</u>	<u>2,741,579</u>	<u>286,939</u>
Expenditures				
General government	339,348	339,348	322,094	17,254
Public safety	1,162,001	1,162,001	1,233,192	(71,191)
Codes	28,300	28,300	38,514	(10,214)
Public works – sanitation	566,260	566,260	574,559	(8,299)
Public works – highways	384,242	384,242	442,256	(58,014)
Culture and recreation	<u>10,750</u>	<u>10,750</u>	<u>6,857</u>	<u>3,893</u>
Total expenditures	<u>2,490,901</u>	<u>2,490,901</u>	<u>2,617,472</u>	<u>(126,571)</u>
Excess (deficiency) of revenues over expenditures	<u>(36,261)</u>	<u>(36,261)</u>	<u>124,107</u>	<u>160,368</u>

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

	<u>Original</u>	<u>Final</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other financing sources (uses)				
2012 projected surplus	\$ 40,000	\$ 40,000	\$ -	\$ (40,000)
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
Net change in fund balance	3,739	3,739	124,107	120,368
Fund balance, January 1	<u>427,360</u>	<u>427,360</u>	<u>427,360</u>	<u>-</u>
Fund balance, December 31	<u>\$ 431,099</u>	<u>\$ 431,099</u>	<u>\$ 551,467</u>	<u>\$ 120,368</u>

Liquid Fuels Fund

Under the Liquid Fuels Tax Act 655, the Township receives a subsidy from the Commonwealth of Pennsylvania for the maintenance of roads. Funds received are deposited into the Township's Liquid Fuels Fund and restricted from use in other Township activities. Costs subsidized include acquisition of vehicles and equipment, maintenance of vehicles and equipment, fuel, and supplies for snow removal. During 2013, subsidies received totaled \$224,295. Liquid Fuels Fund expenses totaled \$224,334. As of December 31, 2013, the Liquid Fuels Fund had a fund balance of \$98,398.

Capital Projects Fund

The Township maintains a Capital Projects Fund largely for the purpose of funding acquisitions of capital assets. During 2013, \$16,808 was used for lease payments on police vehicles and \$14,407 was used to partially fund the comprehensive plan update. As of December 31, 2013, the fund balance of the Capital Projects Fund amounted to \$387,432.

Parks and Recreation Fund

The Township maintains a Parks and Recreation Fund to restrict certain revenues for the sole use of improving and enhancing public parks. The primary sources of revenue for the Parks and Recreation Fund are grants, contributions, and proceeds from developers. Funding from developers occurs when the developer, who is obligated to comply with the Township ordinances and include recreation areas and facilities as a part of the land development plan, opts to provide "in lieu of" funds to be used by the Township for alternate recreation facilities. In 2013, a \$68,800 grant was received from the Department of Conservation and Natural Resources. As of December 31, 2013, the fund balance of the Parks and Recreation Fund was \$381,111.

**EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

CAPITAL ASSETS

As of December 31, 2013, the Township had \$8,403,367 of value in a broad range of Capital Assets, including land, buildings and furniture, equipment and infrastructure. This amount represents a net decrease of \$97,740 in value from 2012 that is attributed to \$111,857 in asset additions and depreciation expense of \$209,598.

The following schedule delineates the ending value of Capital Assets for the period ending December 31, 2013 and changes in each capital asset category:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated				
Land	\$ 3,050,001			\$ 3,050,001
Park improvements	779,880			779,880
Building and improvements	316,451			316,451
Infrastructure	5,380,702			5,380,702
Vehicles	877,761	\$ 111,857	\$ 41,498	948,120
Machinery and equipment	236,924			236,924
Total capital assets, being depreciated	<u>10,641,719</u>	<u>111,857</u>	<u>41,498</u>	<u>10,712,078</u>
Less accumulated depreciation for:				
Park improvements	70,191	15,597		85,788
Building and improvements	187,584	12,884		200,468
Infrastructure	971,346	107,614		1,078,960
Vehicles	720,259	53,058	41,498	731,819
Machinery and equipment	191,232	20,444		211,676
Total accumulated depreciation	<u>2,140,612</u>	<u>209,597</u>	<u>41,498</u>	<u>2,308,711</u>
Governmental activities capital assets, net	<u>\$ 8,501,107</u>	<u>\$ (97,740)</u>	<u>\$ -</u>	<u>\$ 8,403,367</u>

THE TOWNSHIP'S FUTURE

East Fallowfield Township saw a decrease in earned income tax collections in 2013, as well as an increase in public safety expenses. As the pie chart on page 8 indicates, 50% of East Fallowfield's revenue comes from tax revenues. Our current revenues are limited to sources that are directly affected by general economic conditions. Tax revenues are driven by our residents' ability to be employed and earn taxable compensation. Real estate transfer taxes are driven by real estate sales.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Although one of our primary sources of revenue is billed trash collection services, these monies are offset by the cost incurred for trash collection contracts. The Township's financial solvency will therefore depend on creative new concepts for generating revenue while maintaining programs whose costs are escalating to ensure the safety of our residents. Future financial planning will consider the following:

- Development of new funding sources from enacting safety, real estate or other taxes.
- Capital project funding and fixed asset replacement and long-term infrastructure improvement strategy
- Multi-year budgeting and or projections.

FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances and to show the Board's accountability. If you have questions about this report or wish to request additional financial information, please contact the Township Treasurer.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities
Assets	
Current Assets:	
Cash	\$ 1,172,058
Receivables:	
Taxes	351,033
Trash, net of allowance of \$34,087	32,746
Franchise fees	39,491
Prepaid items	46,790
Miscellaneous	885
Total current assets	<u>1,643,003</u>
Capital Assets:	
Land	3,050,001
Other capital assets, net of accumulated depreciation	<u>5,353,366</u>
Total capital assets, net	<u>8,403,367</u>
Total assets	<u>10,046,370</u>
Liabilities	
Current Liabilities:	
Accounts payable and accrued liabilities	57,943
Accrued payroll	24,507
Deposits	9,923
Payroll deductions and withholdings	8,205
Lease obligations	<u>58,030</u>
Total current liabilities	<u>158,608</u>
Noncurrent Liabilities:	
Lease obligations	49,071
Compensated absences	<u>26,250</u>
Total noncurrent liabilities	<u>75,321</u>
Total liabilities	<u>233,929</u>
Net Position	
Invested in capital assets, net of related debt	8,296,266
Restricted for road service and maintenance	98,398
Unrestricted	<u>1,417,777</u>
Total net position	<u>\$ 9,812,441</u>

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants And Contributions</u>	
Governmental Activities:					
General government	\$ 338,311		\$ 165,120		\$ (173,191)
Public safety	1,232,390	\$ 21,677			(1,210,713)
Codes	38,514	96,599			58,085
Public works – sanitation	574,559	826,571			252,012
Public works – highways	666,596		224,295		(442,301)
Culture and recreation	11,961	9,000	68,800		65,839
Unallocated depreciation expense	<u>209,598</u>				<u>(209,598)</u>
Total governmental activities	<u>\$ 3,071,929</u>	<u>\$ 953,847</u>	<u>\$ 458,215</u>	<u>\$ -</u>	<u>(1,659,867)</u>

General revenues

Taxes:	
Earned income taxes	1,225,547
Real estate transfer taxes	132,519
Local services taxes	33,253
Franchise fees	178,651
Investment earnings	1,419
Miscellaneous income	<u>56,651</u>
Total general revenues	<u>1,628,040</u>
Change in net position	(31,827)
Net position, beginning of year	<u>9,844,268</u>
Net position, end of year	<u>\$ 9,812,441</u>

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Liquid Fuels Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 295,194	\$ 387,432	\$ 98,398	\$ 391,034	\$ 1,172,058
Receivables:					
Earned income tax	341,655				341,655
Local services tax	2,964				2,964
Real estate transfer tax	6,414				6,414
Trash fees	32,746				32,746
Franchise fees	39,491				39,491
Miscellaneous	885				885
Prepaid items	<u>46,790</u>	<u> </u>	<u> </u>	<u> </u>	<u>46,790</u>
Total assets	<u>\$ 766,139</u>	<u>\$ 387,432</u>	<u>\$ 98,398</u>	<u>\$ 391,034</u>	<u>\$ 1,643,003</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 57,943				\$ 57,943
Deposits				\$ 9,923	9,923
Accrued payroll	24,507				24,507
Payroll deductions and withholding	<u>8,205</u>	<u> </u>	<u> </u>	<u> </u>	<u>8,205</u>
Total liabilities	<u>90,655</u>	<u>\$ -</u>	<u>-</u>	<u>9,923</u>	<u>100,578</u>
Deferred Inflows of Resources:					
Unavailable revenue	124,017				124,017
Fund Balances:					
Nonspendable	46,790				46,790
Restricted – Road service and maintenance			98,398		98,398
Committed – Parks and Recreation				381,111	381,111
Committed – Capital Purchases		387,432			387,432
Assigned					
Unassigned	<u>504,677</u>	<u> </u>	<u> </u>	<u> </u>	<u>504,677</u>
Total fund balances	<u>551,467</u>	<u>387,432</u>	<u>98,398</u>	<u>381,111</u>	<u>1,418,408</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 766,139</u>	<u>\$ 387,432</u>	<u>\$ 98,398</u>	<u>\$ 391,034</u>	<u>\$ 1,643,003</u>

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013

Total fund balances – governmental funds \$ 1,418,408

Amounts reported for governmental activities in the statement
of net assets 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 \$10,712,078 and the accumulated
depreciation is \$2,308,711. 8,403,367

Long-term liabilities, comprised of compensated absences,
are not due and payable in the current period and,
therefore, are not reported as liabilities in the funds. (26,250)

Capital lease obligations that consume resources of
governmental funds that have no input on net assets (107,101)

Trash and other fees will be collected next year, but are
not available soon enough to pay for the current
period's expenditures and, therefore, are deferred
in the funds statements. They are recorded as
revenue in the entity-wide statements. 22,956

Earned income taxes receivable will be collected next
year, but are not available soon enough to pay for the
current period's expenditures and, therefore, are
deferred in the funds. However, they are recorded
as revenue in the entity-wide statements. 101,061

Total net position – governmental activities \$ 9,812,441

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Liquid Fuels Fund</u>	<u>Parks and Recreation Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes:					
Earned income	\$ 1,250,597				\$ 1,250,597
Real estate transfer	132,519				132,519
Local services	<u>33,253</u>	<u> </u>	<u> </u>	<u> </u>	<u>33,253</u>
Total taxes	1,416,369				1,416,369
Grants				\$ 68,800	68,800
Franchise fees	178,651				178,651
Fines and forfeits	21,677				21,677
Interest	732	\$ 404	\$ 149	134	1,419
Intergovernmental revenues	165,120		224,295		389,415
Charges for services:					
Trash fees	815,815				815,815
Building permits	95,038				95,038
Road and commercial permits	1,561				1,561
Other	32,781				32,781
Fee in lieu				9,000	9,000
Miscellaneous revenues	<u>13,835</u>	<u>75</u>	<u> </u>	<u>960</u>	<u>14,870</u>
Total revenues	<u>2,741,579</u>	<u>479</u>	<u>224,444</u>	<u>78,894</u>	<u>3,045,396</u>
Expenditures:					
General government	322,094	16,217			338,311
Public safety	1,233,192				1,233,192
Codes	38,514				38,514
Public works – sanitation	574,559				574,559
Public works – highways	442,256		224,334		666,590
Culture and recreation	<u>6,857</u>	<u> </u>	<u> </u>	<u>5,104</u>	<u>11,961</u>
Total expenditures	<u>2,617,472</u>	<u>16,217</u>	<u>224,334</u>	<u>5,104</u>	<u>2,863,127</u>
Excess (deficiency) of revenues over expenditures	<u>124,107</u>	<u>(15,738)</u>	<u>110</u>	<u>73,790</u>	<u>182,269</u>
Other financing sources (uses):					
Purchase of capital assets			(45,660)		(45,660)
Principal payment on capital lease		(16,808)	(33,625)		(50,433)
Total Other Financial Sources (Uses)	<u>-</u>	<u>(16,808)</u>	<u>(79,285)</u>	<u>-</u>	<u>(96,093)</u>
Net change in fund balances	124,107	(32,546)	(79,175)	73,790	86,176
Fund Balance, January 1	<u>427,360</u>	<u>419,978</u>	<u>177,573</u>	<u>307,321</u>	<u>1,332,232</u>
Fund Balance, December 31	<u>\$ 551,467</u>	<u>\$ 387,432</u>	<u>\$ 98,398</u>	<u>\$ 381,111</u>	<u>\$ 1,418,408</u>

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

Total net change in fund balances – governmental funds \$ 86,176

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

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

Capital outlays	\$ 45,866	
Depreciation expense	<u>(209,598)</u>	(163,732)

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 the governmental funds. Deferred earned income tax revenues decreased by this amount this year. (15,929)

Long-term liabilities, including compensated absences, are not due and payable and, therefore, are not reported as liabilities in the funds. (802)

The repayment of principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets. 51,732

Because some trash and other fees will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" in the funds statements. They have been earned and are recorded as revenue in the entity-wide statements. Deferred trash revenue increased by this amount. 10,728

Change in net position of governmental activities \$ (31,827)

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
STATEMENT OF NET POSITION – AGENCY FUND
DECEMBER 31, 2013

	<u>Agency</u>
Assets	
Cash and cash equivalents	\$ 419,253
Contractor receivables	<u>13,041</u>
Total assets	<u>\$ 432,294</u>
Liabilities	
Contractor deposits	\$ 117,169
Deposits held for West Chester Road	281,607
Reserved for escrow liabilities	<u>33,518</u>
Total liabilities	<u>\$ 432,294</u>

See Notes to Financial Statements.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of East Fallowfield Township (the "Township") conform to accounting principles generally accepted in the United States of America 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:

Organization

The Township is the basic level of government which has oversight responsibility and control over all activities related to the local government in East Fallowfield Township. The Township receives funding from local and Commonwealth government sources and must comply with the requirements of these funding source entities. However, the Township is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since the Township supervisors are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The Township does not have a corresponding Municipal Authority. Based on component unit evaluation, no other organization is included as a component unit of the Township's reporting entity.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental 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. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, are 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.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fund Financial Statements

During the fiscal year, the Township segregates transactions related to certain Township functions or activities in 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 fund financial statements is on major funds. The Township has elected to present each major and non-major fund in a separate column. Fiduciary funds are reported by type.

Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent. The Township has the following 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 paid. The difference between governmental fund assets and liabilities is reported as fund balance. The Township's major governmental funds are as follows:

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.

Capital Projects Fund: The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Liquid Fuels Fund: The Liquid Fuels Fund, as required by state law, accounts for receipts from the State Motor License Fund (gasoline tax distribution, etc.) and the payment of allowable street and highway-related expenditures.

Parks and Recreation Fund: The Parks and Recreation Fund is used to account for financial resources to be used for the acquisition of park and recreation related expenditures.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fiduciary 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. Agency Funds are custodial in nature and do not involve measurement of results of operations. The Township's Agency Fund is the Escrow Fund.

Measurement Focus and Basis of Accounting

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 liabilities associated with the operation of the Township are included on the statement of net assets.

In the 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.

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. Government funds use the modified accrual basis of accounting and the fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Nonexchange 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.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Nonexchange transactions, in which the Township receives value without directly giving equal value in return, include earned income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year in which the taxes are levied.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township had no deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting. Accordingly, it is reported only in the governmental funds balance sheet.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time the obligation is 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.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Date of Management's Review

Management of the Township have evaluated subsequent events through August 15, 2014, the date on which the financial statements were available to be issued.

Equity Classification Government-Wide

Equity is classified as net assets and displayed in three components for government-wide presentation:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Equity

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/ undesignated were replaced with five new classifications – Nonspendable, restricted, committed, assigned, and unassigned.

In the fund financial statements, governmental funds report the following components of fund balance:

- Nonspendable – Amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted – Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

- Committed – Amounts that have been formally set aside by the Township board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Township board.
- Assigned – Amounts that are intended to be spent on specific purposes expressed by the Township Board; or Supervisor, Clerk, and Treasurer; who are authorized by policy approved by the Township Board to make assignments. All current year assignments have been made by the Township Board.
- Unassigned – Amounts that do not fall into any other aforementioned category. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Budgets

The Township is required by state law to adopt an annual budget for the General Fund. The budget is presented on the modified accrual basis of accounting which is consistent with accounting principles generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

1. Prior to November 15 of the preceding fiscal year, the Township prepares a budget for the next succeeding calendar year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board of Supervisors is then called for the purpose of adopting the proposed budget.
3. Prior to December 31, the budget is legally enacted through passage of a resolution by the Board of Supervisors.
4. The budget must be filed with the Pennsylvania Department of Community Affairs by January 31.

Once a budget is approved, it can be amended at the Function and Fund level only by approval of a majority of the members of the Board of Supervisors. Amendments are presented at the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end as dictated by law.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

The budget is controlled by the finance officer at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Supervisors. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year end.

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.

Interfund Transactions

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 are eliminated on the government-wide statement of net assets.

Earned Income Taxes, Real Estate Transfer Taxes, and Local Services Taxes

The Township recognizes assets from earned income taxes, real estate transfer taxes, and local services taxes when the underlying exchange transaction occurs or when resources are received, whichever is first. In the governmental fund financial statements, under the modified accrual basis of accounting, revenue is recorded when the underlying exchange occurs and when the resources are available. Revenue that is not available is deferred.

Property Tax

There have been no property taxes levied since 1996.

Compensated Absences

The Township's policy is to permit employees to accumulate sick days. Upon retirement, employees will be paid for 25% of unused sick days up to a maximum of 200 days at their current pay rate.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Capital Assets

Capital assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported in the fund financial statements. Purchases of capital assets are recognized as expenditures in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Township maintains a capitalization threshold of \$5,000. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the assets are not capitalized.

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

<u>Depreciation</u>	<u>Estimated Lives</u>
Park improvements	15-50 years
Buildings and building improvements	15-40 years
Infrastructure	20-80 years
Furniture and fixtures	5-20 years
Vehicles	5-7 years
Equipment	5-20 years

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities, once incurred, are paid in a timely manner and in full from current financial resources and are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Position

Net Position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net Position invested in capital assets represents the costs of capital 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.

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.

Fund Balance Reserves

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Date of Management's Review

Management has evaluated subsequent events through August 15, 2014, which is the date the financial statements were available to be issued.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 2 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	<u>\$ 3,050,001</u>	<u> </u>	<u> </u>	<u>\$ 3,050,001</u>
Total capital assets, not being depreciated	<u>3,050,001</u>	<u> </u>	<u> </u>	<u>3,050,001</u>
Capital assets, being depreciated				
Park improvements	779,880			779,880
Building and improvements	316,451			316,451
Infrastructure	5,380,702			5,380,702
Vehicles	877,761	\$ 111,857	\$ 41,498	948,120
Machinery and equipment	<u>236,924</u>	<u> </u>	<u> </u>	<u>236,924</u>
Total capital assets, being depreciated	<u>7,591,718</u>	<u>111,857</u>	<u>41,498</u>	<u>7,662,077</u>
Less accumulated depreciation for:				
Park improvements	70,191	15,597		85,788
Building and improvements	187,584	12,884		200,468
Infrastructure	971,346	107,614		1,078,960
Vehicles	720,259	53,058	41,498	731,819
Machinery and equipment	<u>191,232</u>	<u>20,444</u>	<u> </u>	<u>211,676</u>
Total accumulated depreciation	<u>2,140,612</u>	<u>209,597</u>	<u>41,498</u>	<u>2,308,711</u>
Total capital assets being depreciated, net	<u>5,451,106</u>	<u>(97,740)</u>	<u> </u>	<u>5,353,366</u>
Governmental activities capital assets, net	<u>\$ 8,501,107</u>	<u>\$ (97,740)</u>	<u>\$ </u>	<u>\$ 8,403,367</u>

NOTE 3 CAPITAL LEASES

The Township's capital leases payable at December 31, 2013 consist of the following:

<u>Description</u>	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/13</u>	<u>Due Within One Year</u>
Capital Lease – First Niagara Leasing, Inc., annual payment of \$35,785, interest at 3.189%, maturing 2014, secured by road equipment	\$ 68,286	\$ -	\$ 33,625	\$ 34,661	\$ 34,661
Capital Lease – Ford Motor Credit Co., annual payment of \$8,682, interest at 6.6%, maturing 2015, secured by police vehicle	\$ 22,951	-	-	\$ 22,951	\$ 7,640

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3 CAPITAL LEASES (CONTINUED)

<u>Description</u>	<u>Balance 12/31/12</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 12/31/13</u>	<u>Due Within One Year</u>
Capital Lease – Susquehanna Commercial Finance, Inc., annual payment of \$8,465, interest at 4.68%, maturing 2016, secured by police vehicle	-	\$ 31,611	\$ 8,465	\$ 23,146	\$ 7,358
Capital Lease – Susquehanna Commercial Finance, Inc., annual payment of \$9,642, interest at 4.72%, maturing 2016, secured by police vehicle	-	\$ 35,985	\$ 9,642	\$ 26,343	\$ 8,371

The cost of equipment and related accumulated depreciation recorded under capital leases is as follows:

Road Equipment	\$ 136,640
Police Car	99,229
Less: Accumulated depreciation	<u>(84,570)</u>
	<u>\$ 151,299</u>

Future minimum capital lease payments are as follows:

	<u>Freighter</u>	<u>Police Vehicles</u>	<u>Total</u>
2014	\$ 35,785	\$ 26,790	\$ 62,575
2015	-	26,790	26,790
2016	<u>-</u>	<u>18,288</u>	<u>18,288</u>
	<u>\$ 35,785</u>	<u>\$ 71,868</u>	<u>\$ 107,653</u>

NOTE 4 INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

There were no interfund receivables, payables, or transfers during the year ended December 31, 2013.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 5 EMPLOYEE PENSION PLANS

Non-Uniform Pension Plan

The Township maintains a defined contribution plan covering substantially all full-time employees of the Township except police. The pension program is administered by the Pennsylvania Municipal Retirement System ("PMRS"). PMRS is an agent, multiple-employer system with the purpose to administer sound, cost-effective pensions for local government employees. Responsibility for the organization and administration of the system is vested in the eleven-member Pennsylvania Municipal Retirement Board. PMRS issues a separate Comprehensive Annual Financial Report ("CAFR"). A copy of the CAFR can be obtained by contacting the PMRS Accounting Office, PO Box 1165, Harrisburg, PA 17108-1165.

Contributions to the plan are at the discretion of the Board of Supervisors. In 2004, the Board established an annual employer contribution rate of 5.0% of the employees' salary for the non-uniform pension plan. The Township contributed \$19,631 to the plan in 2013.

Police Pension Plan

The Township sponsors a defined benefit plan for police. As of December 31, 2013, all eligible police employees were participating in the plan. All employees are eligible to participate in the plan after six months of employment. The plan is authorized and enacted under authority of Act 205 of Pennsylvania ("the Act") and local ordinances. The plan is administered by PMRS.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 5 EMPLOYEE PENSION PLANS (CONTINUED)

As of December 31, 2013, pension plan membership consisted of:

	Police	Non-Uniform
Covered employees	All regular, full-time sworn police officers	All regular, full-time employees, excluding sworn police officers
Number of covered active employees	7	8
Number of persons receiving benefits:		
Retired employees and beneficiaries	1	2
Terminated employees vested but not receiving benefits	0	1
Normal retirement date	After 55 th birthday and 12 years of service	Normal social security mandated age
Retirement benefit	Equal 50% of the average monthly compensation during the final 36 months of employment	Plan is defined contribution
Early retirement date	Voluntary after 20 years of service	Normal social security mandated age

Contributions and Funding Policy for Police Pension Plan

The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation ("MMO"). The MMO calculation is based upon the biennial actuarial valuation. The Commonwealth allocates certain funds to assist in the pension funding. Any financial requirement established by the MMO which exceeds the Commonwealth allocation must be funded by the Township or employee members.

Currently, employees covered under the Police Pension Plan are required to annually contribute 5% of their salaries. Administrative costs, including investment manager fees, custodial trustee fees, and actuarial fees are charged to the Plan and funded through investment earnings.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 5 EMPLOYEE PENSION PLANS (CONTINUED)

The Township's annual pension cost for the year ended December 31, 2013 and related information for the Police Pension Plan is as follows:

	<u>Police Pension Plan</u>
Annual pension cost	\$62,405
Contributions made	\$62,405
Valuation Date	January 1, 2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar-Closed
Remaining Amortization Period	14.84 years
Asset Valuation Method	Fair Value
Actuarial Assumptions:	
Investment Rate of Return	6.0%
Projected Salary Increases	2.7% - 6.4%

Trend Information

Year Ended December 31,	Police Annual Pension Cost (APC)	Non-Uniform Pension Cost (APC)	Police % Contributed	Non-Uniform % Contributed
2009	\$54,675	\$12,779	100.0	100.0
2010	58,629	12,278	100.0	100.0
2011	63,674	29,261	100.0	100.0
2012	65,135	9,519	100.0	100.0
2013	62,405	19,631	100.0	100.0

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 5 EMPLOYEE PENSION PLANS (CONTINUED)

Funded Status and Funding Progress

The following is funded status information as of January 31, 2011, the most recent actuarial valuation date:

	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded) AAL	Funded Ratio	Covered Payroll	Unfunded (Overfunded) AAL as a % of Covered Payroll
Police	\$859,876	\$1,009,859	\$149,983	85.15%	\$479,590	31.27%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 6 CASH

Legal and Contractual Restrictions

The Township is permitted to invest in U.S. Treasury bills, short-term obligations of the U.S. Government or its agencies, and shares of an investment company as defined, provided that the only investments of the company are in authorized investments for Township funds. The Township may also plan deposits that are insured by the Federal Deposit Insurance Corporation ("FDIC") and deposits that are collateralized on an individual or on a pooled basis in accordance with Act No. 72 of the Commonwealth of Pennsylvania, August 6, 1971.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits 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 \$1,590,597 and the corresponding bank balance was \$1,767,366. Of the bank balance, \$252,679 was covered by federal depository insurance, and \$1,514,687 was collateralized through pools of securities held by the respective depository institutions.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 7 COMPENSATED ABSENCES

The following is a summary of changes in compensated absences:

<u>Balance</u> <u>January 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31, 2013</u>
<u>\$ 27,052</u>	<u>\$ 3,358</u>	<u>\$ 4,160</u>	<u>\$ 26,250</u>

NOTE 8 RISK MANAGEMENT

The Township is exposed to various risks of loss related to third-party liability claims, damages to and losses of Township-owned property, errors and omissions by public officials and injuries to employees. The Township carries various types of commercial insurance to manage certain risks of loss and has joined a municipal risk sharing pool to manage certain other risks of loss.

There were no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 9 CHANGE IN ACCOUNTING

During the current year, the Township adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources.

As a result of implementing this statement, the following liabilities have been reclassified, as indicated:

<u>Item</u>	<u>Amount</u>	<u>Prior Reporting</u> <u>Classification/Treatment</u>	<u>New Classification After</u> <u>Adoption of GASB 65</u>
Unavailable Revenue:			
Trash fees		Liability	Deferred inflow of resources
Earned income taxes		Liability	Deferred inflow of resources

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 10 ACCOUNTING PRONOUNCEMENTS ISSUED, NOT YET IMPLEMENTED

GASB Statement No. 67, *Financial Reporting for Pension Plans*, issued June 2012, will become effective for the Township beginning with the year ending December 31, 2014. This statement revises existing guidance for most pension plans and details note-disclosure requirements for defined benefit and defined contribution pension plans.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, issued June 2012 will become effective for the Township beginning with the year ending December 31, 2015. This statement will require governments with defined benefit pension plans to disclose a “net pension liability” on their balance sheets.

The Township’s management has not yet determined the effect, if any, these Statements will have on the Township’s financial statements.

NOTE 11 CONTINGENCIES

In the normal course of business, there are various claims and suits pending against the Township. In the opinion of Township Management, the Township has adequate legal defenses or insurance coverage with respect to these claims and lawsuits and does not believe they will materially affect the Township’s financial statements.

The use of grant monies is subject to compliance audits by governmental agencies. Management of the Township believes the Township is in compliance with substantially all the significant requirements of such grants.

REQUIRED SUPPLEMENTARY INFORMATION

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION FUNDING PROGRESS – POLICE PENSION PLAN
SIX YEARS ENDED DECEMBER 31, 2013

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2007	\$407,460	\$ 422,886	\$ 15,426	96.35%	\$391,653	3.94%
2008*	407,460	422,886	15,426	96.35%	391,653	3.94%
2009	603,798	660,682	56,884	91.39%	460,707	12.35%
2010*	603,798	660,682	56,884	91.39%	460,707	12.35%
2011	859,876	1,009,859	149,983	85.15%	479,590	31.27%
2012*	859,876	1,009,859	149,983	85.15%	479,590	31.27%
2013*	859,876	1,009,859	149,983	85.15%	479,590	31.27%

*An actuarial valuation was not prepared for these years. Actuarial valuation information from the previous year's valuation as at January 1 was utilized in preparing this information.

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND
 OTHER CONTRIBUTION ENTITIES – POLICE PENSION PLAN
 SIX YEARS ENDED DECEMBER 31, 2013

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2008	\$46,428	100%
2009	54,675	100%
2010	58,629	100%
2011	63,674	100%
2012	65,135	100%
2013	62,405	100%

EAST FALLOWFIED TOWNSHIP, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
POLICE PENSION PLAN

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the actuarial latest valuation date is as follows:

Actuarial Valuation Date:	January 1, 2011
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Dollar Closed
Remaining Amortization Period:	14.84 Years
Asset Valuation Method:	Fair Value
Actuarial Assumptions:	
Investment Rate of Return	6.00%
Projected Salary Increases	2.7% - 6.4%

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31 2013

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Revenues:				
Taxes:				
Earned income	\$ 1,035,825	\$ 1,035,825	\$ 1,250,597	\$ 214,772
Real estate transfer	110,000	110,000	132,519	22,519
Local services	<u>17,770</u>	<u>17,770</u>	<u>33,253</u>	<u>15,483</u>
Total taxes	1,163,595	1,163,595	1,416,369	252,774
Franchise fees	141,000	141,000	178,651	37,651
Fines and forfeits	26,500	26,500	21,677	(4,823)
Interest earned	400	400	732	332
Intergovernmental revenues	149,000	149,000	165,120	16,120
Charges for services:				
Trash fees	878,945	878,945	815,815	(63,130)
Building permits	50,000	50,000	95,038	45,038
Road and commercial permits	10,300	10,300	1,561	(8,739)
Other	34,600	34,600	32,781	(1,819)
Miscellaneous revenues	<u>300</u>	<u>300</u>	<u>13,835</u>	<u>13,535</u>
Total revenues	<u>2,454,640</u>	<u>2,454,640</u>	<u>2,741,579</u>	<u>286,939</u>
Expenditures:				
General government	339,348	339,348	322,094	17,254
Public safety	1,162,001	1,162,001	1,233,192	(71,191)
Codes	28,300	28,300	38,514	(10,214)
Public works – sanitation	566,260	566,260	574,559	(8,299)
Public works – highways	384,242	384,242	442,256	(58,014)
Culture and recreation	<u>10,750</u>	<u>10,750</u>	<u>6,857</u>	<u>3,893</u>
Total expenditures	<u>2,490,901</u>	<u>2,490,901</u>	<u>2,617,472</u>	<u>(126,571)</u>
Excess (deficiency) of revenues over expenditures	<u>(36,261)</u>	<u>(36,261)</u>	<u>124,107</u>	<u>160,368</u>
Other financing sources (uses):				
2012 projected surplus	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>(40,000)</u>
Net change in fund balances	3,739	3,739	124,107	120,368
Fund balance, January 1	<u>427,360</u>	<u>427,360</u>	<u>427,360</u>	<u>-</u>
Fund balance, December 31	<u>\$ 431,099</u>	<u>\$ 431,099</u>	<u>\$ 551,467</u>	<u>\$ 120,368</u>

EAST FALLOWFIELD TOWNSHIP, PENNSYLVANIA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY COMPARISON

1. SIGNIFICANT ACCOUNTING POLICIES

The budget presented in the required supplementary information is prepared on the modified accrual basis of accounting.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2013, expenditures exceeded the budget in General Fund Charges for Services in the amount of \$39,976 and General Fund – Fines and Forfeitures in the amount of \$4,823. The expenditures were funded by appropriated fund balances.

MINGIS, GUTOWSKI & COMPANY, LLP

Certified Public Accountants 791 South Chester Road, Swarthmore, PA 19081

610-544-5100
FAX: 610-544-9767

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
East Fallowfield Township
East Fallowfield, PA 19320

We have audited the accompanying financial statements included in the Municipal Annual Audit and Financial Report (DCED-CLGS-30), a prescribed form, of East Fallowfield Township as of December 31, 2014 and for the year then ended.

Management's Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions prescribed or permitted by the Pennsylvania Department of Community and Economic Development (DCED). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts 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 Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Fallowfield Township as of December 31, 2014 and the results of its operations for the year then ended on the prescribed form in conformity with the basis of accounting described below.

Basis of Accounting

East Fallowfield Township's policy is to prepare its financial statements for inclusion in the Municipal Annual Audit and Financial Report (DCED-CLGS-30), a prescribed form, on a basis of accounting that demonstrates compliance with accounting principles prescribed or permitted by the Department of Community and Economic Development, which is a special purpose framework other than accounting principles generally accepted in the United States of America. East Fallowfield Township prepares its annual audit and financial report on the modified accrual basis of accounting but, as permitted by DCED, does not include Management's Discussion and Analysis (MD&A), government-wide statements, budget-to-actual comparisons or footnote disclosures. Our opinion is not modified with respect to this matter.

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Restriction on Use

This report is intended solely for the information and use of management and the Supervisors of East Fallowfield Township and for filing with the Department of Community and Economic Development and should not be used by anyone other than these specified parties.

Mingis, Gutowski & Company, LLP

Swarthmore, Pennsylvania
March 16, 2015

MINGIS, GUTOWSKI & COMPANY, LLP

Governor's Center for Local Government Services
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225
Ph: 888-223-6837 | fax: 717-783-1402

2014 MUNICIPAL ANNUAL AUDIT AND FINANCIAL REPORT

150365 EAST FALLOWFIELD TWP, CHESTER COUNTY



BALANCE SHEET

DCED-CLGS-30 (09-09)

EAST FALLOWFIELD TWP, CHESTER COUNTY
BALANCE SHEET
December 31, 2014

	Governmental Funds					Proprietary Funds		Fid. Fund	Account Groups		Total
	General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency		General Fund Assets	General Long Term Debt	
Assets and Other Debits											
100-120 Cash and Investments	766,015	105,713	334,034				418,509				1,624,271
140-144 Tax Receivable	365,555										365,555
121-128, 145-149 Accounts Receivable (excluding taxes)	66,966						22,152				89,118
130-00 Due From Other Funds	5,212										5,212
131-139, 150-159 Other Current Assets	40,605	18									40,623
160-169 Fixed Assets								8,200,022			8,200,022
180-189 Other Debits									41,905		41,905
Total Assets and Other Debits	1,244,353	105,731	334,034				440,661	8,200,022	41,905		10,366,706

Liabilities and Other Credits											
210-229 Payroll Taxes and Other Payroll Withholdings	9,696										9,696
200-209, 231-239 All Other Current Liabilities	102,963						435,449				538,412
230-00 Due To Other Funds							5,212				5,212

BALANCE SHEET

	Governmental Funds						Proprietary Funds		Fid. Fund	Account Groups		Total
	General Fund	Special Revenue (Including State Liquid Funds)	Capital Projects	Debt Service	Enterprise	Internal Services	Trust and Agency	Capital Assets		General Long Term Debt	Memorandum Only	
Liabilities and Other Credits												
260-269 Long-Term-Liabilities											15,656	15,656
240-259 Current Portion of Long-Term Debt and Other Credits											26,249	26,249
Total Liabilities and Other Credits	112,659								440,661		41,905	595,225

Fund and Account Group Equity												
281-284	Contributed Capital											
290.00	Investment in General Fixed Assets										8,200,022	8,200,022
270-289	Fund Balance / Retained Earnings on 12/31	1,131,694	105,731									1,237,425
281-299	Other Equity			334,034								334,034
Total Fund and Account Group Equity		1,131,694	105,731	334,034							8,200,022	9,771,481

TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY	10,366,706
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EAST FALLOWFIELD TWP, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2014

Governmental Funds						Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only		

REVENUES

Taxes									
301.00	Real Estate Taxes								
305.00	Occupation Taxes (levied under municipal code)								
308.00	Residence Taxes (levied by cities of the 3rd Class)								
309.00	Regional Asset District Sales Tax (Allegheny County municipalities only)								
310.00	Per Capita Taxes								
310.10	Real Estate Transfer Taxes	132,048							132,048
310.20	Earned Income Taxes / Wage Taxes	1,548,889							1,548,889
310.30	Business Gross Receipts Taxes								
310.40	Occupation Taxes (levied under Act 511)								
310.50	Local Services Tax **	18,913							18,913
310.60	Amusement / Admission Taxes								
310.70	Mechanical Device Taxes								
310.90	Other Local Tax Enabling Act / Act 511 / Taxes								
	Other: _____								
	Total Taxes	1,699,850							1,699,850

Licenses and Permits				
320-322	All Other Licenses and Permits	52,104		52,104
321.80	Cable Television Franchise Fees	160,750		160,750
	Total Licenses and Permits	212,854		212,854

Fines and Forfeits				
330-332	Fines and Forfeits	21,306		21,306
	Total Fines and Forfeits	21,306		21,306

EAST FALLOWFIELD TWP, CHESTER COUNTY
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2014

REVENUES

Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only	

Interest, Rents and Royalties								
341.00	Interest Earnings	699	91	212				1,002
342.00	Rents and Royalties							
	Total Interest, Rents and Royalties	699	91	212				1,002

Federal								
351.03	Highways and Streets							
351.09	Community Development							
351.00	All Other Federal Capital and Operating Grants							
352.01	National Forest							
352.00	All Other Federal Shared Revenue and Entitlements	699						699
353.00	Federal Payments in Lieu of Taxes							
	Total Federal	699						699

State								
354.03	Highways and Streets							
354.09	Community Development							
354.15	Recycling / Act 101	3,437						3,437
354.00	All Other State Capital and Operating Grants							
355.01	Public Utility Realty Tax (PURTA)	1,809						1,809
355.02-355.03	Motor Vehicle Fuel Tax (Liquid Fuels Tax) and State Road Turnback		240,600					240,600
355.04	Alcoholic Beverage Licenses							
355.05	General Municipal Pension System State Aid	81,326						81,326
355.07	Foreign Fire Insurance Tax Distribution	53,957						53,957
355.08	Local Share Assessment/Gaming Proceeds							

EAST FALLOWFIELD TWP, CHESTER COUNTY

REVENUES

State	
355.09	Marcellus Shale Impact Fee Distribution
355.00	All Other State Shared Revenues and Entitlements
356.00	State Payments in Lieu of Taxes
Total State	

Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Services	Enterprise	Internal Service	Trust and Agency	Memorandum Only	
46,845							46,845	
187,374	240,600						427,974	

Local Government Units	
357.03	Highways and Streets
357.00	All Other Local Governmental Units Capital and Operating Grants
358.00	Local Government Unit Shared Payments for Contracted Intergovernmental Services
359.00	Local Governmental Units and Authorities Payments in Lieu of Taxes
Total Local Government Units	

Charges for Service	
361.00	General Government
362.00	Public Safety
363.20	Parking
363.00	All Other Charges for Highway & Street Services
364.10	Wastewater / Sewage (including connection / tapping fees, sewer usage charges, reserve capacity fee, etc.)
364.30	Solid Waste Collection and Disposal Charge (trash)
364.60	Host Municipality Benefit Fee for Solid Waste Facility
364.00	All Other Charges for Sanitation Services
365.00	Health
366.00	Human Services
367.00	Culture and Recreation

[illegible]

EAST FALLOWFIELD TWP, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2014

Governmental Funds						Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State/Liquid Funds)	Capital Projects	Debt Service	Enterprise	Internal Service			Trust and Agency	Memorandum Only

REVENUES

Charges for Service									
368.00	Airports								
369.00	Bars								
370.00	Cemeteries								
372.00	Electric System								
373.00	Gas System								
374.00	Housing System								
375.00	Markets								
377.00	Transit Systems								
378.00	Water System								
379.00	All Other Charges for Service								
Total Charges for Service		670,373							670,373

Unclassified Operating Revenues									
383.00	Special Assessments								
386.00	Escheats (sale of personal property)								
387.00	Contributions and Donations from Private Sectors								
388.00	Fiduciary Fund Pension Contributions								
389.00	All Other Unclassified Operating Revenues	5,672							5,672
Total Unclassified Operating Revenues		5,672							5,672

Other Financing Sources									
391.00	Proceeds of General Fixed Asset Disposition								
392.00	Interfund Operating Transfers		21,340						21,340
393.00	Proceeds of General Long-Term Debt								
394.00	Proceeds of Short Term-Debt								

EAST FALLOWFIELD TWP, CHESTER COUNTY
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2014

Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Funds)	Capital Projects	Debt Services	Enterprise	Internal Services		Trust and Agency	Memorandum Only

REVENUES

Other Financing Sources								
395.00	Refunds of Prior Year Expenditures							
	Total Other Financing Sources	21,340						21,340

TOTAL REVENUES	2,798,827	262,031	212					3,061,070
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EXPENDITURES

General Government								
400.00	Legislative (Governing) Body	10,000						10,000
401.00	Executive (Manager or Mayor)							
402.00	Auditing Services / Financial Administration	14,720						14,720
403.00	Tax Collection	273						273
404.00	Solicitor / Legal Services	53,787						53,787
405.00	Secretary / Clerk	39,151						39,151
406.00	Other General Government Administration	96,769	35,287					132,056
407.00	IT-Networking Services-Data Processing	5,923						5,923
408.00	Engineering Services	24,859						24,859
409.00	General Government Buildings and Plant	17,899						17,899
	Total General Government	263,381	35,287					298,668

Public Safety

410.00	Police	772,311						772,311
411.00	Fire	143,650						143,650
412.00	Ambulance / Rescue							
413.00	UCC and Code Enforcement	19,912						19,912
414.00	Planning and Zoning	2,461						2,461
415.00	Emergency Management and Communications							

EAST FALLOWFIELD TWP, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2014

Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Funds)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only	

EXPENDITURES

Public Safety								
416.00	Militia and Armories							
417.00	Examination of Licensed Occupations							
418.00	Public Scales (weights and measures)							
419.00	Other Public Safety							
Total Public Safety		938,334						938,334

Health and Human Services								
420.00-423.00	Health and Human Services	5,320						5,320
Total Health and Human Services		5,320						5,320

Public Works - Sanitation								
426.00	Recycling Collection and Disposal							
427.00	Solid Waste Collection and Disposal (garbage)	566,451						566,451
428.00	Weed Control							
429.00	Wastewater / Sewage Treatment and Collection							
Total Public Works - Sanitation		566,451						566,451

Public Works - Highways and Streets								
430.00	General Services - Administration	292,194						292,194
431.00	Cleaning of Streets and Gutters							
432.00	Winter Maintenance - Snow Removal		42,487					42,487
433.00	Traffic Control Devices		993					993
434.00	Street Lighting		1,107					1,107
435.00	Sidewalks and Crosswalks							
436.00	Storm Sewers and Drains		2,115					2,115

EAST FALLOWFIELD TWP, CHESTER COUNTY
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2014

Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquor Funds)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only	

EXPENDITURES

Public Works - Highways and Streets								
437.00	Repairs of Tools and Machinery	159	42,896					43,055
438.00	Maintenance and Repairs of Roads and Bridges		29,970					29,970
439.00	Highway Construction and Rebuilding Projects		100,469					100,469
	Total Public Works - Highways and Streets	292,353	220,037					512,390

Other Public Works Enterprises								
440.00	Airports							
441.00	Cemeteries							
442.00	Electric System							
443.00	Gas System							
444.00	Markets							
445.00	Parking							
446.00	Storm Water and Flood Control							
447.00	Transit System							
448.00	Water System							
449.00	Water Transport and Terminals							
	Total Other Public Works Enterprises							

Culture and Recreation								
451.00	Culture-Recreation Administration							
452.00	Participant Recreation							
453.00	Spectator Recreation							
454.00	Parks	5,321						5,321
455.00	Shade Trees							
456.00	Libraries							

EAST FALLOWFIELD TWP, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES
December 31, 2014

Governmental Funds						Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State/Liquid Funds)	Capital Projects	Debt Service	Enterprise	Internal Service			Trust and Agency	Memorandum Only

EXPENDITURES

Culture and Recreation									
457.00	Civil and Military Celebrations								
458.00	Senior Citizens' Centers								
459.00	All Other Culture and Recreation	25,487							25,487
Total Culture and Recreation		30,808							30,808

Community Development									
461.00	Conservation of Natural Resources								
462.00	Community Development and Housing								
463.00	Economic Development								
464.00	Economic Opportunity								
465-469	All Other Community Development								
Total Community Development									

Debt Service									
471.00	Debt Principal (short-term and long-term)								
472.00	Debt Interest (short-term and long-term)		2,312						2,312
475.00	Fiscal Agent Fees								
Total Debt Service			2,312						2,312

Employer Paid Benefits and Withholding Items									
481.00	Employer Paid Withholding Taxes and Unemployment Compensation	84,240							84,240
482.00	Judgments and Losses								
483.00	Pension / Retirement Fund Contributions	84,108							84,108
484.00	Worker Compensation Insurance	81,847							81,847

EAST FALLOWFIELD TWP, CHESTER COUNTY
STATEMENT OF REVENUES AND EXPENDITURES
 December 31, 2014

Governmental Funds					Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (including State/Liquid Funds)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency		

EXPENDITURES

Employer Paid Benefits and Withholding Items	
487.00	Other Group Insurance Benefits
255,790	
Total Employer Paid Benefits and Withholding Items	
505,985	

Insurance	
488.00	Insurance, Casualty, and Surety
44,891	
Total Insurance	
44,891	

Unclassified Operating Expenditures	
488.00	Fiduciary Fund Benefits and Refunds Paid
489.00	All Other Unclassified Expenditures
Total Unclassified Operating Expenditures	

Other Financing Uses	
491.00	Refund of Prior Year Revenues
492.00	Interfund Operating Transfers
21,340	
493.00	All Other Financing Uses
Total Other Financing Uses	
21,340	

TOTAL EXPENDITURES	2,668,863	220,037	37,599					2,926,499
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	129,964	41,994	-37,387					134,571
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EAST FALLOWFIELD TWP

December 31, 2014

DEBT STATEMENT

OUTSTANDING BONDS AND NOTES

Listed below are all currently outstanding bond and note issues according to our files, excluding bond issues redeemed or refunded and defeased. Please show the principal payments and make any other necessary corrections and additions.

Purpose	Bond (B) Capital Lease (C) Lease Rental (L) Note (N)	Issue Year (YYYY)	Maturity Year (YYYY)	Original Amount of Issue	Outstanding Beginning of Year (1)	Principal Incurred This Year	Principal Paid This Year	Current Year Accretion on Compound Interest Bonds	Outstanding at Year End (1)	Plus (less) Unamortized Premium (Discount)	Total Balance
General Obligation Bonds and Notes											
Revenue Bonds and Notes											
Lease Rental Debt											
2 police cars	Capital Leases	2013	2016	67,596	49,489		15,728		33,761		33,761
Freightliner dump truck	Capital Leases	2011	2014	136,639	34,661		34,661		0		0
police car	Capital Leases	2012	2015	31,633	22,951		14,807		8,144		8,144
Other											

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding

41,905

Capitalized lease obligations

Net debt

41,905

EAST FALLOWFIELD TWP, CHESTER County STATEMENT OF CAPITAL EXPENDITURES

December 31, 2014

Category	Capital Purchases	Capital Construction	Total
Electric			
Fire			
Gas System			
General Government	2,740		2,740
Health			
Housing			
Libraries			
Mass Transit			
Parks			
Police	9,305		9,305
Recreation			
Sewer			
Solid Waste			
Streets / Highways			
Water			
Other: _____			
Community Development			
TOTAL CAPITAL EXPENDITURES	12,045		12,045

EMPLOYEE COMPENSATION

Total salaries, wages, commissions, etc. paid this year (including all employees and elected officials)

1,075,847

EAST FALLOWFIELD TWP, CHESTER COUNTY

December 31, 2014

NOTES / COMMENTS

Adjustments have been made to beginning fund balances to report amounts in accordance with DCED special purpose reporting framework