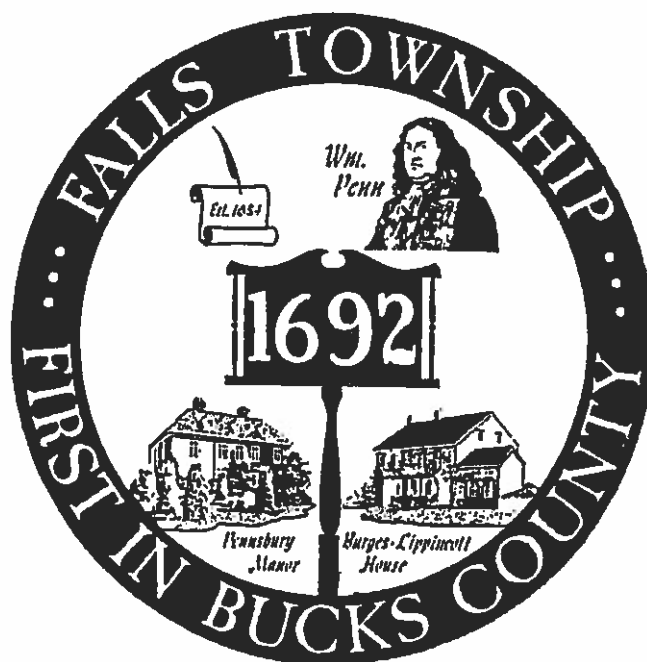


Township of Falls County of Bucks, Pennsylvania

“324 Years of Service to the Community”

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016



Prepared by Jean E. Reukauf
Finance Director



TOWNSHIP OF FALLS
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	3
GFOA Certificate of Achievement	9
Organizational Chart	10
List of Elected and Appointed Officials	11
Map of the Township	12
 FINANCIAL SECTION	
Independent Auditor's Report	15
Management's Discussion and Analysis	19
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	32
Statement of Activities	33
Fund Financial Statements:	
<i>Governmental Funds</i>	
Balance Sheet	34
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	35
Statement of Revenues, Expenditures, and Changes in Fund Balances	36
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	37
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	38
<i>Proprietary Funds</i>	
Statement of Net Position	39
Statement of Revenues, Expenses, and Changes in Fund Net Position	40
Statement of Cash Flows	41
<i>Fiduciary Funds</i>	
Combined Statement of Fiduciary Net Position	42
Combined Statement of Changes in Fiduciary Net Position – Pension Trust Funds	43
Notes to the Basic Financial Statements	44

TOWNSHIP OF FALLS
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended December 31, 2016

TABLE OF CONTENTS
 (Continued)

Required Supplementary Information:	
Schedule of Changes in Plan's Net Pension Liability and Related Ratios – Police Pension Plan	70
Schedule of Changes in Plan's Net Pension Liability and Related Ratios – Nonuniform Pension Plan	71
Schedule of Employer Contributions – Police Pension Plan	72
Schedule of Employer Contributions – Nonuniform Pension Plan	73
Schedule of Investment Returns – Police Pension Plan	74
Schedule of Investment Returns – Nonuniform Pension Plan	75
Schedule of Funding Progress – Other Post Employment Benefits	76
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	80
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Fire Hydrant Special Revenue Fund	81
Highway Aid Special Revenue Fund	82
Street Lighting Special Revenue Fund	83
Fire Protection Special Revenue Fund	84
Library Special Revenue Fund	85
Park and Recreation Special Revenue Fund	86
Rescue Squad Special Revenue Fund	87
Crime Prevention Special Revenue Fund	88
Capital Reserve Capital Projects Fund	89
Combining Statement of Plan Net Position – all Pension Trust Funds	92
Combining Statement of Changes in Plan Net Position – all Pension Trust Funds	93
Statement of Changes in Assets and Liabilities – Township Escrow Subdivision Fund	94
Capital Assets Used in the Operation of Governmental Funds	
Comparative Schedules by Source	96
Schedule by Function and Activity	97
Schedule of Changes by Function and Activity	98
STATISTICAL SECTION	
Net Position by Components	101
Changes in Net Position	102

TOWNSHIP OF FALLS
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2016

TABLE OF CONTENTS
(Continued)

Fund Balances of Governmental Funds	105
Changes in Fund Balances of Governmental Funds	106
General Governmental Tax Revenues by Source	108
Assessed and Estimated Actual Value of Taxable Property	109
Property Tax Rates – Direct and Overlapping Governments	110
Principal Property Taxpayers	111
Property Tax Levies and Collections	112
Ratios of Outstanding Debt by Type	113
Ratio of General Bonded Debt Outstanding	114
Direct and Overlapping Governmental Activities Debt	115
Legal Debt Margin Information	116
Revenue Bond Coverage – Water/Sewer Funds	117
Demographic and Economic Statistics	118
Principal Employers	119
Full-time Equivalent Township Employees by Function	120
Operating Indicators by Function	121
Capital Asset Statistics by Function	122
Schedule of Insurance	123
Miscellaneous Statistics	124

This Page Intentionally Left Blank

INTRODUCTORY SECTION

This Page Intentionally Left Blank

Township of Falls

BUCKS COUNTY, PA



188 Lincoln Highway
Suite 100
Fairless Hills, PA 19030
(215) 949-9000

E-Mail: admin@fallstwp.com
Website: www.fallstwp.com

June 30, 2017

Board of Supervisors

Jeff Boraski
Jeffrey E. Dence
Brian M. Galloway
Robert J. Harvie, Jr.
Jeffrey Rocco

To the Board of Supervisors and the Citizens of Falls Township:

The Comprehensive Annual Financial Report of the Township of Falls, Bucks County, Pennsylvania for the year ended December 31, 2016 is hereby submitted.

This report presents the financial position of the Township of Falls as of December 31, 2016, and the results of its operations and cash flows for its proprietary fund types for the year then ended. The financial statements and supporting schedules have been prepared by the Township's Finance Department in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by Major & Mastro, LLC, Certified Public Accountants.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

To the best of my knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Township of Falls.

The organization, form, and contents of this Comprehensive Annual Financial Report and the accompanying financial statements and the statistical tables were prepared in accordance with standards established by the Governmental Accounting Standards Board (GASB), the Government Finance Officers' Association (GFOA), the American Institute of Certified Public Accountants (AICPA), and the Second Class Township Code of the Commonwealth of Pennsylvania.

U.S. generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designated to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Financial Entity

The Township of Falls provides a full range of municipal services including police and fire protection, construction and maintenance of streets and storm sewers, recycling, residential solid waste pickup, zoning regulations, building inspections, park and recreational activities, and maintenance and replacement of street lights. In addition to general government activities, the governing body has a fiduciary responsibility for pension trust funds and agency trust funds. Contributions to Fire Companies, Rescue Squads and the Library serving Falls Township residents are funded through real estate tax levies.

General Information

The Township of Falls is a Township of the Second Class under Pennsylvania law. The governing body of the Township is the Board of Supervisors which is comprised of five (5) members who are elected at large and serve six (6) year terms. The Board is empowered with legislative functions that include enacting ordinances and resolutions, adopting a budget, levying taxes, providing for appropriations, awarding bids and contracts, and making appointments to various boards and commissions. The chief executive officer of the Township is the Township Manager who is appointed by the Board of Supervisors. The Township Manager is responsible for implementing ordinances and resolutions of the Board, supervising the administration of all departments and boards, and preparing and submitting the annual budget and capital improvement programs for the Township.

The Township of Falls, incorporated July 27, 1692, encompasses approximately 26.5 square miles of the southeastern corner of Bucks County, Pennsylvania between the larger cities of Trenton, New Jersey and Philadelphia, Pennsylvania (6 miles and 9 miles apart, respectively) and is bordered by Tullytown Borough, Middletown Township, Lower Makefield Township, Morrisville Borough and the Delaware River with the State of New Jersey on the opposite side of the river. The Township and neighboring municipalities are closely related in terms of both economics and physical development, and are served in some cases by the same highways, water lines and sewer lines. The 2010 U.S. Census reports a population of 34,300.

The Township is principally residential, commercial, and industrial in character. There are a number of major retail shopping areas in the Township, most notable of which are the Court at Oxford Valley and the Fairless Hills Shopping Center. Aria Health's Bucks County Campus, one of three major hospitals that serve the Lower Bucks County area, is located in Falls Township.

The Falls Township Police Department is a full service police agency, providing all police services within our community. The agency embraces the concept of Community Policing and emphasizes problem oriented policing. They work in partnership with the community, addressing all issues affecting our citizens. The department is also an accredited police department under the Pennsylvania Chiefs of Police Association/Pennsylvania Law Enforcement Accreditation Commission receiving the status in 2003. This accreditation was the first in Bucks County and the twelfth in the Commonwealth of Pennsylvania. The department followed procedures for recertification in April 2015 and was able to retain the accreditation status for an additional three years. The Chief of Police and four Lieutenants oversee the operations of 47 full time police officers assigned to the Patrol, Detectives and Community Partnership Units and 7 civilian employees ranging from Animal Control to Clerical to Court Liaison. The department also has a fleet of 57 police vehicles.

The Falls Township Police K9 Unit was started in 2002. It consisted of Lt. Ward and his K9 partner Dante, then Sgt. Beauchmin and his K9 partner Jessie. Today, the K9 unit consists of four teams. They are: Ofc. Elmore and his K9 partner Monty along with Ofc. Fisher and his K9 partner Leo both explosives detection teams, and Ofc. Langan and his K9 partner Tag along with Ofc. Lundquist and his K9 partner Zico both narcotic detection teams. All K9s are patrol trained. Monty, Leo, and Tag are Belgian Malinois, and Zico is a German Shepherd. To date, they have successfully apprehended and tracked numerous felons as well as finding lost persons. They have participated in many successful searches and seizures. Throughout every year, the officers conduct several K9 demonstrations and go to schools to teach students about safety and law enforcement. Having a K9 unit in Falls Township has not only protected the public, but kept the officers safe as well.

The Pennsbury School District administrative offices are located within Falls Township. Pennsbury High School campus, east and west, and six grade schools serve the community with an approximate enrollment of 10,340. The district provides educational services to Falls Township and three neighboring municipalities. The school district has been named a model high school by the Federal Department of Education. Education from nursery school through the eighth grade is also provided by the Pen Ryn School, a private school within the Township's boundaries.

The Fire Marshal's department continually strives to achieve goals in fire safety and environmental concerns. The department is continuing to upgrade its operations by expanding its radio system for

emergency management and municipal use. This radio system is also used as a backup for the police department in the event the County's radio system goes down. An ongoing project in the department includes an Emergency Preparedness Planning and training of various hotel/motel and business operators in the event of an emergency. This project helps both the responders and the community by gathering and distributing contact information before emergencies happen and training entities in the procedures to follow until rescue services arrive. The department also uses the Fire Safety Trailer for community functions to promote safety awareness for children and adults. The trailer simulates smoke in a home and fire officials train citizens what to do in the event of a fire and how to exit the home. They also distribute fire related materials, smoke detectors and offer free safety inspections. This department is made up of the fire marshal, one part-time and two full-time inspectors, and one secretary.

Falls Township is served by three volunteer Fire Companies – Falls Fire Company, Levittown Fire Company and the Fairless Hills Fire Company. The Township is also served by two Rescue Squads – the Levittown Fairless Hills Rescue Squad and the Morrisville Rescue Squad. These agencies provide professional emergency services to Falls Township twenty-four hours a day and seven days a week as well as serving neighboring communities in Pennsylvania and New Jersey, when requested. All agencies receive financial aid from tax dollars contributed by the Township (a total of \$533,000 in support for 2016) although tax funding covers only a portion of their operating costs. Most of the funding for operations comes from individual contributions via fund drives and other fund raising events. On average, one hundred individuals volunteer for the Fire Companies and seventy volunteer at the Rescue Squads.

The Falls Township Parks and Recreation Department oversees sixteen parks which contain playgrounds, athletic fields, tot lots, basketball courts, gardens, trails and pavilions encompassing over 408 acres. Our parks are also home to: the Challenger Field at the Levittown Continental Little League field located off of Mill Creek Road, which provides our special needs youths a fully accessible baseball field; an Inclusive Playspace on Phase I of the Township Community Park, which is completely accessible for anyone using a wheelchair or walker, allowing children of any ability to play; and, a boat ramp located in Quaker Penn Park, which provides area boaters access to the Delaware River. These parks and facilities are maintained by the Township's Public Works department, a Park Security staff patrols the Falls Community Park, and overall supervision is provided by the Parks and Recreation Department. This department also provides year round programs and activities for residents.

In addition to the aforementioned parks, the Parks and Recreation Department oversees operations at the Pinewood Pool. The pool was fully renovated in 2003, transforming a forty year old pool into a state of the art facility designed for the safety and enjoyment of all swimmers. This pool provides entertainment for the community at extremely reasonable prices while maintaining the finest amenities. A new water slide was installed on the pool property in 2010. The wading pool underwent complete re-plastering and tilework in 2014, and the main pool underwent that same process prior to the season opening in 2016.

Economic Conditions and Outlook

The Township of Falls' initial growth was due largely to the location of the United States Steel plant in the Township in March of 1951. On 3,800 acres of farm land, the steel plant, referred to as the Fairless Works, employed 9,000 to 10,000 individuals from Falls Township and its surrounding communities. To accommodate the migration of steelworkers to Falls Township, Danhurst Corporation developed 1,100 single-family homes and William Levitt developed 4,000 single-family homes increasing the township's population from 3,000 to 30,000 residents. The Danhurst development was named Fairless Hills and the Levitt development called Levittown. Land values rose rapidly, enticing farmers to sell their land to developers.

From 1950 through the 1970s, the township experienced significant commercial development due largely to the mill operations. The Fairless Hills Shopping Center, along with several strip malls, was built to accommodate the needs of the growing population. Unfortunately, in 1973, the steel making operations at the Fairless Works began a steady decline. The downturn had a devastating effect on the Township's economy.

In the southern portion of Falls Township, the Warner Company developed a 46 acre landfill and began operations in August of 1970. The Warner Company, through its subsidiary Geological Reclamation Operations and Waste Systems, Inc. (G.R.O.W.S.), was issued permits to operate a solid waste disposal facility in the Morrisville section of the Township. The facility, which was subsequently sold to Waste Management, Inc., has expanded to approximately 752.8 acres since operations began. These operations provide the Township, as the host community, with waste disposal tonnage fees and benefit the residents through refuse removal and recycling pick up at no charge based on Solid Waste Agreements negotiated by Township Officials.

In 1991, a Development Agreement was signed with Wheelabrator Falls Inc., a subsidiary of Waste Management, Inc., to permit the construction of the first recycling and energy recovery facility in Bucks County. Operations began in May of 1994 providing the Township with an additional revenue stream of per ton fees for refuse delivered to the plant.

Over the past twenty-two years, the Township has experienced renewed economic growth due to the redevelopment of the former Fairless Works site. Although the major steel operations are no longer continuing, the sections of land previously occupied by the mill are being subdivided and redeveloped into building lots with several large industries locating, or in the process of locating, at this site.

In 2004, a large portion of the former Fairless Works site was designated a Keystone Opportunity Improvement Zone (KOIZ). This designation was approved by Falls Township, Pennsbury School District and Bucks County. As a KOIZ designated area, fifteen-year tax abatement is granted in an attempt to make the former mill site more attractive to businesses opting to relocate into Falls Township. United States Steel Corporation has renamed the site the Keystone Industrial Port Center (KIPC). Some of the companies now located there include: CSC Sugar, Reed Minerals, Air Products, Sika Corporation, Dominion Power, Toll Brothers, International Salt, Kinder Morgan, Excelon, A.L. Patterson, Abington Reldon, Hiossen, Mount Materials, Four Seasons Trucking, GMA Garnet, U.S. Steel Galvanizing, Kelly Pipe, Covanta, and Fox Railroad Construction.

One of the standards used by the financial industry to determine the financial condition of a municipality is an examination of the entity's ability to borrow funds. As of December 31, 1991, the Township could legally borrow up to \$5 million dollars. As of December 31, 2016, the Township is legally able to borrow in excess of \$54.8 million dollars. The Board of Supervisors has not incurred debt since January 1, 1992 and has no plans to borrow funds in the future.

Long-Term Financial Planning

The Township continues to maintain a long-term restricted savings account designed to be available when tipping fees from the landfill, operated by Waste Management, are no longer received. By December 31, 2016, the Township had approximately \$31,000,000 in the account. With aggressive savings and competitive interest rates, it is anticipated that the interest earned can assist the General Fund with a revenue stream on an annual basis achieving the Township's goal of funding operating costs long after tipping fees have ceased.

The 2006 sale of the Township's Water and Sewer department created a \$15,000,000 receivable from the Township of Falls Authority (TOFA). In the years leading up to the sale, the cost of purchasing water and the sale of wastewater had become increasingly expensive. Coupled with the cost of operating expenses, it became apparent the best interest of the Township was to form the Authority to allow autonomy in increasing rates for customer billing. TOFA repaid the Township in full on September 21, 2011, well in advance of the balloon principle due date of December 31, 2011.

Relevant Financial Policies

Internal Control Structure: Management of the Township is responsible for establishing and maintaining an internal control structure that is designed to ensure that the assets of the Township are protected from loss, theft or misuse, that transactions are executed in accordance with management's integrity, and to ensure that adequate accounting data is compiled to allow for preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

Budgeting Controls: The annual budget is the financial blueprint for Falls Township. By documenting the allocation of funds, the budget reflects the policies and projects that are priorities to the Township. As per section 3201 of the Second Class Township Code, the Township's fiscal year begins on the first day in January and ends on December 31st of that calendar year. Generally, a proposed budget for the ensuing fiscal year is approved by the Board of Supervisors in mid-December. The Second Class Township Code permits the Board to amend the budget following any municipal election. The amended budget must then be adopted by February 15th and no proposed amended budget shall, before final adoption, be revised upward in excess of 10% in the aggregate or in excess of 25% of the amount of any major category. Activities of the general fund, special revenue funds, and capital projects funds are included in the annual appropriated budget.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by departmental classification.

The Township also maintains an encumbrance accounting system as an additional technique of budgetary control. Encumbrances outstanding at year-end are liquidated.

Major Initiatives

During 2016, the Township continued its participation in the Bucks County Consortium of Municipalities. The Consortium is comprised of all municipalities in Bucks County that employ professional management staff. The goal of the Consortium is to encourage inter-municipal cooperation in such areas as purchasing of materials and supplies, household hazardous waste collection and disposal, and personnel related matters.

Fiscal year 2016 marks the fourteenth year of the Township's participation in the NPDES (National Pollution Discharge Elimination System) Phase II. This is a program mandated by the Commonwealth of Pennsylvania. The Township continues to enforce all requirements associated in accordance with NPDES.

Also in 2016, the Township planned for the full depth reconstruction of Howley Drive (985 lf.) and the mill and overlay of the Mill Creek Parkway westbound. Full depth reconstruction historically has consisted of new curbs, driveway aprons, various sidewalks, storm sewer pipes and the roadway itself. The Township is nearing completion of its goal, begun in the early 1990's, of the reconstruction of all Township-owned roadways. The Township anticipates completion of its road program within the next five years.

Other Information

The independent auditor appointed by the Board of Supervisors for the year ended December 31, 2016 is the firm of Major & Mastro, LLC. The independent auditor's report on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information is included in the Financial Section of this report. Major & Mastro, LLC has issued an unmodified opinion for the year ended December 31, 2016.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Township of Falls for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2015. This was the eighteenth consecutive year that the Township has received this prestigious award. In order to be awarded a Certificate of Achievement, the Township published an easily readable and efficiently organized report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Township believes the current report continues to conform to the Certificate of Achievement program requirements, and is submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the 2016 Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Members of the Administration, Code Enforcement, Zoning, Fire Marshal, Parks and Recreation, Public Works, and Police departments who assisted and contributed to the preparation of this report have my sincere appreciation for their contributions. Due credit should be given as well to the Board of Supervisors for their interest, support and leadership in planning and conducting the operations of the Township in a responsible and progressive manner. Without their support, the preparation of this report would not have been possible.

Respectfully Submitted,



Jean E. Reukauf
Finance Director
June 30, 2017



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

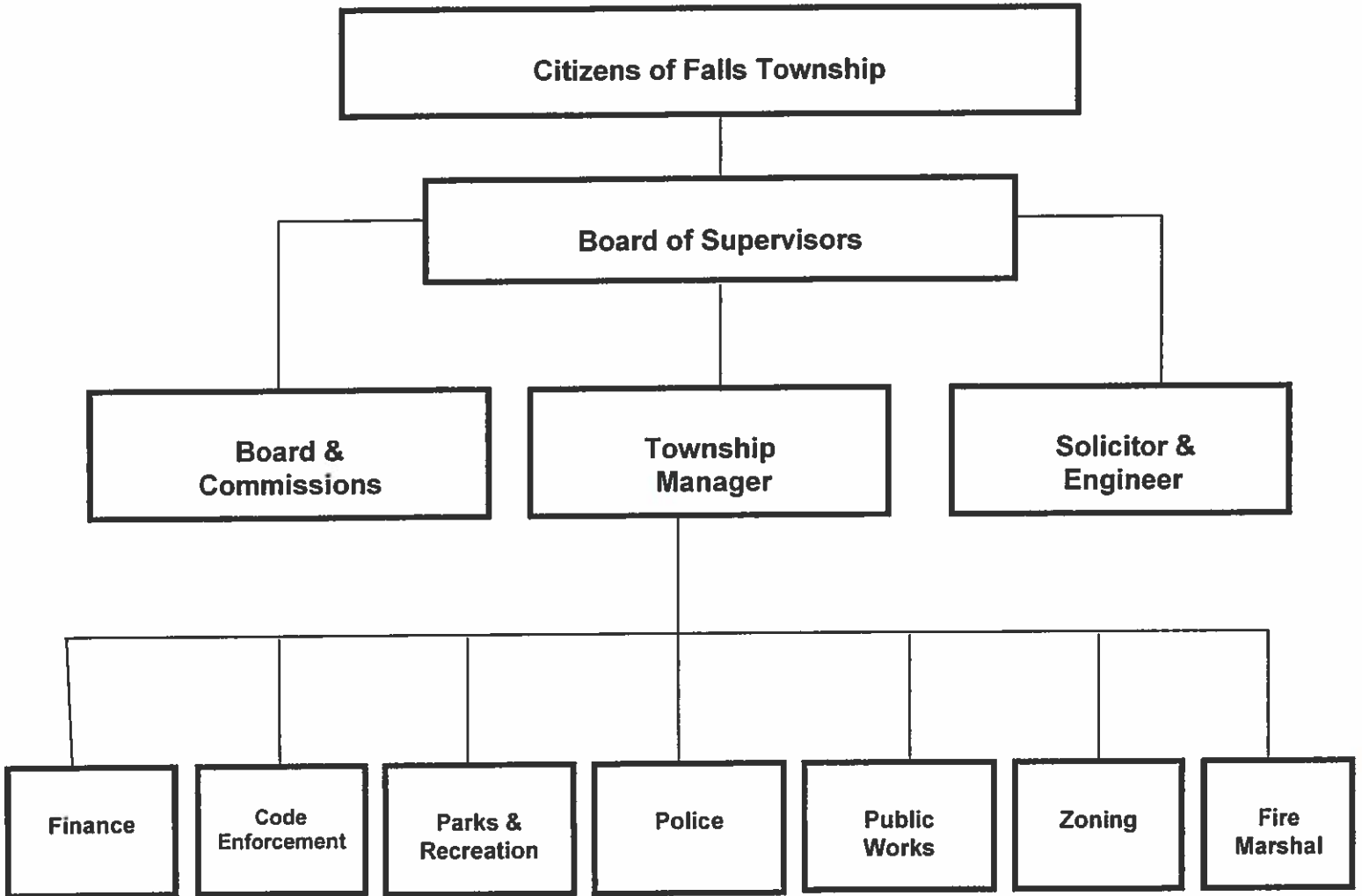
**Township of Falls
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

**Falls Township
Organizational Chart**



Appointed Citizen Advisory Boards and Commissions

- | | |
|---|----------------------------|
| Board of Auditors | Cable Advisory Board |
| Environmental Advisory Council | Board of Appeals |
| Disabled Persons Advisory Board | Parks and Recreation Board |
| Planning Commission | Zoning Hearing Board |
| Police Pension Committee | Shade Tree Commission |
| Historic Preservation Commission | |
| Neighborhood Traffic Advisory Committee | |
| Community and Economic Development Commission | |

2016 BOARD OF SUPERVISORS

Robert J. Harvie, Jr., Chairperson

Jeffry E. Dence, Vice Chairperson

Jeffrey Rocco, Secretary/Treasurer

Brian M. Galloway, Member

Jeff Boraski, Member

CURRENT EXECUTIVE OFFICIALS

Peter F. Gray, Township Manager

Michael P. Clarke, Esq., Township Solicitor

James C. Sullivan, P.E., Township Engineer

William Wilcox, Police Chief

Jean E. Reukauf, Finance Director

Richard Dippolito, Fire Marshal

Thomas Bennett, Zoning Officer

Jason R. Lawson, Public Works Director

Brian Andrews, Parks & Recreation Director

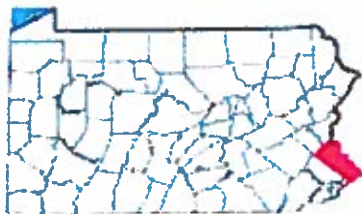
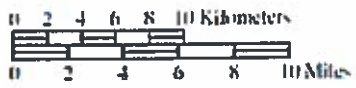
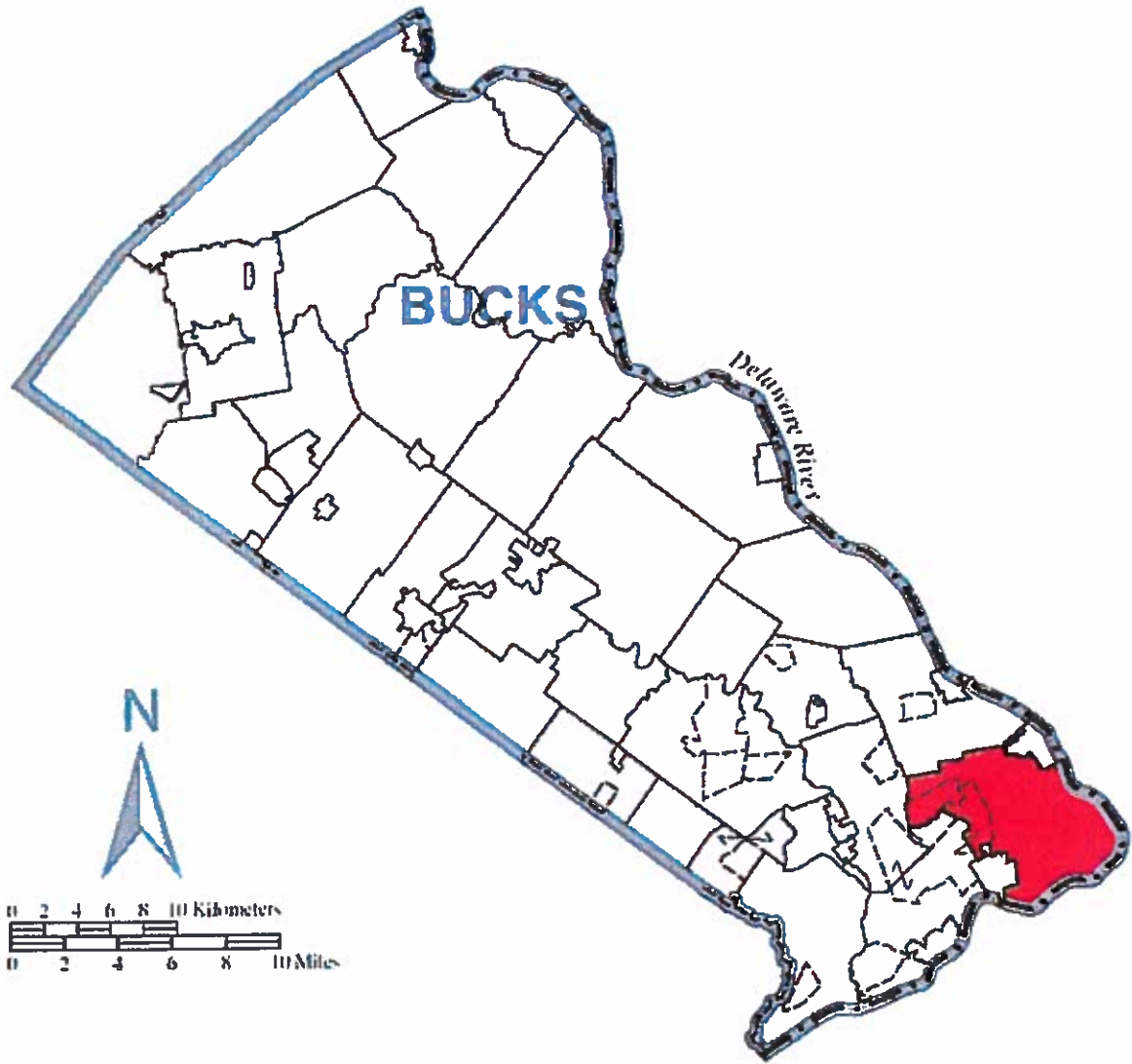
Todd Pletnick, Police Lieutenant

Donald Airey, Police Lieutenant

Henry Ward, Police Lieutenant

Nelson Whitney, Police Lieutenant

TOWNSHIP OF FALLS BUCKS COUNTY, PENNSYLVANIA



FINANCIAL SECTION

This Page Intentionally Left Blank



INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
TOWNSHIP OF FALLS
Fairless Hills, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the TOWNSHIP OF FALLS, Pennsylvania (the Township) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the TOWNSHIP OF FALLS, Pennsylvania, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund 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, schedules of changes in plan's net pension liability and related ratios – pension plans, schedules of employer contributions – pension plans, schedule of investment returns – pension plans, and schedule of funding progress - other post employment benefits on pages 19 through 30 and pages 70 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TOWNSHIP OF FALLS' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, capital asset schedules and statistical section are

presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

June 22 2017

MAJOR & MASTRO, LLC
Montgomeryville, Pennsylvania
Certified Public Accountants

Handwritten signature in black ink that reads "Major & Mastro LLC".

This Page Intentionally Left Blank

**Falls Township
Bucks County, Pennsylvania**

**Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Fiscal Year Ended December 31, 2016**

Unaudited

As management of the Township of Falls, we offer readers of the Falls Township financial statements this narrative overview and analysis of the financial activities of Falls Township for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 3-8 of this report. Readers should also review the independent auditor's opinion letter, the notes to the basic financial statements, and the financial statements themselves to enhance their understanding of the Township's financial performance. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of Falls Township exceeded its liabilities by \$109,855,539 and \$113,790,201 at the close of the years ended December 31, 2016 and 2015, respectively. Of the 2016 amount, \$16,251,778 may be used to meet the government's ongoing obligations for general operations of the Township, whereas in 2015, \$18,301,046 was available for that purpose.

The Township's governmental net position decreased by a total of \$3,910,679 during 2016. This decrease in net position is due to a reduction in the Township's cash reserves as well as the depreciating value of its aging infrastructure.

As of the end of 2016, Falls Township's governmental funds reported combined ending fund balances of \$37,733,058. As a comparison, at the end of 2015, the balance was \$38,353,427, a reduction of \$620,369.

Business-type activities' net position decreased by \$23,983 from \$66,149 in 2015 to \$42,166 in 2016. The reason for this decrease is an increase in current liabilities, specifically interfund payables.

At the end of the 2016, the unassigned fund balance for the general fund was \$17,372,557 or 80% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

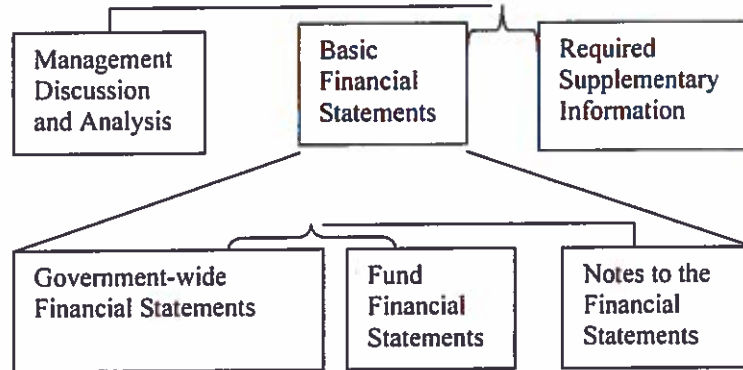
This discussion and analysis are intended to serve as an introduction to Falls Township's basic financial statements. Falls Township's basic financial statements are comprised of three components:

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

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

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

Figure 1
Required Components of
Falls Township's Financial Report



Government-wide financial statements

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

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

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

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

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

Fund financial statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 44-68 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on pages 70 - 76 of this report.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on pensions and other post-employment benefits. Combining and non-major governmental fund budget comparison schedules can be found on pages 79-89 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. For Falls Township, assets and deferred outflows of resources exceed liabilities by \$109,855,539 and \$113,790,201 at the close of the years ended December 31, 2016 and 2015, respectively.

The following table provides a summary of the Township's net position at December 31, 2016 compared to the prior year's figures:

**FALLS TOWNSHIP
NET POSITION**

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 39,704,960	\$ 40,385,782	\$ -	\$ -	\$ 39,704,960	\$ 40,385,782
Capital assets	92,304,493	94,701,771	168,619	170,592	92,473,112	94,872,363
Total Assets	\$ 132,009,453	\$ 135,087,553	\$ 168,619	\$ 170,592	\$ 132,178,072	\$ 135,258,145
Deferred Outflows of Resources	\$ 3,035,454	\$ 3,231,633	\$ -	\$ -	\$ 3,035,454	\$ 3,231,633
Long-term liabilities outstanding	\$ 23,405,747	\$ 22,732,577	\$ -	\$ -	\$ 23,405,747	\$ 22,732,577
Other liabilities	1,825,787	1,862,557	126,453	104,443	1,952,240	1,967,000
Total Liabilities	\$ 25,231,534	\$ 24,595,134	\$ 126,453	\$ 104,443	\$ 25,357,987	\$ 24,699,577
Net Position:						
Net Investment in capital assets	\$ 92,304,493	\$ 94,701,771	\$ 168,619	\$ 170,592	\$ 92,473,112	\$ 94,872,363
Restricted	1,130,649	616,792	-	-	1,130,649	616,792
Unrestricted	16,378,231	18,405,489	(126,453)	(104,443)	16,251,778	18,301,046
Total Net Position	\$ 109,813,373	\$ 113,724,052	\$ 42,166	\$ 66,149	\$ 109,855,539	\$ 113,790,201

The largest portion of Falls Township's net position, 84.2%, reflects its investment in capital assets (land, building, machinery, equipment, open space, and roads/road improvements). Falls Township uses these capital assets to provide services to the citizens and, therefore, these assets are not available for future spending. Note that all capital assets reported have no outstanding debt on their initial purchases.

A very small portion of Falls Township's net position, 1.03%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$16,251,778, may be used to meet the government's ongoing obligations to citizens and creditors of the Township.

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

CHANGES IN NET POSITION

Governmental activities

Governmental activities decreased Falls Township's net position by \$3,910,679 for the year ended December 31, 2016 in addition to the decrease in net position by \$4,592,416 for the year ended December 31, 2015. The decreases in 2016 and 2015 are due to a reduction in the Township's cash reserve as well as the depreciating value of its aging infrastructure. Falls Township is committed to maintaining high quality services and recreation facilities for its residents without increasing real estate taxes or charging exorbitant user fees. Some cash reserves have been expended in order to meet rising costs without burdening our residents.

Business-type activities

Business-type activities decreased Falls Township's net position by \$23,983 for the year ended December 31, 2016 negating a portion of the increase of \$49,170 for the prior year. These activities represent ongoing operations at the Pinewood Pool for 2016.

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

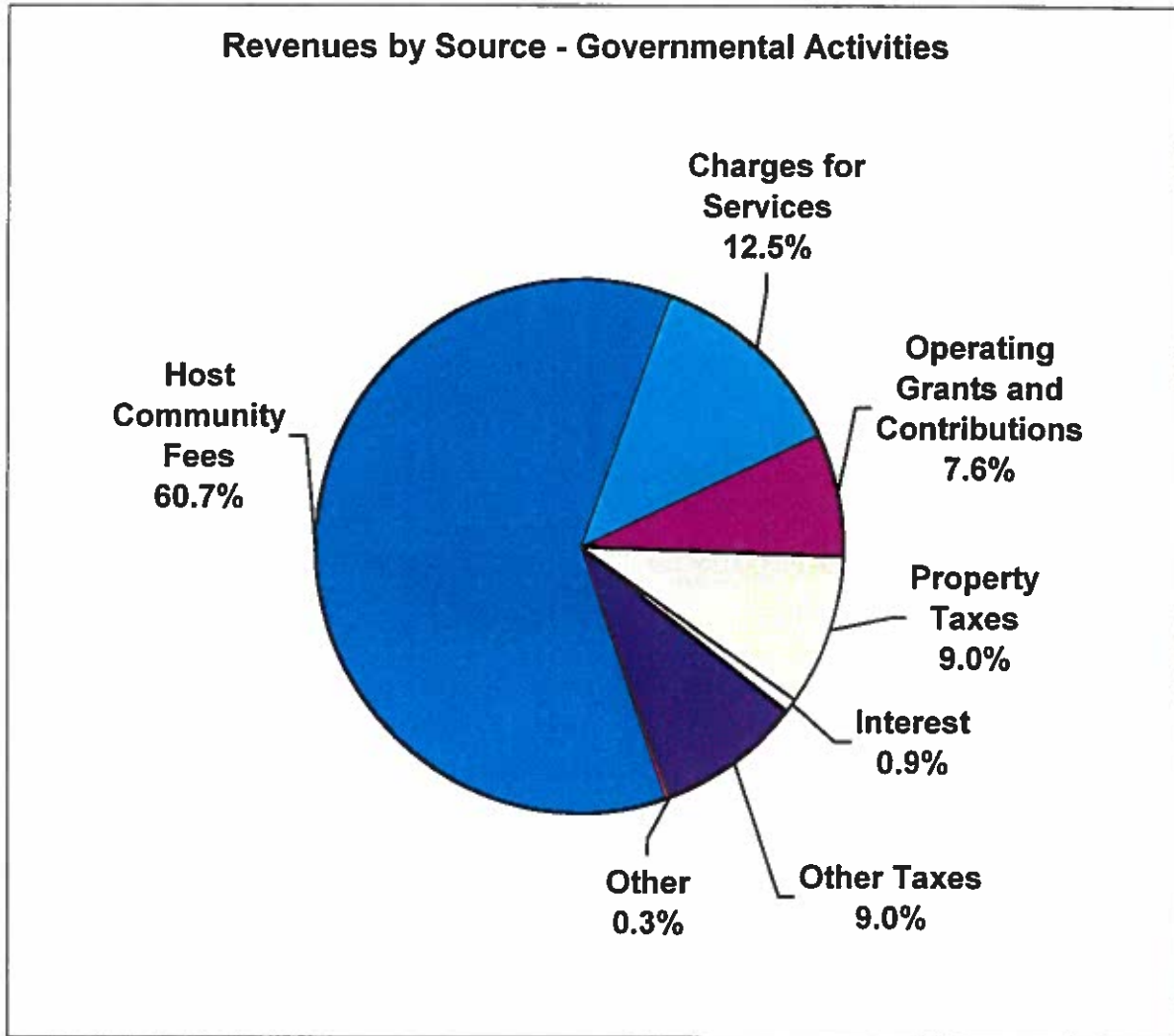
The following table takes the information from the Statement of Activities and rearranges it slightly, so you can see the Township's total revenues for the year ended December 31, 2016 compared to the prior year's figures.

**FALLS TOWNSHIP
CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
REVENUES						
Program Revenues:						
Changes for Services	\$ 3,128,987	\$ 2,927,179	\$ 177,272	\$ 184,100	\$ 3,306,259	\$ 3,111,279
Operating Grants and Contributions	1,903,498	1,630,750	-	-	1,903,498	1,630,750
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	2,261,598	2,265,384	-	-	2,261,598	2,265,384
Other taxes	1,370,400	1,255,416	-	-	1,370,400	1,255,416
Host Community Fees	15,256,922	14,298,232	-	-	15,256,922	14,298,232
Other	305,875	233,958	-	-	305,875	233,958
Total Revenues	24,227,280	22,610,919	177,272	184,100	24,404,552	22,795,019
EXPENSES:						
General Government	2,526,600	2,604,253			2,526,600	2,604,253
Public Safety	18,063,659	17,048,216			18,063,659	17,048,216
Highway and Streets	5,964,181	6,112,069			5,964,181	6,112,069
Culture and Recreation	1,583,519	1,381,797			1,583,519	1,381,797
Pinewood Pool	-	-	201,255	191,930	201,255	191,930
Total Expenses	28,137,959	27,146,335	201,255	191,930	28,339,214	27,338,265
Change in net position before transfers	(3,910,679)	(4,535,416)	(23,983)	(7,830)	(3,934,662)	(4,543,246)
Transfers	-	(57,000)	-	57,000	-	-
Change in Net Position	(3,910,679)	(4,592,416)	(23,983)	49,170	(3,934,662)	(4,543,246)
Net Position, Beginning	113,724,052	118,316,468	66,149	16,979	113,790,201	118,333,447
Net Position, Ending	\$ 109,813,373	\$ 113,724,052	\$ 42,166	\$ 66,149	\$ 109,855,539	\$ 113,790,201

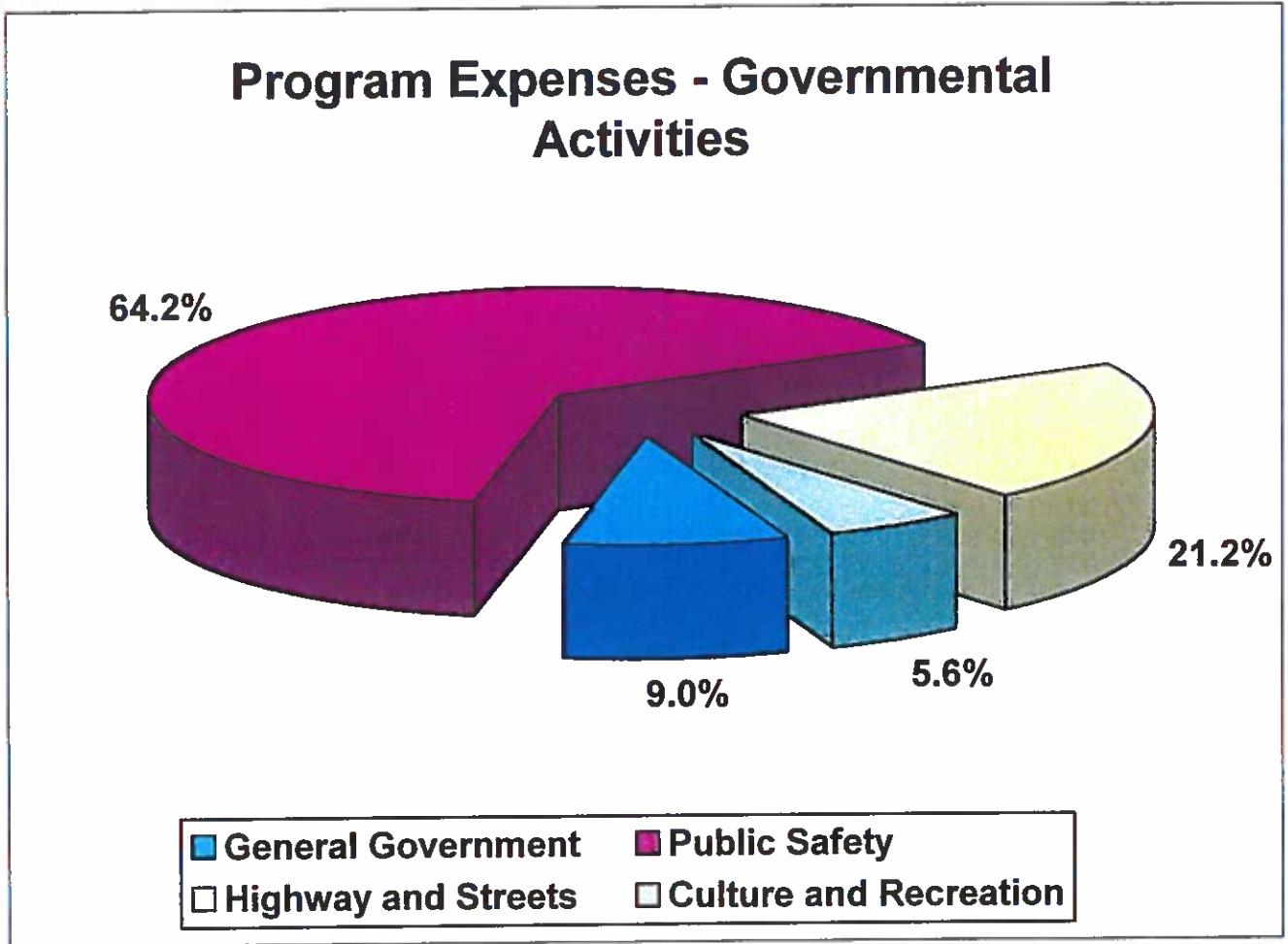
Governmental Activities

The following chart shows the Government-wide sources of revenues for the year ended December 31, 2016:



Of the total Government-wide revenues of \$24,227,280, \$15,256,922 were Host Community Fees or “tipping” fees received from Waste Management for the landfill and incinerator operations. Also contributing to the Township’s revenue stream were Charges for Services with revenues of \$3,128,987 which were generated for various items from business licenses to permits. Property taxes netted the Township \$2,261,598, Other Taxes brought in \$1,370,400, Operating Grants and Contributions added \$1,903,498, Interest Earnings netted \$222,764, Other (miscellaneous) revenues were \$79,525, and Gain on the sale of capital assets added \$3,586.

The following chart shows the Government-wide sources of program expenses and revenues for the year ended December 31, 2016:

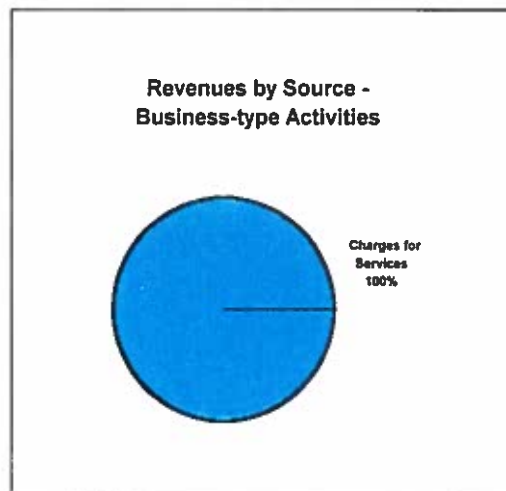
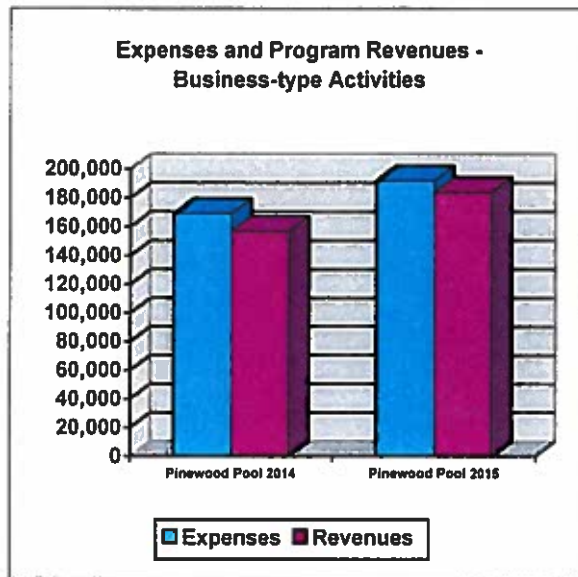


Most of the expenses that occurred in the year 2016 were related to Public Safety. Public Safety expenses were \$18,063,659. This broad category encompasses police protection, animal control, fire marshal's services, code enforcement, zoning services and environmental protection. Highway and Streets expenses were \$5,964,181 which includes road reconstruction, engineering costs, construction and rebuilding of storm sewers, operation and maintenance of traffic signals, and snow removal. Culture and Recreation expenses were \$1,583,519 which includes maintenance/upgrades at over 16 parks including the Falls Township Community Park. General Government expenses were \$2,526,600 and include costs for staffing, benefits, insurance and various other administrative costs.

Business-type activities

Business-type activities decreased the Township's net position by \$23,983. The single business-type activity of Falls Township is the operation of the Pinewood Pool.

The Pinewood Pool fund experienced an operating loss of \$23,983 in 2016. The Pool underwent a reconstruction in 2003 and was reopened to the public in 2004. 2016 was the thirteenth full year of operation for the renovated site. The loss is attributed to continued increases in operating costs outpacing revenues, along with a declining number of pool membership registrations. However, with more aggressive marketing and added programming at the pool, we are closing the gap between revenues and expenses.



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

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

As Falls Township completed the year, its governmental funds reported a combined fund balance of \$37,733,058 a decrease of \$620,369 compared to the previous year. Of the combined fund balance total: \$17,356,050 constitutes *unassigned fund balance*, which is available to meet the Township's current and future needs at the Township's discretion; an additional \$18,750,926 is assigned for specific purposes; \$1,130,649 is restricted for particular purposes; and, the remaining \$495,433 is non-spendable.

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

Governmental funds

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

General Fund

The General Fund is the chief operating fund of Falls Township. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17,372,557 while total fund balance reached \$34,371,980. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures of \$21,626,758. The total fund balance of Falls Township's general fund decreased \$1,027,395 during 2016. Falls Township is committed to providing high quality services to our residents without raising real estate taxes, therefore the Township continues to spend down cash reserves to cover costs. Overall expenditures for the General Fund increased by just over \$1 million, primarily in the area of Public Safety; however, the General Fund also saw an increase in total revenues of almost \$1.4 million primarily due to higher income from Waste Management for tipping fees.

Capital Reserve

The Capital Reserve fund serves the Township to finance various Township purchases and projects. At the end of 2016, the assigned and total fund balance was \$2,227,944. This is a decrease in the amount of \$143,890. With no dedicated revenue stream in this fund, annual expenditures continue to drive down the remaining fund balance.

Proprietary Funds

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

Pinewood Pool

The Pinewood Pool fund accounts for the operations of a recreational community pool. At the end of 2016, the net position was \$42,166. This represents a decrease of \$23,983 over the prior year. Expenses continue to outpace revenues at the community pool. The Township strives to offer a state of the art facility at an affordable rate for our residents.

General Fund Budgetary Highlights

No differences between the original budget and the final amended budget occurred during the year. Some of the highlights of the comparison between the original budget and actual were as follows. Overall, total revenues were over budget by \$1,498,826 for 2016. The single largest contributing factor was Host Community Fees revenue coming in over budget by \$2,017,222. Similarly high tipping fee revenues are projected by Waste Management for fiscal year 2017. Total expenditures for the year were under budget by a total of \$7,438,178. The greatest savings occurred in expenditures for Capital Outlays with Public Safety under budget by \$250,031, General Government under budget by \$5,745,308, Culture and Recreation under budget by \$1,355,552, and Public Works under budget by \$802,271. Many of the budgeted projects not completed in 2016 have been carried forward to the 2017 budget, the largest of these being the construction of a new municipal complex.

Capital Asset and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental and business type activities as of December 31, 2016, amount to \$92,473,112 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, open space, roads, and bridges.

Major capital asset events during 2016 included the following:

The purchase of two new vehicles, a 2016 Ford F250 Crew Cab 4x4 and a 2017 Dump Truck with Plow, for the Public Works department at a cost of \$195,868.

Road improvements for various roads in the Township amounting to \$457,496 in construction and engineering costs. Also improving our roadways were continuing upgrades to Township street lights at a cost of \$76,487.

Park improvements in the form of engineering for a new fishing pier, sidewalks along New Falls Road, and replacement of the Vermilion Hills footbridge totaling \$334,196; the replastering and repair of the main pool at the Pinewood Pool Complex at a cost of \$130,880; exterior painting and repairs at the Historic Three Arches for the amount of \$110,584; and, a new Parks & Recreation Department vehicle costing \$22,071.

Capital purchases for the Police Department, including six new vehicles with computer tablet packages and one new K-9 partner, a German Shepherd named Leo, totaling just over \$280,000.

FALLS TOWNSHIP Capital Assets (net of accumulated depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 16,460,926	\$ 16,460,926	\$ 162,700	\$ 162,700
Construction in Progress	573,516	556,765	-	-
Building and System	2,565,850	2,667,860	-	-
Improvements other than Building	1,847,111	1,858,714	-	-
Machinery and Equipment	1,746,287	1,760,641	5,919	7,892
Infrastructure	69,110,803	71,396,865	-	-
	<u>\$ 92,304,493</u>	<u>\$ 94,701,771</u>	<u>\$ 168,619</u>	<u>\$ 170,592</u>

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

Debt Administration

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

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

Economic Factors and Next Year's Budgets and Rates

1) Tipping fees received from the landfill located in the Township have been on the rise since 2008, netting \$8.6 million that year and rising to an average of \$13.8 million for fiscal years 2012 through 2015. Fiscal year 2016 brought in over \$14 million, in spite of lower projections from Waste Management. Waste Management has projected that tonnages will increase in 2017 netting Falls Township revenues of just over \$17 million in the coming year.

2) The Pinewood Pool is expected to continue operations while trying to contain costs and exceed projected revenues. The Township has continued in-house management of the pool for 2016 in an effort to control costs. Pool membership registrations and program income decreased slightly in 2016. This resulted in a decrease in guest fees and concession stand sales. However, there was no cash transfer required from the Host Community Fees fund to the Pinewood Pool fund in 2016 and no transfer is anticipated for 2017.

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

All of these factors were considered in preparing the Falls Township budget for 2017.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

TOWNSHIP OF FALLS

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash & cash equivalents	\$ 18,750,513	\$	\$ 18,750,513
Investments	16,633,589		16,633,589
Taxes receivable	84,585		84,585
Accounts receivable (net of allowance for uncollectibles)	3,740,840		3,740,840
Prepaid assets	495,433		495,433
Total Current Assets	<u>39,704,960</u>	<u>-</u>	<u>39,704,960</u>
Noncurrent Assets:			
Capital Assets (net of accumulated depreciation):			
Land	16,460,926	162,700	16,623,626
Construction in progress	573,516		573,516
Buildings and systems	2,565,850		2,565,850
Infrastructure	69,110,803		69,110,803
Improvements other than buildings	1,847,111		1,847,111
Machinery, equipment, and vehicles	1,746,287	5,919	1,752,206
Total Capital Assets	<u>92,304,493</u>	<u>168,619</u>	<u>92,473,112</u>
TOTAL ASSETS	<u>132,009,453</u>	<u>168,619</u>	<u>132,178,072</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>3,035,454</u>		<u>3,035,454</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	210,798		210,798
Accrued salary and benefits	148,069	292	148,361
Unearned revenue	192,122		192,122
Deposits	784,453		784,453
Internal balances	(126,161)	126,161	-
Portion due or payable within one year			
Compensated absences	616,506		616,506
Total Current Liabilities	<u>1,825,787</u>	<u>126,453</u>	<u>1,952,240</u>
Long-term Liabilities:			
Portion due or payable after one year			
Compensated absences	996,652		996,652
Net pension liability	19,130,553		19,130,553
Other post-employment benefits	3,278,542		3,278,542
Total Long-term Liabilities	<u>23,405,747</u>	<u>-</u>	<u>23,405,747</u>
TOTAL LIABILITIES	<u>25,231,534</u>	<u>126,453</u>	<u>25,357,987</u>
NET POSITION			
Investment in capital assets	92,304,493	168,619	92,473,112
Restricted for			
Recycling expenditures	447,261		447,261
Parks and recreation	5,798		5,798
Rescue squad	4,978		4,978
Crime prevention	36,917		36,917
Fire hydrant	33,123		33,123
Highway aid	430,561		430,561
Street lighting	172,011		172,011
Unrestricted	16,378,231	(126,453)	16,251,778
TOTAL NET POSITION	<u>\$ 109,813,373</u>	<u>\$ 42,166</u>	<u>\$ 109,855,539</u>

TOWNSHIP OF FALLS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Program Revenues			Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES							
General government	\$ 2,526,600	\$ 1,221,268	\$ 704,953	\$ -	\$ (600,379)	\$ -	\$ (600,379)
Public safety	18,063,659	1,683,666	300,765	-	(16,079,228)	-	(16,079,228)
Public works - highways and streets	5,964,181	40,756	893,062	-	(5,030,363)	-	(5,030,363)
Culture and recreation	1,583,519	183,297	4,718	-	(1,395,504)	-	(1,395,504)
TOTAL GOVERNMENTAL ACTIVITIES	28,137,959	3,128,987	1,903,498	-	(23,105,474)	-	(23,105,474)
BUSINESS-TYPE ACTIVITIES							
Pinewood Pool	201,255	177,272	-	-	(23,983)	-	(23,983)
TOTAL BUSINESS-TYPE ACTIVITIES	201,255	177,272	-	-	(23,983)	-	(23,983)
TOTAL GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES	\$ 28,339,214	\$ 3,306,259	\$ 1,903,498	\$ -	(23,105,474)	(23,983)	(23,129,457)
GENERAL REVENUES							
Property taxes, levied for general purposes					2,261,598		2,261,598
Real estate transfer taxes					831,173		831,173
Local services taxes					418,884		418,884
Mechanical device tax					31,414		31,414
Other taxes					14,279		14,279
Payment in lieu of taxes					74,650		74,650
Contributions not restricted to specific programs					15,256,922		15,256,922
Interest earnings					222,764		222,764
Miscellaneous revenues					79,525		79,525
Gain on sale of capital assets					3,586		3,586
TOTAL GENERAL REVENUES AND TRANSFERS					19,194,795	-	19,194,795
CHANGE IN NET POSITION					(3,910,679)	(23,983)	(3,934,662)
NET POSITION AT BEGINNING OF YEAR					113,724,052	66,149	113,790,201
NET POSITION AT END OF YEAR					\$ 109,813,373	\$ 42,166	\$ 109,855,539

TOWNSHIP OF FALLS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Capital Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 14,023,468	\$ 3,531,883	\$ 1,195,162	\$ 18,750,513
Investments	16,633,589			16,633,589
Accounts receivable (net of allowance for uncollectibles)	3,740,839			3,740,840
Taxes receivable	30,867		53,718	84,585
Interfund receivable	662,235		214	662,449
Prepaid items	476,441		18,992	495,433
TOTAL ASSETS	\$ 35,567,439	\$ 3,531,884	\$ 1,268,086	\$ 40,367,409
LIABILITIES				
Accounts payable	\$ 170,098	\$ 4,220	\$ 36,480	\$ 210,798
Deposits	3,422	780,781	250	784,453
Interfund payable	89	518,939	17,260	536,288
Salaries and benefits payable	731,479		33,096	764,575
Unearned revenue	256,883			256,883
TOTAL LIABILITIES	1,161,971	1,303,940	87,086	2,552,997
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - real estate taxes	27,497		47,866	75,363
Unavailable revenue - other	5,991			5,991
TOTAL DEFERRED INFLOWS OF RESOURCES	33,488	-	47,866	81,354
FUND BALANCES				
Nonspendable:				
Prepaid items	476,441		18,992	495,433
Restricted for:				
Recycling expenditures			447,261	447,261
Parks and recreation			5,798	5,798
Rescue squad			4,978	4,978
Crime prevention			36,917	36,917
Fire hydrant			33,123	33,123
Highway aid			430,561	430,561
Street lighting			172,011	172,011
Assigned to:				
Capital projects	16,522,982	2,227,944	(16,507)	18,750,926
Unassigned	17,372,557			17,372,557
TOTAL FUND BALANCES	34,371,980	2,227,944	1,133,134	37,733,058
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 35,567,439	\$ 3,531,884	\$ 1,268,086	\$ 40,367,409

TOWNSHIP OF FALLS

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

DECEMBER 31, 2016

TOTAL GOVERNMENTAL FUND BALANCES \$ 37,733,058

Amounts reported for governmental activities on the statement of net position are different because of the following:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$157,779,552 and the accumulated depreciation is \$65,475,059 92,304,493

Certain revenues will be collected after year end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds 146,115

Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds 3,035,454

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Those liabilities consist of:

Other post employment benefits	(3,278,542)
Net pension liability	(19,130,553)
Compensated absences	<u>(996,652)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 109,813,373

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Capital Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes				
Property	\$ 825,433		\$ 1,440,431	\$ 2,265,864
Real estate transfer	831,173			831,173
Local services	420,501			420,501
Mechanical device	31,414			31,414
Motor fuel tax			864,028	864,028
Payment in lieu of taxes	26,970		47,679	74,649
Host community fees	15,256,922			15,256,922
Licenses and permits	878,272			878,272
Fines and forfeits	183,350			183,350
Interest earnings	212,246	7,004		222,763
Rents	80,915		3,513	90,103
Intergovernmental	718,546	10,000	250,772	979,318
Charges for services	1,794,530		183,297	1,977,827
Contributions and donations	19,034		54,711	73,745
Refunds of prior years	71,371	26,077		97,448
TOTAL REVENUES	21,350,677	43,081	2,853,619	24,247,377
EXPENDITURES				
Current				
General government	2,289,826	48,546		2,338,372
Public safety	15,704,434		1,270,261	16,974,695
Public works - highways and streets	1,964,218		903,663	2,867,881
Culture and recreation	92,536	2,538	933,679	1,028,753
Capital outlay				
General government	10,121			10,121
Public safety	280,549			280,549
Public works - highways and streets	675,743	35,887	50,000	761,630
Culture and recreation	609,331			609,331
TOTAL EXPENDITURES	21,626,758	86,971	3,157,603	24,871,332
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(276,081)	(43,890)	(303,984)	(623,955)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000		855,900	856,900
Transfers out	(755,900)	(100,000)	(1,000)	(856,900)
Sale of capital assets	3,586			3,586
TOTAL OTHER FINANCING SOURCES (USES)	(751,314)	(100,000)	854,900	3,586
NET INCREASE (DECREASE) IN FUND BALANCES	(1,027,395)	(143,890)	550,916	(620,369)
FUND BALANCES AT BEGINNING OF YEAR	35,399,375	2,371,834	582,218	38,353,427
FUND BALANCES, ENDING	\$ 34,371,980	\$ 2,227,944	\$ 1,133,134	\$ 37,733,058

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

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

FOR THE YEAR ENDED DECEMBER 31, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (620,369)
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense:	
Capital outlay	1,661,631
Depreciation expense	(4,058,909)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(23,683)
Compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.	(65,074)
On the Statement of Activities the actual and projected long term expenditures for pension benefits are reported, whereas on the governmental funds only the actual expenditures are recorded for pensions.	(351,836)
On the Statement of Activities the actual and projected long term expenditures for post-employment benefits are reported, whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.	<u>(452,439)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (3,910,679)</u>

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$ 864,348	\$ 864,348	\$ 825,433	\$ (38,915)
Real estate transfer	700,000	700,000	831,173	131,173
Local services	400,000	400,000	420,501	20,501
Mechanical device	35,000	35,000	31,414	(3,586)
Payment in lieu of taxes	27,320	27,320	26,970	(350)
Host community fees	13,239,700	13,239,700	15,256,922	2,017,222
Licenses and permits	863,775	863,775	878,272	14,497
Fines and forfeits	170,000	170,000	183,350	13,350
Interest earnings	202,700	202,700	212,246	9,546
Rents	72,008	72,008	80,915	8,907
Intergovernmental	1,675,000	1,675,000	718,546	(956,454)
Charges for services	1,567,000	1,567,000	1,794,530	227,530
Contributions and donations	-	-	19,034	19,034
Refunds of prior years	35,000	35,000	71,371	36,371
TOTAL REVENUES	19,851,851	19,851,851	21,350,677	1,498,826
EXPENDITURES				
Current				
General government				
Supervisors	35,393	35,393	33,080	2,313
Manager	405,906	405,906	451,482	(45,576)
Finance and administration	558,744	558,744	589,781	(31,037)
Attorney	365,000	365,000	312,419	52,581
Other	1,035,136	1,035,136	903,064	132,072
Total general government	2,400,179	2,400,179	2,289,826	110,353
Public safety				
Police	13,166,028	13,166,028	13,951,968	(785,940)
Fire	535,324	535,324	527,641	7,683
Code Enforcement	1,126,644	1,126,644	1,224,825	(98,181)
Total public safety	14,827,996	14,827,996	15,704,434	(876,438)
Public works				
Highways and streets	2,084,955	2,084,955	1,964,218	120,737
Total public works	2,084,955	2,084,955	1,964,218	120,737
Total culture and recreation	22,900	22,900	92,536	(69,636)
Capital outlay				
General government	5,755,429	5,755,429	10,121	5,745,308
Public safety	530,580	530,580	280,549	250,031
Public works - highway and streets	1,478,014	1,478,014	675,743	802,271
Culture and recreation	1,964,883	1,964,883	609,331	1,355,552
Total capital outlay	9,728,906	9,728,906	1,575,744	8,153,162
TOTAL EXPENDITURES	29,064,936	29,064,936	21,626,758	7,438,178
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,213,085)	(9,213,085)	(276,081)	8,937,004
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	1,000	1,000	-
Transfers out	(656,000)	(656,000)	(755,900)	(99,900)
Sale of assets	1,000	1,000	3,586	2,586
TOTAL OTHER FINANCING SOURCES (USES)	(654,000)	(654,000)	(751,314)	(97,314)
NET INCREASE (DECREASE) IN FUND BALANCE	(9,867,085)	(9,867,085)	(1,027,395)	8,839,690
FUND BALANCE, BEGINNING	35,399,375	35,399,375	35,399,375	-
FUND BALANCE, ENDING	\$ 25,532,290	\$ 25,532,290	\$ 34,371,980	\$ 8,839,690

TOWNSHIP OF FALLS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Pinewood Pool Current Year</u>	<u>Pinewood Pool Prior Year</u>
ASSETS		
Noncurrent Assets:		
Capital Assets (net of accumulated depreciation):		
Land	\$ 162,700	\$ 162,700
Machinery and equipment	5,919	7,892
TOTAL CAPITAL ASSETS	<u>168,619</u>	<u>170,592</u>
TOTAL ASSETS	<u>168,619</u>	<u>170,592</u>
LIABILITIES		
Current liabilities		
Interfund payable	126,161	104,289
Salaries and benefits payable	292	154
TOTAL CURRENT LIABILITIES	<u>126,453</u>	<u>104,443</u>
NET POSITION		
Investment in capital assets	168,619	170,592
Unrestricted	<u>(126,453)</u>	<u>(104,443)</u>
TOTAL NET POSITION	<u>\$ 42,166</u>	<u>\$ 66,149</u>

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Pinewood Pool Current Year</u>	<u>Pinewood Pool Prior Year</u>
OPERATING REVENUES		
Charges for sales and services		
Pool memberships	\$ 157,603	\$ 161,310
Concession income	19,669	22,790
TOTAL OPERATING REVENUES	<u>177,272</u>	<u>184,100</u>
OPERATING EXPENSES		
Costs of sales and services	166,381	164,906
Administration	32,901	25,051
Depreciation on capital assets	1,973	1,973
TOTAL OPERATING EXPENSES	<u>201,255</u>	<u>191,930</u>
Operating Loss	(23,983)	(7,830)
Transfers in	-	57,000
CHANGE IN NET POSITION	(23,983)	49,170
NET POSITION, BEGINNING	<u>66,149</u>	<u>16,979</u>
NET POSITION, ENDING	<u>\$ 42,166</u>	<u>\$ 66,149</u>

TOWNSHIP OF FALLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Business-type Activities - Enterprise Funds</u>	
	<u>Pinewood Pool Current Year</u>	<u>Pinewood Pool Prior Year</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 177,272	\$ 184,100
Payments to suppliers	(75,681)	(69,791)
Payments to employees	(123,463)	(120,086)
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	(21,872)	(5,777)
	<hr/>	<hr/>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from other funds	21,872	5,777
	<hr/>	<hr/>
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	21,872	5,777
	<hr/>	<hr/>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, BEGINNING	-	-
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (23,983)	\$ (7,830)
Adjustments to reconcile operating loss to net cash provided (used) by operating expenses		
Depreciation expense	1,973	1,973
Increase (decrease) in salaries and benefits payable	138	80
	<hr/>	<hr/>
TOTAL ADJUSTMENTS	2,111	2,053
	<hr/>	<hr/>
NET CASH USED IN OPERATING ACTIVITIES	\$ (21,872)	\$ (5,777)
	<hr/> <hr/>	<hr/> <hr/>

TOWNSHIP OF FALLS

COMBINED STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2016

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 7,834,708	\$ 3,492,834
Receivables	184,045	
Accounts receivable		1,704
Investment, at fair value		
Common stock, mutual funds	<u>19,687,096</u>	
TOTAL ASSETS	27,705,849	<u><u>\$ 3,494,538</u></u>
LIABILITIES		
Pension payable	<u>1,480</u>	
Escrow deposits		<u><u>\$ 3,494,538</u></u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u><u>\$ 27,704,369</u></u>	

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

PENSION TRUST FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 2,076,250
Plan member	315,499
Commonwealth	621,200
Total Contributions	<u>3,012,949</u>
Investment Income	
Dividend income	439,192
Net appreciation (depreciation) in fair value of investments	<u>975,596</u>
Total investment income	1,414,788
Less: investment expenses	<u>80,025</u>
Net investment income	<u>1,334,763</u>
TOTAL ADDITIONS	<u>4,347,712</u>
DEDUCTIONS	
Benefits	2,370,139
Reimbursements	22,346
Administrative expenses	<u>653</u>
Total deductions	<u>2,393,138</u>
Change in Net Position	1,954,574
NET POSITION BEGINNING OF YEAR	<u>25,749,795</u>
NET POSITION END OF YEAR	<u>\$ 27,704,369</u>

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Township of Falls, County of Bucks, Commonwealth of Pennsylvania, was founded in 1692. The Township is a second-class township and is governed by an elected board of five supervisors and a board-appointed Township Manager. Falls Township covers approximately 26.5 square miles in Lower Bucks County and has a population of 34,865 per the 2000 U.S. Census.

The Township of Falls provides a full range of municipal services. These services include police protection; fire protection; park and recreation activities; highway maintenance and reconstruction operations; refuse; and general administrative services.

The Township has followed the guidelines of the Governmental Accounting Standards Board's Statement No. 61 and has determined that no entities should be consolidated into its basic financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

The financial statements of the Township have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. These statements present each major fund as a separate column on the fund financial statements, and all non-major funds are aggregated and presented in a single column.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities. All assets and liabilities are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The accounts of the Township are organized and operated on the basis of funds.

The Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Reserve Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities and capital assets, other than those financed by proprietary and fiduciary funds.

The Township reports the following major proprietary fund:

The *Pinewood Pool Fund* accounts for operations of a recreational pool.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

C. Measurement focus, basis of accounting, and financial statement presentation, continued

Additionally, the Township reports the following Fiduciary funds:

The *Police Pension Trust Fund* accounts for the accumulation of resources for pension benefit payments to qualified uniformed police officers.

The *Non-uniformed Pension Trust Fund* accounts for the accumulation of resources for pension benefit payments to qualified employees of the Township other than uniformed officers.

The *Township Escrow and Subdivision Fund* is used to account for assets held by the Township in an agent capacity for developers as required by developer agreements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. An exception to this general rule is payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues, rather than as program revenues. Likewise, general revenues include all taxes and investment earnings.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Pinewood pool fund are charges to customers for pool memberships. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Township are reported at fair value. The State Treasurer's Investment Pool operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. Assets, Liabilities, and Net Position or Equity, continued

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Real estate taxes are levied on March 1 and payable under the following terms: 2% discount March 1 through May 1; face amount May 2 through July 1; and a 10% penalty after July 1. Taxes unpaid are liened in January of the subsequent year.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land, buildings and systems, improvements, machinery and equipment, and infrastructure (roads, bridges, sidewalks and similar items), are reported in the governmental or business-type activities columns in the government-wide financial statements.

The Township defines capital assets as assets with an estimated useful life in excess of two years and an initial, individual cost greater than \$5,000. Such assets are valued at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair value at the date of donation. Infrastructure includes retroactive reporting of assets prior to June 30, 1980.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. Assets, Liabilities, and Net Position or Equity, continued

4. Capital Assets, continued

Property, plant, and equipment of the Township is being depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	25
Land Improvements	10
Infrastructure - Roads	40
Infrastructure – Street Light Poles	50
Infrastructure – Street Lights	10
Vehicles	6
Machinery and equipment	8

5. Compensated Absences

It is the Township’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net position. The Township does not have any bonds payable outstanding. In the fund financial statements, Governmental Funds recognize issuance of long term debt during the current period. The face amount of debt issued is reported as other financing sources and payment of principal and interest reported as expenditures.

7. Other Post Employment Benefits (“OPEB”) Other than Pensions

The Township provides other post employment benefits to police officers as part of their collective bargaining agreement. The actuarial liability amortized over 30 years is reported in the government-wide financial statements.

8. Comparative data

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

9. Net Position

Net position is considered restricted if the use is constrained to a particular purpose. The government-wide statement of net position reports \$1,130,649 of restricted net position, \$4,978 is restricted by enabling legislation.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

D. Assets, Liabilities, and Net Position or Equity, continued

10. Fund Equity

The Township reports fund balance in accordance with GASB Statement No. 54. GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Additionally, the definitions of the general fund, special revenue fund type, debt service fund type and permanent fund type are clarified by the provisions in this Statement. Interpretations of certain items within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types have also been modified for clarity and consistency.

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Board of Supervisors – the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Supervisors removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance. This classification reflects amounts constrained by the township's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Supervisors or the finance director, who has been given the authority by a resolution of the Board of Supervisors have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

Use of fund balance. The restricted fund balance shall be reduced to the extent that the underlying reason for the restriction has been eliminated. Then committed, assigned and unassigned in that order as needed.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the recycling fund. All appropriations lapse at fiscal year end. All agencies of the government submit requests for appropriations to the township manager and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board of Supervisors. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the department level. There were no budgetary transfers during the year.

Encumbrance accounting is employed in governmental funds. All encumbrances are liquidated at year end.

B. Excess of Expenditures over Appropriations

For the year end December 31, 2016, expenditures exceeded appropriations in the following funds. These over-expenditures were funded by interfund transfers and available fund balances.

<u>Fund</u>	<u>Excess</u>
Fire Hydrant Fund	\$ 1,654
Rescue Squad Fund	84

C. Deficit Fund Balance

At December 31, 2016, the nonmajor special revenue funds have deficit fund balances as follows: Fire Protection - \$14,801 and Library \$1,706. These deficits will be eliminated through a combination of increased revenues, decreased expenditures, and interfund transfers.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under Act No. 72 enacted by the general assembly of the Commonwealth of Pennsylvania, the funds deposited with the depository are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit in excess of the Federal Depository Insurance limit. These may be bonds of the United States, any State of the United States, or bonds of any political subdivision of Pennsylvania, or the general state authority or other authorities created by the General Assembly of the Commonwealth of Pennsylvania or insured with the Federal Depository Insurance Corporation. The uninsured deposits, (as defined by Statement No. 40 of the Government Accounting Standards Board) of the Township in the amount of \$7,087,537 were collateralized by this pool of assets maintained by the Township's depository institutions.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS, continued

A. Deposits and Investments, continued

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Township’s deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. As of December 31, 2016, \$7,087,537 of the Township’s bank balance of \$8,054,396 was exposed to custodial credit risk as follows:

Collateral held by pledging bank’s trust department not in the Township’s name	\$7,087,537
---	-------------

State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer’s Investment Pool.

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the hierarchy; measurements using significant other observable inputs fall within Level 2, and measurements using significant unobservable inputs fall within Level 3.

Information related to the Township’s investments measured at fair value on a recurring basis at December 31, 2016, is as follows:

Government-Wide Investments (not including Fiduciary):

Investment	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
PA Local Government Investment Trust	\$ 7,849,866	\$ 7,849,866	\$	\$
PA Treasury Invest Community Pool	36,640	36,640		
First National Bank Money Market	4,640,281	4,640,281		
SEI Government Fund	1,868,992	1,868,992		
Federal Home Loan Mortgage Corp	4,573,504		4,573,504	
Federal Home Loan Bank	2,080,758		2,080,758	
Federal National Mortgage Association	5,980,126		5,980,126	
United States Treasury Notes	3,998,600	3,998,600		
	\$ 31,028,767	\$ 18,394,379	\$ 12,634,388	\$ -

Fiduciary Investments:

Investment	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$ 19,687,096	\$ 19,687,096		
PA Local Government Investment Trust	7,834,708	7,834,708		
	\$ 27,521,804	\$ 27,521,804	\$ -	\$ -

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS, continued

A. Deposits and Investments, continued

Custodial Credit Risk – Investments. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Township has no investments subject to custodial credit risk.

Credit Risk. Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Township has no investment policy that would limit its investment choices to certain credit ratings. As of December 31, 2016, the Township’s investments were rated as:

Investment	Standard & Poor’s
PA Local Government Investment Trust	AA+ / A-1+
PA Treasury Invest Community Pool	AAA
Federal Home Loan Mortgage Corp	Unavailable
Federal Home Loan Bank	Unavailable
Federal National Mortgage Association	Unavailable
Bond Mutual Funds	B,BB,A

Concentration of Credit Risk. A concentration of investments in any one single user of debt securities presents a greater risk for loss in the event the issuer fails on its obligations. The Township does not have a formal policy regarding concentration of credit risk. More than five percent of the Government-wide investments are invested in the following single issuers:

Investment	Fair Value	Percent of total Government Wide Investments
Federal Home Loan Mortgage Corp	\$ 4,573,504	15%
Federal National Mortgage Association	5,980,126	19%
United States Treasury Notes	3,998,600	13%

Interest Rate Risk. Interest Rate risk is the risk that changes in interest rates will adversely affect an investment’s value. The Township does not have a formal policy regarding interest rate risk. As of December 31, 2016, the Township’s investments had the following weighted average maturities:

Investment	Fair Value	Weighted Average Maturity (Years)
Federal Home Loan Mortgage Corp	\$ 4,573,504	1.78
Federal Home Loan Bank	2,080,758	2.31
Federal National Mortgage Association	5,980,126	1.91
Bond Mutual Funds	3,741,702	Less than 1
Bond Mutual Funds	1,380,531	6 - 10
Bond Mutual Funds	2,482,534	not available

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS, continued

A. Deposits and Investments, continued

A portion of the Township's investments are in the Pennsylvania Local Government Investment Trust (PLGIT) and the Pennsylvania Treasury Investment Community Pool, which both act like money market mutual funds in that the objective is to maintain a stable net asset value of \$1 per share. These investments are not subject to interest rate risk.

B. Receivables

Receivables as of year end for the government's individual major funds, fiduciary funds and non-major funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

	<u>General</u>	<u>Capital Reserve</u>	<u>Nonmajor Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 30,867	\$ -	\$ 53,718	\$ -	\$ 84,585
Accounts/other	<u>3,946,590</u>	<u>1</u>	<u>-</u>	<u>185,749</u>	<u>4,132,340</u>
Gross receivables	3,977,457	1	53,718	185,749	4,216,925
Less: allowance for uncollectibles	<u>(205,751)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(205,751)</u>
Total net receivables	<u>\$ 3,771,706</u>	<u>\$ 1</u>	<u>\$ 53,718</u>	<u>\$ 185,749</u>	<u>\$ 4,011,174</u>

C. Unearned/Unavailable Revenue

Governmental funds report unearned or unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unearned revenue is considered a liability, while unavailable revenue is reported as a deferred inflow of resources. At the end of the current fiscal year, the components of unearned/unavailable revenue reported in governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - general fund	\$ 27,497	\$
Delinquent property taxes receivable - special revenue funds	47,866	
Accounts receivable, not available	5,991	
Accounts receivable, unearned		<u>256,883</u>
Total Governmental unearned/unavailable revenue	<u>\$ 81,354</u>	<u>\$ 256,883</u>

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS, continued

D. Capital Assets

Capital asset activity for the year ended December 31, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Governmental Activities:</i>				
Capital assets not being depreciated				
Land	\$ 16,460,926	\$	\$	\$ 16,460,926
Construction in progress	556,765	16,751		573,516
Total capital assets not being depreciated	<u>17,017,691</u>	<u>16,751</u>	<u>-</u>	<u>17,034,442</u>
Capital Assets being depreciated				
Buildings	5,830,865	122,184		5,953,049
Improvements other than buildings	14,865,615	458,446		15,324,061
Machinery, equipment, and vehicles	8,545,432	530,267	192,240	8,883,459
Infrastructure	110,050,557	533,983		110,584,540
Total capital assets being depreciated	<u>139,292,469</u>	<u>1,644,880</u>	<u>192,240</u>	<u>140,745,109</u>
Less accumulated depreciation for:				
Buildings	3,163,005	224,194		3,387,199
Improvements other than buildings	13,006,901	470,049		13,476,950
Machinery, equipment, and vehicles	6,784,791	544,621	192,240	7,137,172
Infrastructure	38,653,692	2,820,045		41,473,737
Total accumulated depreciation	<u>61,608,389</u>	<u>4,058,909</u>	<u>192,240</u>	<u>65,475,058</u>
Total capital assets being depreciated, net	<u>77,684,080</u>	<u>(2,414,029)</u>	<u>-</u>	<u>75,270,051</u>
Governmental activities capital assets, net	<u>\$ 94,701,771</u>	<u>\$ (2,397,278)</u>	<u>\$ -</u>	<u>\$ 92,304,493</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type Activities:</i>				
Capital assets not being depreciated				
Land	\$ 162,700	\$	\$	\$ 162,700
Capital Assets being depreciated				
Machinery and equipment	19,730			19,730
Less accumulated depreciation for:				
Machinery and equipment	11,838	1,973		13,811
Business-type activities capital assets, net	<u>\$ 170,592</u>	<u>\$ (1,973)</u>	<u>\$ -</u>	<u>\$ 168,619</u>

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS, continued

D. Capital Assets, continued

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

Governmental Activities:

General government	\$	173,751
Public safety		313,779
Public works		3,020,067
Culture and recreation		551,312
Total depreciation expense - governmental activities	\$	4,058,909

Depreciation expense for business-type activities was \$1,973.

E. Interfund Receivables, Payables, and Transfers

The following is a summary of interfund receivables and payables at December 31, 2016:

	Receivable	Payable
General Fund	\$ 662,235	\$ 89
Capital Reserve	-	518,939
Pool Fund	-	126,161
Nonmajor Funds	214	17,260
	\$ 662,449	\$ 662,449

The amounts payable for the Pool Fund and Nonmajor Funds are recorded to eliminate negative cash balances in those funds. Other amounts payable represent reimbursable expenses paid on behalf of one fund by another fund of Falls Township.

Interfund transfers for the year ended December 31, 2016, consisted of the following:

	Transfers to Other Funds	Transfers from Other Funds
General Fund	\$ 755,900	\$ 1,000
Capital Reserve Fund	100,000	-
Nonmajor Funds	1,000	855,900
	\$ 856,900	\$ 856,900

Transfers to other funds represents unrestricted revenues collected in the General Fund to finance the Township's Crime Prevention Program (DARE) Fund, Parks and Recreation Fund, and Highway Aid Fund 2016 operating costs. The Capital Reserve Fund also funded a portion of the Highway Aid Fund operating costs for this year.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

3. DETAILED NOTES ON ALL FUNDS, continued

F. Long-term Debt

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One year</u>
Governmental Activities					
Other Post-employment benefits	\$ 2,826,103	\$ 864,140	\$ 411,701	\$ 3,278,542	\$ -
Compensated Absences	<u>1,567,601</u>	<u>158,671</u>	<u>113,114</u>	<u>1,613,158</u>	<u>616,506</u>
Total Governmental Activities	<u>\$ 4,393,704</u>	<u>\$ 1,022,811</u>	<u>\$ 524,815</u>	<u>\$ 4,891,700</u>	<u>\$ 616,506</u>

The general fund has been used to liquidate the liability for the compensated absences and other post-employment benefits of the governmental activities.

4. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to third party liability claims, damage to and loss of Township-owned property, errors and omissions by public officials, and injuries to employees. As a method of financing the risk, the Township purchases commercial insurance. The Township participates in the Delaware Valley Worker's Compensation Trust. The amount of settlement did not exceed insurance coverage for the past three years. There have been no significant reductions in insurance coverage during the year ended December 31, 2016.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial. The Township is a defendant in several lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, in the opinion of Township Management, the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

C. Financial Guarantee

The Township has entered into a Guarantee Agreement dated September 1, 2011, as authorized pursuant to the Debt Act, to guarantee the full and prompt payment of the Township of Falls Authority's Guaranteed Water & Sewer Revenue Bonds series 2011. The Township of Falls Authority was created pursuant to an ordinance enacted by the Board of Supervisors of the township and the Township appoints the members of the Authority Board. The guarantee extends through December 31, 2016, and the current amount outstanding is \$31,172,387 principal and interest. The Township of Falls Authority agrees in the Guarantee Agreement to reimburse the Township for any payments made.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. OTHER INFORMATION, continued

C. Financial Guarantee, continued

The Township has entered into a Supplemental Guarantee Agreement dated May 4, 2016, as authorized pursuant to the Debt Act, to guarantee the full and prompt payment of the Township of Falls Authority's Guaranteed Water & Sewer Revenue Bonds series 2016. The Township of Falls Authority was created pursuant to an ordinance enacted by the Board of Supervisors of the township and the Township appoints the members of the Authority Board. The guarantee extends through December 31, 2016, and the current amount outstanding is \$3,371,391 principal and interest. The Township of Falls Authority agrees in the Guarantee Agreement to reimburse the Township for any payments made.

D. Other Post-employment Benefits

Plan Description: The Township provides postemployment healthcare benefits, as per the requirements of local ordinances, for certain retired police officers. The Township pays \$2,400 to \$16,800 per year of the premiums of healthcare coverage for police officers who retire with 25 years of full-time service or become disabled. The Township calculates its actuarial valuation once every three years, as required. Separate financial statements are not issued for the plan.

Funding Policy: The Township has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2016 year, 34 eligible retirees received postemployment health care benefits. The Township provided age-adjusted contributions of \$411,701 toward the annual OPEB cost. Required contributions are based on projected age-adjusted pay-as-you-go financing.

The following table shows the Township's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Township's net OPEB obligation:

Description	
Normal cost (service cost for one year)	\$ 166,760
Interest on Normal Cost	36,410
Amortization of Unfunded Actuarial Accrued Liability	743,489
Annual Required Contribution (ARC)	946,659
Interest on net OPEB Obligation	113,044
Adjustment to Annual Required Contribution	(195,563)
Annual OPEB Cost (expense)	864,140
Contributions toward the OPEB Cost	(411,701)
Increase in Net OPEB Obligation	452,439
Net OPEB Obligation, Beginning of Year	2,826,103
Net OPEB Obligation, End of Year	\$ 3,278,542

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. OTHER INFORMATION, continued

D. Other Post-employment Benefits, continued

Annual OPEB Cost and Net OPEB Obligation: The Township’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three years, was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2014	\$ 825,691	41%	1,864,881
12/31/2015	845,288	44%	2,826,103
12/31/2016	864,140	48%	3,278,542

Funded Status and Funding Progress: As of January 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$10,672,524, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$10,672,524. The covered payroll (annual payroll of active participating employees) was \$4,746,007 for the 2014 year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 224.9 percent.

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

The Township’s OPEB actuarial valuation as of January 1, 2014 used the entry age normal actuarial cost method to estimate both the unfunded liability as of December 31, 2016 and to estimate the Township’s annual required contribution. This method was selected because it produced the best estimate of the OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions include a 4.0 percent rate of return on invested assets. The actuarial assumptions include an annual health care cost trend rate of 7% initially for the 2014 year, decreasing by .25% per year to an ultimate level of 5%. There is no inflation rate increase or projected salary or post-retirement benefit increases. The amortization method for the unfunded actuarial liability is “level dollar amount”. The remaining amortization period at December 31, 2016 is 21 years, using level dollar open amortization.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. OTHER INFORMATION, continued

E. Pension Plans

The Township maintains a single-employer defined benefit pension plan that covers all of the Township's full-time sworn police officers, a cash balance defined benefit pension plan administered by the Pennsylvania Municipal Retirement System (PMRS) agent multiple-employer system for employees in the public works union, and a single-employer defined contribution pension plan that covers all other full-time employees.

Police Pension Plan

Plan Description

The Falls Township Police Pension Plan is a single-employer defined benefit plan covering the full-time police officers. The Plan was established effective January 1, 1969, is controlled by the provisions of Ordinance 93-5, which amended Chapter 72 of the Falls Township Code and was restated by Ordinance No. 2001-16, as amended. The Plan is governed by the Board of Township Supervisors, who has delegated the authority to manage Plan assets to SEI Investments Management Corporation. Complete financial statements may be obtained at the township building. A separate, audited GAAP-basis pension plan report is not issued.

Benefits Provided

The following is a summary of the Plan benefit provisions:

- *Eligibility Requirements:*
 - Normal Retirement – Age 50 with 25 years of service
 - Early Retirement – None
 - Vesting – 100% after the completion of 12 years of vesting service
- *Retirement Benefit:* 50% of average salary during the last 36 months of employment, plus \$100 per month for each year of service in excess of 25 years, up to a maximum of \$500 per month.
- *Survivor Benefit:* Killed-in-service – 100% of salary. Post-retirement – 50% of retirement benefit; Vested – refund of contributions with interest or 50% of vested benefit payable beginning at officer's super-annuation retirement date.
- *Disability Benefit Service Related:* 50% of average 36 months compensation.
- *Post Retirement Adjustments:* Those members who begin retirement benefits on or after January 1, 1992 may be provided a C.O.L.A. in accordance with Act 600. In no such case shall the benefit exceed 75% of salary and the total C.O.L.A. shall not exceed 30%.
- *Pre Act 44 Deferred Retirement Option Program (DROP):* An active Member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 66 months.
- *Member Contributions:* 5% contribution rate and 5% interest rate credited to member contributions.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. OTHER INFORMATION, continued

E. Pension Plans, continued

Police Pension Plan, continued

Plan Membership

Membership of the plan consisted of the following at December 31, 2016:

Active Plan Members	46
Inactive Plan Members Currently Receiving Benefits	61
Inactive Plan Members Entitled to but not yet Receiving Benefits	0
Total	<u>107</u>

Contributions and Funding Policy

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

As a condition of participation, full-time officers are required to contribute 5% of compensation into the Plan. This contribution is governed by the Plan's ordinances and collective bargaining agreement. In accordance with Act 205, as amended, the Township was required to contribute to the Plan for the year 2016. The payment from the Commonwealth for State Aid is recognized as revenue in the General Fund and an expenditure to the Fiduciary Fund. The Township contributed State Aid of \$621,200 and Township contribution of \$1,957,876, into the plan for 2016.

Basis of Accounting

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan's financial statements are prepared using the accrual basis of accounting. Plan payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. OTHER INFORMATION, continued

E. Pension Plans, continued

Police Pension Plan, continued

Expenses

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant plan related costs. The above expenses are allowable pension plan expenditures in accordance with act 205 and may be funded with Plan assets.

Net Pension Liability

An actuarial valuation of the total pension liability is performed biennially. The total pension liability as of December 31, 2016 was determined as part of an actuarial valuations at January 1, 2015. Update procedures were used to roll forward January 1, 2015 liabilities to the plan's fiscal plan year ending December 31, 2016.. The actuarial assumptions used in the January 1, 2015 valuation are as follows:

Actuarial assumptions:	
Inflation rate	2.25%
Salary increases	5.00%
Investment rate of return	8.00%
Mortality rates	1992 Railroad Board Mortality Table

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Based upon the Plan's current targeted investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability.

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. OTHER INFORMATION, continued

E. Pension Plans, continued

Police Pension Plan, continued

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 8.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current rate.

	1% Decrease 7.0%	Current Discount Rate 8.0%	1% Increase 9.0%
Net Pension Liability	\$ 23,900,997	\$ 19,006,023	\$ 14,869,857

Long Term Expected Rate of Return on Investments

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2016 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates or arithmetic real rates of return for each major class included in the Plan's target asset allocation as of December 31, 2016 are listed in the table below:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Large Cap Stocks	22.0%	8.11%
Domestic Mid/Small Cap Stocks	9.0%	8.08%
World Equity ex-US	16.0%	9.38%
Emerging Markets Equity	3.0%	11.46%
U.S. High Yield	4.0%	6.13%
Emerging Markets Debt	4.0%	7.45%
Dynamic Asset Allocation	6.0%	9.81%
Diversified ST Fixed Income	14.0%	3.55%
Core Fixed Income	22.0%	4.26%
Total Net Blended Return		6.32%

* Excludes 2.5% inflation assumption

Long Term Expected Rate of Return (Including Inflation)	8.82%
---	-------

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. OTHER INFORMATION, continued

E. Pension Plans, continued

Non Uniform Defined Benefit Pension Plan

Plan Description

The Falls Township Non Uniform Defined Benefit Pension Plan is a single-employer defined benefit plan covering the full-time employees covered by the public works union in accordance with Ordinance No. 2010-01. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system with the purpose to administer sound, cost effective pensions for local government employees. PMRS was created by act of the Pennsylvania General Assembly in 1974 and is headquartered in Harrisburg, Pennsylvania. Responsibility for the organization and administration of the System is vested in the eleven-member PMRS Board. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). The CAFR is available on the publications page of the PMRS website at www.pMrs.state.pa.us, or a copy can be obtained by contacting the PMRS accounting office at 717-787-2065.

Benefits Provided

The following is a summary of the Plan benefit provisions:

- *Eligibility Requirements:*
 - Normal Retirement – Age 60
 - Early Retirement – Age 55 and 25 years of service
 - Vesting – 100% after the completion of 8 years of service
- *Retirement Benefit:* The member will receive an annuity equal to a single life annuity starting on the effective date of retirement with a present value equal to the accumulated municipal contributions and any member deductions, regular interest and all excess investment earnings credited to the member's account.
- *Early Retirement:* Benefits will be actuarially reduced for each year or partial year thereof prior to age sixty (60) that early retirement takes place.
- *Member Contributions:* 5% contribution rate
- *Voluntary Member Contributions:* Up to 15%

Plan Membership

Membership of the plan consisted of the following at December 31, 2016:

Active Plan Members	15
Inactive Plan Members Currently Receiving Benefits	1
Inactive Plan Members Entitled to but not yet Receiving Benefits	1
Total	<u>17</u>

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. OTHER INFORMATION, continued

E. Pension Plans, continued

Non Uniform Defined Benefit Pension Plan, continued

Contributions and Funding Policy

Due to the plan design as a cash balance pension plan, there are no actuarially determined contributions for the plan. The statutorily required contribution is 5% of covered employee payroll.

As a condition of participation, full-time members of the public works union are required to contribute 5% of compensation into the Plan. This contribution is governed by the Plan's ordinances and collective bargaining agreement. In accordance with the statutorily required contribution, the Township contributed \$58,953 to the Plan for the year 2016.

Basis of Accounting

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deduction from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan's financial statements are prepared using the accrual basis of accounting. Plan payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Expenses

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant plan related costs. The above expenses are allocated by PMRS to each employer account pro-rata based on their beginning fiduciary net position.

Net Pension Liability

An actuarial valuation of the total pension liability is performed biennially. The total pension liability as of December 31, 2016 was determined as part of an actuarial valuation at January 1, 2015. The measurement date for the net pension liability is December 31, 2015, which is no earlier than the end of the prior fiscal year. The actuarial assumptions used in the January 1, 2015 valuation are as follows:

Actuarial assumptions:	
Inflation rate	2.80%
Salary increases	3.30%
Investment rate of return	5.50%
Mortality rates	RP 2000 Mortality Table

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. OTHER INFORMATION, continued

E. Pension Plans, continued

Non Uniform Defined Benefit Pension Plan, continued

Discount Rate

The discount rate used to measure the total pension liability was 5.5%. The projection of cash flows used by PMRS for each municipal plan, used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the PMRS Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. PMRS is required by law to establish a discount rate equal to the regular interest rate. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Based upon the Plan's current targeted investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability.

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 5.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.5%) or 1 percentage point higher (6.5%) than the current rate.

	1% Decrease 4.5%	Current Discount Rate 5.5%	1% Increase 6.5%
Net Pension Liability	\$ 465,467	\$ 124,530	\$ (215,176)

Long Term Expected Rate of Return on Investments

An experience study of PMRS was conducted in July 2015. The PMRS System's long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimates of expected future real rates of return are developed for each major asset class, for the portfolio as a whole and at different levels of probability or confidence. Expected future real rates of return are based primarily on the 20 year historic nominal rates assuming that investment expenses will be offset by the additional return performance derived from active investment management. The nominal rates of return by asset class are adjusted by a constant rate of expected future annual inflation rate of 3% to produce the rates of return. Best-estimates for each major class included in the Plan's target asset allocation as of December 31, 2015 are listed in the table below:

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. OTHER INFORMATION, continued

E. Pension Plans, continued

Non Uniform Defined Benefit Pension Plan, continued

Long Term Expected Rate of Return on Investments, continued

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities Large Cap	25.0%	6.90%
Domestic Equities Mid/Small Cap	15.0%	6.80%
International Equities Developed Markets	15.0%	4.00%
International Equities Emerging Markets	10.0%	7.60%
Real Estate	20.0%	7.10%
Fixed Income	15.0%	2.40%
Total Net Blended Return		5.90%
Long Term Expected Rate of Return		7.50%

Police and Non Uniform Defined Benefit Pension Plans

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period for both the Police and Non Uniform Defined Benefit Pension Plans

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/15	\$ 44,359,700	\$ 25,384,804	\$ 18,974,896
Changes for the year:			
Service Cost	925,737	-	925,737
Interest	3,484,829	-	3,484,829
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	132	-	132
Changes of Assumptions	471	-	471
Contributions - Employer	-	2,020,616	(2,020,616)
Contributions - State Aid	-	621,200	(621,200)
Contributions - Member	-	383,913	(383,913)
Net Investment Income	-	1,233,754	(1,233,754)
Benefit Payments	(2,303,186)	(2,303,186)	-
Administrative Expense	-	(340)	340
Other Changes	-	(3,631)	3,631
Net Changes	2,107,983	1,952,326	155,657
Balances at 12/31/16	\$ 46,467,683	\$ 27,337,130	\$ 19,130,553

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. OTHER INFORMATION, continued

E. Pension Plans, continued

Police and Non Uniform Defined Benefit Pension Plans, continued

Pension Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2016, the Township recognized total pension expense of \$2,989,865. At December 31, 2016, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 1,173,059	\$
Contributions subsequent to the measurement date	58,953	
Changes in assumptions	377	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,803,065	
Total	\$ 3,035,454	\$ -

\$58,953 reported as deferred outflows of resources related to pensions resulting from Township contributions subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year ended December 31

2017	909,152
2018	909,151
2019	907,996
2020	249,923
2021	72
Thereafter	207

TOWNSHIP OF FALLS

NOTES TO THE BASIC FINANCIAL STATEMENTS

4. OTHER INFORMATION, continued

E. Pension Plans, continued

Non Uniform Defined Contribution Pension Plan

Plan Description

The Township administers the single-employer defined contribution pension plan in which all general and public safety employees of the Township, except uniformed police officers and public works union employees, are eligible to participate. The Plan is controlled by the provisions of Ordinance 98-4. The Plan is governed by the Board of Township Supervisors which may amend plan provisions, and which is responsible for the management of Plan assets. The Board of Township Supervisors has delegated the authority to manage Plan assets to ICMA Retirement Corporation.

Benefits Provided

The following is a summary of the Plan benefit provisions:

- *Eligibility Requirements:*
 - Normal Retirement – Age 55
 - Vesting – 100% vested immediately
- *Member Contributions:* Not required

Summary of Significant Accounting Policies

The financial statements of the NUPP are prepared using the accrual basis of accounting. The Township's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the Township's balance sheet date. The plan does not issue separate financial statements.

Contributions and Funding Policy

The contribution requirements of the Township are established and may be amended by the Board of Supervisors. Plan members are not required to contribute. The Township is required to contribute at a determined rate, which is currently 5% of annual covered payroll. The township contributed \$118,374 for the year ending December 31, 2016.

F. Tax Abatements

The Township entered into an agreement with United States Steel Corporation (USS) for the period January 1, 2005 through December 31, 2018, in which USS agrees to pay \$75,000 annually to the township for police, fire and other municipal services. In accordance with Ordinance 2004-09, the property where USS is located is designated as Keystone Opportunity Improvement Subzone property (KOIZ), which authorizes qualified businesses to obtain tax incentives to locate within the Subzone in accordance with the Pennsylvania Keystone Opportunity Improvement Zone Act (KOZ Act). In order to qualify USS must be a qualified business as defined in Sections 301 and 307 of the KOZ Act and the property must be designated as KOIZ property. All taxes are abated in the agreement, including: Real Property Tax, Earned Income Tax, Business Privilege Tax, Occupancy & Use Tax of real property, local sales and use tax, Mercantile License tax, and Net Profits tax. The amount by which tax revenues were reduced as a result of this agreement in 2016 is approximately \$76,617.

REQUIRED
SUPPLEMENTARY INFORMATION

TOWNSHIP OF FALLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
POLICE PENSION PLAN
Last Ten Fiscal Years *

	2014	2015	2016
Total Pension Liability			
Service Cost	\$ 662,062	\$ 756,746	\$ 794,583
Interest	2,962,558	3,249,829	3,398,444
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	-	1,873,097	-
Changes of Assumptions	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(1,927,596)	(2,075,442)	(2,297,995)
Net Change in Total Pension Liability	<u>1,697,024</u>	<u>3,804,230</u>	<u>1,895,032</u>
Total Pension Liability - Beginning	<u>37,333,715</u>	<u>39,030,739</u>	<u>42,834,969</u>
Total Pension Liability - Ending	<u>\$ 39,030,739</u>	<u>\$ 42,834,969</u>	<u>\$ 44,730,001</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,222,066	\$ 1,697,576	\$ 1,957,876
Contributions - State Aid	518,939	537,154	621,200
Contributions - Member	314,428	311,101	315,499
Net Investment Income	1,188,621	(190,002)	1,246,210
Benefit Payments, Including Refunds of Member Contributions	(1,927,596)	(2,075,442)	(2,297,995)
Administrative Expense	-	(19,154)	-
Net Change in Plan Fiduciary Net Position	<u>1,316,458</u>	<u>261,233</u>	<u>1,842,790</u>
Plan Net Position - Beginning	<u>22,303,497</u>	<u>23,619,955</u>	<u>23,881,188</u>
Plan Net Position - Ending	<u>\$ 23,619,955</u>	<u>\$ 23,881,188</u>	<u>\$ 25,723,978</u>
Plan's Net Pension Liability	<u>\$ 15,410,784</u>	<u>\$ 18,953,781</u>	<u>\$ 19,006,023</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.5%	55.8%	57.5%
Covered Employee Payroll	\$ 5,284,622	\$ 5,924,242	\$ 6,025,885
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	291.6%	319.9%	315.4%

Notes to schedules:

None.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

TOWNSHIP OF FALLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
NONUNIFORM PENSION PLAN
Last Ten Fiscal Years *

	<u>2015</u>	<u>2016</u>
Total Pension Liability		
Service Cost	\$ 136,121	\$ 131,154
Interest	75,226	86,385
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	113	132
Changes of Assumptions	-	471
Benefit Payments, Including Refunds of Member Contributions	<u>(5,191)</u>	<u>(5,191)</u>
Net Change in Total Pension Liability	206,269	212,951
Total Pension Liability - Beginning	<u>1,318,462</u>	<u>1,524,731</u>
Total Pension Liability - Ending	<u>\$ 1,524,731</u>	<u>\$ 1,737,682</u>
Plan Fiduciary Net Position		
Contributions - Employer	\$ 66,091	\$ 62,740
Contributions - Member	70,029	68,414
Net Investment Income	70,284	(12,456)
Benefit Payments, Including Refunds of Member Contributions	(5,191)	(5,191)
Administrative Expense	<u>(3,256)</u>	<u>(3,971)</u>
Net Change in Plan Fiduciary Net Position	197,957	109,536
Plan Net Position - Beginning	<u>1,305,659</u>	<u>1,503,616</u>
Plan Net Position - Ending	<u>\$ 1,503,616</u>	<u>\$ 1,613,152</u>
Plan's Net Pension Liability	<u>\$ 21,115</u>	<u>\$ 124,530</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.6%	92.8%
Covered Employee Payroll	\$ 1,321,820	\$ 1,254,799
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	1.6%	9.9%

Notes to schedules:

None.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

TOWNSHIP OF FALLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION PLAN
 Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Actuarially determined contribution	\$ 872,703	\$ 862,493	\$ 1,060,137	\$ 1,570,253	\$ 1,313,893	\$ 1,318,901	\$ 1,470,557	\$ 1,741,005	\$ 2,234,730	\$ 2,579,076
Contributions made	872,703	862,493	1,060,137	1,570,253	1,313,893	1,318,901	1,470,557	1,741,005	2,234,730	2,579,076
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 3,991,658	\$ 3,889,048	\$ 4,312,643	\$ 4,209,698	\$ 4,574,694	\$ 4,628,098	\$ 4,719,500	\$ 5,284,622	\$ 5,924,242	\$ 6,025,885
Contributions as a Percentage of Covered Employee Payroll	21.9%	22.2%	24.6%	37.3%	28.7%	28.5%	31.2%	32.9%	37.7%	42.8%

Notes to schedules:

Valuation date - Actuarially determined contribution rates are calculated biennially as of January 1 - most recent valuation is January 1, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level Dollar
Asset valuation method	5 Year Smoothing
Inflation	2.25%
Salary Increases	5.00%
Investment rate of return	8.00% (Net of pension plan investment expenses including inflation)
Retirement age	50
Mortality rates	The 1992 Railroad Board Mortality Table for males with female age set back five years.

TOWNSHIP OF FALLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
NONUNIFORM PENSION PLAN
Last Ten Fiscal Years *

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily determined contribution	\$ 66,432	\$ 62,740	\$ 58,953
Contributions made	<u>66,091</u>	<u>62,740</u>	<u>58,953</u>
Contribution deficiency (excess)	<u>\$ 341</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	\$ 1,321,820	\$ 1,254,799	\$ 1,179,060
Contributions as a Percentage of Covered Employee Payroll	5.00%	5.00%	5.00%

Notes to schedules:

Valuation date - Actuarially determined contribution rates are calculated biennially as of January 1 - most recent valuation is January 1, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Cost of living increases	3.00%
Salary Increases	3.50%
Investment rate of return	5.50% (Compounded annually, net of expenses)
Retirement age	60
Mortality rates	

Based on RP 2000 Mortality Table with 1 year set back for males and 5 year set back for females

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is complete, available information is presented.

TOWNSHIP OF FALLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
POLICE PENSION PLAN
Last Ten Fiscal Years *

	2014	2015		2016
Annual money-weighted rate of return, net of investment expenses	\$ 5.50%	\$ -0.83%	\$	5.16%

* This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

TOWNSHIP OF FALLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
NONUNIFORM PENSION PLAN
Last Ten Fiscal Years *

	<u>2015</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expenses	\$ 5.20%	\$ -0.27%

* This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10-year trend is complete, available information is presented.

TOWNSHIP OF FALLS
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability AAL</u>	<u>Excess of Assets Over (Unfunded) AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
January 1, 2008	\$ 0	\$ 6,307,595	\$ 6,307,595	0.0%	\$ 3,689,955	170.9%
January 1, 2011	\$ 0	\$ 9,007,616	\$ 9,007,616	0.0%	\$ 3,804,499	236.8%
January 1, 2014	\$ 0	\$ 10,672,524	\$ 10,672,524	0.0%	\$ 4,746,007	224.9%

SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Fire Hydrant Fund – This fund is used to account for the revenue derived from a .34 mill real estate tax levy. The revenues of this fund are restricted to expenditures for the maintenance and repair of fire hydrants located within the Township.

Highway Aid Fund – This fund is used to account for the Township’s share of the Liquid Fuels Grant disbursed by the Commonwealth of Pennsylvania. All monies in this fund are expended in accordance with Pennsylvania Department of Transportation rules and regulations for the construction, reconstruction and maintenance of all locally-owned roads, streets and bridges.

Street Lighting Fund – This fund is used to account for revenue derived from a 1.10 mill real estate tax levy. Major expenditures include the cost of electricity and maintenance of the highway and street lights located in the Township.

Fire Protection Fund – This fund is used to account for revenue derived from a 1.25 mill real estate tax levy in accordance with the agreement between the Township and local fire companies.

Library Fund – This fund is used to account for revenue derived from a .14 mill real estate tax levy to help support the Falls library.

Recycling Fund – This fund is used to account for revenue generated by the contractual agreement with GROWS and the Township. The percentage of revenue received from the dumping fees is restricted to subsequent recycling expenditures.

Parks and Recreation Fund – This fund is used to account for revenue derived from a 1.26 mill real estate tax levy that is restricted to the development of programs that are recreational in nature – such as maintenance of Township parks, Community Youth Association, the Senior Citizen’s Association, Township committees, parades and civic events.

Rescue Squad Fund – This fund is used to account for revenue derived from a .50 mill real estate tax levy that is funding the local rescue squad.

Crime Prevention Fund – This fund is used to account for revenue from federal, state and local grants that are used to provide education to youth on the dangers of drug use.

TOWNSHIP OF FALLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Special Revenue										Total Nonmajor Governmental Funds
	Fire Hydrant	Highway Aid	Street Lighting	Fire Protection	Library	Recycling	Parks & Recreation	Rescue Squad	Crime Prevention	Total	
ASSETS											
Cash and cash equivalents	\$ 47,673	\$ 446,356	\$ 170,719	\$ 14,643	\$ 1,640	\$ 447,261	\$ 39,079	\$ 4,340	\$ 39,734	\$ 1,195,162	
Taxes receivable	3,941		12,056				15,581	5,857		53,718	
Interfund receivable							214			214	
Prepaid items							14,946		4,046	18,992	
TOTAL ASSETS	\$ 51,614	\$ 446,356	\$ 182,775	\$ 14,643	\$ 1,640	\$ 447,261	\$ 69,820	\$ 10,197	\$ 43,780	\$ 1,268,086	
LIABILITIES											
Accounts payable	\$ 14,975	\$ 15,795	\$ -	\$ 1,432	\$ 1,885	\$ -	\$ 4,223	\$ -	\$ 55	\$ 36,480	
Interfund payable				14,965			410			17,260	
Deposits							250			250	
Salaries and benefits payable							30,334		2,762	33,096	
TOTAL LIABILITIES	14,975	15,795	-	16,397	1,885	-	35,217	-	2,817	87,086	
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue - real estate taxes	3,516		10,764	13,047	1,461		13,859	5,219		47,866	
TOTAL DEFERRED INFLOWS OF RESOURCES	3,516	-	10,764	13,047	1,461	-	13,859	5,219	-	47,866	
FUND BALANCES											
Nonspendable:											
Prepaid items						447,261	14,946		4,046	18,992	
Restricted for:											
Recycling expenditures											
Parks and recreation							5,798			447,261	
Rescue Squad								4,978		5,798	
Crime prevention									36,917	4,978	
Fire hydrant	33,123	430,561	172,011	(14,801)	(1,706)					36,917	
Highway aid				(14,801)	(1,706)					33,123	
Street lighting										430,561	
Unassigned										172,011	
TOTAL FUND BALANCES (DEFICITS)	33,123	430,561	172,011	(14,801)	(1,706)	447,261	20,744	4,978	40,963	1,133,134	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 51,614	\$ 446,356	\$ 182,775	\$ 14,643	\$ 1,640	\$ 447,261	\$ 69,820	\$ 10,197	\$ 43,780	\$ 1,268,086	

TOWNSHIP OF FALLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue										Total Nonmajor Governmental Funds	
	Fire Hydrant	Highway Aid	Street Lighting	Fire Protection	Library	Recycling	Parks & Recreation	Rescue Squad	Crime Prevention			
REVENUES												
Taxes												
Property	\$ 106,352	\$ 864,028	\$ 314,892	\$ 392,288	\$ 43,938	\$ -	\$ 426,044	\$ 156,917	\$ -	\$ -	\$ 1,440,431	
Motor fuel tax											864,028	
Payment in lieu of taxes	3,532		10,388	12,984	1,454		14,127	5,194			47,679	
Interest earnings	48	1,261	181	74	6	776	1,136	29	2		3,513	
Rents							9,188				9,188	
Intergovernmental				250,772			183,297				250,772	
Charges for services							4,718				183,297	
Contributions and donations									49,993		54,711	
TOTAL REVENUES	109,932	865,289	325,461	656,118	45,398	776	638,510	162,140	49,995	-	2,853,619	
EXPENDITURES												
Current												
Public safety	87,654			658,783				161,884	361,940		1,270,261	
Public works - highways and streets		637,055	266,608								903,663	
Culture and recreation					45,000		888,679				933,679	
Capital outlay												
General government		50,000									50,000	
Public safety												
Public works - highways and streets												
Culture and recreation												
TOTAL EXPENDITURES	87,654	687,055	266,608	658,783	45,000	-	888,679	161,884	361,940	-	3,157,603	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	22,278	178,234	58,853	(2,665)	398	776	(250,169)	256	(311,945)	-	(303,984)	
OTHER FINANCING SOURCES (USES)												
Transfers in		199,900			(1,000)		290,000		366,000		855,900	
Transfers out										(1,000)	(1,000)	
TOTAL OTHER FINANCING SOURCES (USES)	-	199,900	-	-	(1,000)	-	290,000	-	366,000	-	854,900	
NET CHANGES IN FUND BALANCES	22,278	378,134	58,853	(2,665)	(602)	776	39,831	256	54,055	(13,092)	550,916	
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	10,845	52,427	113,158	(12,136)	(1,104)	446,485	(19,087)	4,722	(13,092)	-	583,218	
FUND BALANCES (DEFICITS), END OF YEAR	\$ 33,123	\$ 430,561	\$ 172,011	\$ (14,801)	\$ (1,706)	\$ 447,261	\$ 20,744	\$ 4,978	\$ 40,963	\$ -	\$ 1,133,134	

TOWNSHIP OF FALLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FIRE HYDRANT SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$ 110,145	\$ 110,145	\$ 106,352	\$ (3,793)
Payment in lieu of taxes	3,532	3,532	3,532	-
Interest earnings	10	10	48	38
TOTAL REVENUES	<u>113,687</u>	<u>113,687</u>	<u>109,932</u>	<u>(3,755)</u>
EXPENDITURES				
Current				
Public safety	86,000	86,000	87,654	(1,654)
TOTAL EXPENDITURES	<u>86,000</u>	<u>86,000</u>	<u>87,654</u>	<u>(1,654)</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>27,687</u>	<u>27,687</u>	<u>22,278</u>	<u>(5,409)</u>
FUND BALANCE (DEFICIT), BEGINNING	<u>(12,157)</u>	<u>(12,157)</u>	<u>10,845</u>	<u>23,002</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ 15,530</u>	<u>\$ 15,530</u>	<u>\$ 33,123</u>	<u>\$ 17,593</u>

TOWNSHIP OF FALLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
HIGHWAY AID SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Motor fuel tax	\$ 841,688	\$ 841,688	\$ 864,028	\$ 22,340
Interest earnings	200	200	1,261	1,061
TOTAL REVENUES	841,888	841,888	865,289	23,401
EXPENDITURES				
Current				
Public works - highways and streets	805,655	805,655	637,055	168,600
Capital outlay				
Public works - highways and streets	50,000	50,000	50,000	-
TOTAL EXPENDITURES	855,655	855,655	687,055	168,600
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(13,767)	(13,767)	178,234	192,001
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	199,900	199,900
NET INCREASE (DECREASE) IN FUND BALANCE	(13,767)	(13,767)	378,134	391,901
FUND BALANCE, BEGINNING	178,854	178,854	52,427	(126,427)
FUND BALANCE, ENDING	\$ 165,087	\$ 165,087	\$ 430,561	\$ 265,474

TOWNSHIP OF FALLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
STREET LIGHTING SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES				
Property tax	\$ 327,427	\$ 327,427	\$ 314,892	\$ (12,535)
Payment in lieu of taxes	11,427	11,427	10,388	(1,039)
Interest earnings	10	10	181	171
TOTAL REVENUES	<u>338,864</u>	<u>338,864</u>	<u>325,461</u>	<u>(13,403)</u>
EXPENDITURES				
Current				
Public works - highways and streets	341,000	341,000	266,608	74,392
TOTAL EXPENDITURES	<u>341,000</u>	<u>341,000</u>	<u>266,608</u>	<u>74,392</u>
NET INCREASE (DECREASE) IN FUND BALANCE	(2,136)	(2,136)	58,853	(87,795)
FUND BALANCE (DEFICIT), BEGINNING	<u>113,158</u>	<u>113,158</u>	<u>113,158</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ 111,022</u>	<u>\$ 111,022</u>	<u>\$ 172,011</u>	<u>\$ 60,989</u>

TOWNSHIP OF FALLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FIRE PROTECTION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$ 409,209	\$ 409,209	\$ 392,288	\$ (16,921)
Payment in lieu of taxes	12,985	12,985	12,984	(1)
Intergovernmental	260,000	260,000	250,772	(9,228)
Interest earnings	10	10	74	64
TOTAL REVENUES	<u>682,204</u>	<u>682,204</u>	<u>656,118</u>	<u>(26,086)</u>
EXPENDITURES				
Current				
Public Safety	<u>668,200</u>	<u>668,200</u>	<u>658,783</u>	<u>9,417</u>
TOTAL EXPENDITURES	<u>668,200</u>	<u>668,200</u>	<u>658,783</u>	<u>9,417</u>
NET INCREASE (DECREASE) IN FUND BALANCE	14,004	14,004	(2,665)	(35,503)
FUND BALANCE (DEFICIT), BEGINNING	<u>(12,136)</u>	<u>(12,136)</u>	<u>(12,136)</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ 1,868</u>	<u>\$ 1,868</u>	<u>\$ (14,801)</u>	<u>\$ (16,669)</u>

TOWNSHIP OF FALLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
LIBRARY SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property tax	\$ 45,830	\$ 45,830	\$ 43,938	\$ (1,892)
Payment in lieu of taxes	1,454	1,454	1,454	-
Interest earnings	-	-	6	6
TOTAL REVENUES	47,284	47,284	45,398	(1,886)
EXPENDITURES				
Current				
Culture and recreation	45,000	45,000	45,000	-
TOTAL EXPENDITURES	45,000	45,000	45,000	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,284	2,284	398	(1,886)
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,000)	(1,000)	(1,000)	-
NET INCREASE (DECREASE) IN FUND BALANCE	1,284	1,284	(602)	(1,886)
FUND BALANCE (DEFICIT), BEGINNING	(1,104)	(1,104)	(1,104)	-
FUND BALANCE (DEFICIT), ENDING	<u>\$ 180</u>	<u>\$ 180</u>	<u>\$ (1,706)</u>	<u>\$ (1,886)</u>

TOWNSHIP OF FALLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
PARK AND RECREATION SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$ 444,480	\$ 444,480	\$ 426,044	\$ (18,436)
Payment in lieu of taxes	13,089	13,089	14,127	1,038
Rents	9,000	9,000	9,188	188
Charges for services	157,000	157,000	183,297	26,297
Interest earnings	300	300	1,136	836
Contributions and donations	500	500	4,718	4,218
TOTAL REVENUES	<u>624,369</u>	<u>624,369</u>	<u>638,510</u>	<u>14,141</u>
EXPENDITURES				
Current				
Culture and recreation	<u>912,321</u>	<u>912,321</u>	<u>888,679</u>	<u>23,642</u>
TOTAL EXPENDITURES	<u>912,321</u>	<u>912,321</u>	<u>888,679</u>	<u>23,642</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(287,952)</u>	<u>(287,952)</u>	<u>(250,169)</u>	<u>37,783</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>290,000</u>	<u>290,000</u>	<u>290,000</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCE	2,048	2,048	39,831	37,783
FUND BALANCE (DEFICIT), BEGINNING	<u>(19,087)</u>	<u>(19,087)</u>	<u>(19,087)</u>	<u>-</u>
FUND BALANCE (DEFICIT), ENDING	<u>\$ (17,039)</u>	<u>\$ (17,039)</u>	<u>\$ 20,744</u>	<u>\$ 37,783</u>

TOWNSHIP OF FALLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
RESCUE SQUAD SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$ 163,594	\$ 163,594	\$ 156,917	\$ (6,677)
Payment in lieu of taxes	5,194	5,194	5,194	-
Interest earnings	5	5	29	24
	<u>168,793</u>	<u>168,793</u>	<u>162,140</u>	<u>(6,653)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public safety	161,800	161,800	161,884	(84)
	<u>161,800</u>	<u>161,800</u>	<u>161,884</u>	<u>(84)</u>
TOTAL EXPENDITURES				
NET INCREASE (DECREASE) IN FUND BALANCE	<u>6,993</u>	<u>6,993</u>	<u>256</u>	<u>(6,737)</u>
FUND BALANCE (DEFICIT), BEGINNING	<u>4,722</u>	<u>4,722</u>	<u>4,722</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 11,715</u>	<u>\$ 11,715</u>	<u>\$ 4,978</u>	<u>\$ (6,737)</u>

TOWNSHIP OF FALLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CRIME PREVENTION SPECIAL REVENUE FUND

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest earnings	\$	\$	\$ 2	\$ 2
Contributions and donations	47,000	47,000	49,993	2,993
TOTAL REVENUES	47,000	47,000	49,995	2,995
EXPENDITURES				
Current				
Public safety	392,021	392,021	361,940	30,081
TOTAL EXPENDITURES	392,021	392,021	361,940	30,081
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(345,021)	(345,021)	(311,945)	33,076
OTHER FINANCING SOURCES (USES)				
Transfers in	366,000	366,000	366,000	-
NET INCREASE (DECREASE) IN FUND BALANCE	20,979	20,979	54,055	33,076
FUND BALANCE, BEGINNING	(13,092)	(13,092)	(13,092)	-
FUND BALANCE, ENDING	\$ 7,887	\$ 7,887	\$ 40,963	\$ 33,076

TOWNSHIP OF FALLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL RESERVE CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest earnings	\$ 5,000	\$ 5,000	\$ 7,004	\$ 2,004
Intergovernmental			10,000	10,000
Refunds of prior years			26,077	26,077
TOTAL REVENUES	5,000	5,000	43,081	38,081
EXPENDITURES				
Current				
General Government	97,500	97,500	48,546	48,954
Culture and recreation			2,538	(2,538)
Capital Outlay				
Public works - highways and streets	-	-	35,887	(35,887)
TOTAL EXPENDITURES	97,500	97,500	86,971	10,529
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(92,500)	(92,500)	(43,890)	48,610
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(100,000)	(100,000)
NET INCREASE (DECREASE) IN FUND BALANCE	(92,500)	(92,500)	(143,890)	(51,390)
FUND BALANCE, BEGINNING	2,371,834	2,371,834	2,371,834	-
FUND BALANCE, ENDING	\$ 2,279,334	\$ 2,279,334	\$ 2,227,944	\$ (51,390)

This Page Intentionally Left Blank

Fiduciary Funds
Combining Financial Statements

Pension Trust Funds

Police Pension Trust Fund – This fund accounts for the accumulation of resources for pension benefit payments to qualified uniformed police officers.

Non-uniformed Pension Trust Fund – This fund accounts for the accumulation of resources for pension benefit payments to qualified employees of the Township other than uniformed officers.

Schedule of Changes in Assets and Liabilities

Agency Fund

Township Escrow and Subdivision Fund – This fund is used to account for assets held by the Township in agent capacity for developers as required by developer agreements

TOWNSHIP OF FALLS
COMBINING STATEMENT OF PLAN NET POSITION
ALL PENSION TRUST FUNDS
DECEMBER 31, 2016

	<u>Non-Uniform Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$	\$ 7,834,708	\$ 7,834,708
Receivables		184,045	184,045
Investment, at fair value			
Common stock, mutual funds	<u>1,980,391</u>	<u>17,706,705</u>	<u>19,687,096</u>
TOTAL ASSETS	<u>1,980,391</u>	<u>25,725,458</u>	<u>27,705,849</u>
LIABILITIES			
Pension payable		<u>1,480</u>	<u>1,480</u>
TOTAL LIABILITIES	<u>-</u>	<u>1,480</u>	<u>1,480</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 1,980,391</u>	<u>\$ 25,723,978</u>	<u>\$ 27,704,369</u>

TOWNSHIP OF FALLS

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

ALL PENSION TRUST FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Non-Uniform Pension Fund</u>	<u>Police Pension Fund</u>	<u>Total</u>
ADDITIONS			
Contributions			
Employer	\$ 118,374	\$ 1,957,876	\$ 2,076,250
Plan Member		315,499	315,499
Commonwealth		621,200	621,200
Total Contributions	<u>118,374</u>	<u>2,894,575</u>	<u>3,012,949</u>
Investment Income			
Dividend income		439,192	439,192
Net appreciation (depreciation) in fair value of investments	<u>88,553</u>	<u>887,043</u>	<u>975,596</u>
Total investment income	<u>88,553</u>	<u>1,326,235</u>	<u>1,414,788</u>
Less: investment expenses		<u>80,025</u>	<u>80,025</u>
Net investment income	<u>88,553</u>	<u>1,246,210</u>	<u>1,334,763</u>
TOTAL ADDITIONS	<u>206,927</u>	<u>4,140,785</u>	<u>4,347,712</u>
DEDUCTIONS			
Benefits	94,490	2,275,649	2,370,139
Reimbursements		22,346	22,346
Administrative expenses	<u>653</u>	<u>-</u>	<u>653</u>
Total deductions	<u>95,143</u>	<u>2,297,995</u>	<u>2,393,138</u>
Change in Net Position	111,784	1,842,790	1,954,574
NET POSITION BEGINNING YEAR	<u>1,868,607</u>	<u>23,881,188</u>	<u>25,749,795</u>
NET POSITION END OF YEAR	<u>\$ 1,980,391</u>	<u>\$ 25,723,978</u>	<u>\$ 27,704,369</u>

TOWNSHIP OF FALLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TOWNSHIP ESCROW SUBDIVISION FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deletions	Balance December 31
<u>TOWNSHIP ESCROW AND SUBDIVISION</u>				
ASSETS				
Cash and Cash Equivalents	\$ 2,810,954	\$ 1,705,196	\$ 1,023,316	\$ 3,492,834
Accounts receivable	1,704	-	-	1,704
TOTAL ASSETS	\$ 2,812,658	\$ 1,705,196	\$ 1,023,316	\$ 3,494,538
LIABILITIES				
Deposits	\$ 2,812,658	\$ 1,705,196	\$ 1,023,316	\$ 3,494,538
TOTAL LIABILITIES	\$ 2,812,658	\$ 1,705,196	\$ 1,023,316	\$ 3,494,538

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

TOWNSHIP OF FALLS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2016

	2015	2016
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land	\$ 16,460,926	\$ 16,460,926
Construction in progress	556,765	573,516
Building	5,830,865	5,953,049
Machinery and Equipment	5,100,608	5,167,522
Improvements	14,865,615	15,324,061
Infrastructure	110,050,557	110,584,540
Vehicles	3,444,824	3,715,937
	<u>\$ 156,310,160</u>	<u>\$ 157,779,551</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS		
	2015	2016
INVESTMENTS IN GOVERNMENTAL FUNDS		
CAPITAL ASSETS BY SOURCE		
General Fund	\$ 6,482,240	\$ 6,482,240
Special Revenue Fund	2,549,855	2,599,855
Capital Reserve Fund	5,196,825	5,232,712
Host Community Fees Fund	136,339,653	137,723,157
Donations	5,741,587	5,741,587
	<u>\$ 156,310,160</u>	<u>\$ 157,779,551</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS		

TOWNSHIP OF FALLS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	Land	Construction in progress	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Vehicles	Total
Function and Activity								
General government:								
Supervisors Manager			\$ 29,444		\$ 6,739			\$ 36,183
Finance and Administration			2,690,051		17,741			17,741
Other-unclassified		\$ 542,623	458,969		543,183			3,233,234
Total general government		542,623	3,178,464	-	655,535			1,089,464
								4,376,622
Public Safety								
Police			176,991		2,055,150		\$ 2,148,505	\$ 4,380,646
Fire and Emergency License and Inspection					44,204		93,888	138,092
Total public safety			176,991		46,847		84,135	130,982
							2,326,528	4,649,720
Highways and Streets:								
Engineering						\$ 5,416,425		\$ 6,063,196
Maintenance	\$ 1,757,000		646,771	\$ 19,375	\$ 2,035,161	224,738	\$ 1,314,840	3,594,114
Street System	1,757,000		646,771	19,375	2,035,161	104,943,377		106,700,377
Total highways and streets	14,703,926	30,893	1,950,823	15,304,686	330,625	110,584,540	1,314,840	116,357,687
Culture and recreation							74,569	32,395,522
Total governmental funds capital assets	\$ 16,460,926	\$ 573,516	\$ 5,953,049	\$ 15,324,061	\$ 5,167,522	\$ 110,584,540	\$ 3,715,937	\$ 157,779,551

TOWNSHIP OF FALLS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Function and Activity</u>	Governmental Funds Capital Assets <u>January 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Governmental Funds Capital Assets <u>December 31, 2016</u>
General Government				
Supervisors	\$ 36,183	\$ -	\$ -	\$ 36,183
Manager	17,741	-	-	17,741
Finance and Administration	3,592,072	10,121	-	3,602,193
Other-Unclassified	<u>720,505</u>	<u>-</u>	<u>-</u>	<u>720,505</u>
Total general government	4,366,501	10,121	-	4,376,622
Public Safety				
Police	4,252,467	280,549	152,370	4,380,646
Fire and Emergency Management	177,962	-	39,870	138,092
License and Inspection	<u>130,982</u>	<u>-</u>	<u>-</u>	<u>130,982</u>
Total public safety	4,561,411	280,549	192,240	4,649,720
Highway and Streets				
Engineering	5,834,542	228,654	-	6,063,196
Maintenance	3,366,467	227,647	-	3,594,114
Street system	<u>106,395,048</u>	<u>305,329</u>	<u>-</u>	<u>106,700,377</u>
Total highways and streets	115,596,057	761,630	-	116,357,687
Culture and recreation	<u>31,786,191</u>	<u>609,331</u>	<u>-</u>	<u>32,395,522</u>
Total governmental funds capital assets	<u>\$ 156,310,160</u>	<u>\$ 1,661,631</u>	<u>\$ 192,240</u>	<u>\$ 157,779,551</u>

STATISTICAL SECTION

**TOWNSHIP OF FALLS
COUNTY OF BUCKS, PENNSYLVANIA**

Statistical Section

This part of the Falls Township Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Township's overall financial health.

Contents

Financial trends

These schedules contain trend information to help the reader understand how the Township's financial performance and well-being have changed over time.

Revenue capacity

These schedules contain information to help the reader assess the Township's most significant local revenue source, the property tax.

Debt capacity

These schedules present information to help the reader assess the affordability of the Township's current levels of outstanding debt and the Township's ability to issue additional debt in the future.

Demographic and economic information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Township's financial activities take place.

Operating information

These schedules contain service and miscellaneous data to help the reader understand how the information in the Township's financial report relates to the service the Township provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

TOWNSHIP OF FALLS
 Net Position by Components
 Last Ten Fiscal Years

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net position, invested in capital assets	\$ 92,304,493	\$ 94,701,771	\$ 96,366,263	\$ 95,245,962	\$ 89,871,750	\$ 88,258,738	\$ 85,897,168	\$ 86,400,724	\$ 78,969,984	\$ 74,447,001
Restricted	1,130,649	616,792	693,937	864,626	1,137,956	1,095,729	654,164	5,993,448	11,198,559	11,479,422
Unrestricted	16,378,231	18,405,489	36,613,764	40,705,849	47,395,696	51,226,521	55,366,230	51,556,593	53,721,633	58,458,352
Total governmental activities net position	\$ 109,813,373	\$ 113,724,052	\$ 133,673,964	\$ 136,816,437	\$ 138,405,602	\$ 140,580,988	\$ 141,917,562	\$ 143,950,765	\$ 143,790,176	\$ 144,384,775
Business-type activities										
Net position, invested in capital assets	\$ 168,619	\$ 170,592	\$ 172,565	\$ 174,538	\$ 176,511	\$ 178,484	\$ 180,457	\$ 162,700	\$ 162,700	\$ 146,486
Restricted	(126,453)	(104,443)	(155,586)	(175,414)	(203,530)	(155,563)	(258,893)	(253,056)	(171,955)	(111,962)
Unrestricted	\$ 42,166	\$ 66,149	\$ 16,979	\$ (876)	\$ (27,019)	\$ 22,921	\$ (78,236)	\$ (90,356)	\$ (8,255)	\$ 34,524
Total business-type activities net position	\$ 42,166	\$ 66,149	\$ 16,979	\$ (876)	\$ (27,019)	\$ 22,921	\$ (78,236)	\$ (90,356)	\$ (8,255)	\$ 34,524
Primary government										
Net position, invested in capital assets	\$ 92,473,112	\$ 94,872,363	\$ 96,538,828	\$ 95,420,500	\$ 90,048,261	\$ 88,437,222	\$ 86,077,625	\$ 86,563,424	\$ 79,032,684	\$ 74,593,487
Restricted	1,130,649	616,792	693,937	864,626	1,137,956	1,095,729	654,164	5,993,448	11,198,559	11,479,422
Unrestricted	16,251,778	18,301,046	36,458,178	40,530,435	47,192,366	51,070,958	55,107,537	51,303,537	53,549,678	58,346,390
Total primary government net position	\$ 109,855,539	\$ 113,790,201	\$ 133,690,943	\$ 136,815,561	\$ 138,378,583	\$ 140,603,909	\$ 141,839,326	\$ 143,860,409	\$ 143,780,921	\$ 144,419,299

Note: GASB Statement No. 68 has been implemented beginning in the 2015 year and the prior years have not been restated.

Source: Falls Township records

TOWNSHIP OF FALLS
Changes in Net Position
Last Ten Fiscal Years

Fiscal Year

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities										
General government	\$ 2,528,600	\$ 2,604,253	\$ 2,713,828	\$ 2,573,012	\$ 2,415,703	\$ 2,240,103	\$ 2,139,446	\$ 1,820,889	\$ 3,532,145	\$ 1,907,185
Public safety	18,083,659	17,048,216	16,080,941	15,554,489	14,588,506	14,122,814	13,656,438	12,209,438	11,834,328	10,786,841
Public works - highways and streets	5,984,181	6,112,069	6,199,874	5,817,812	5,530,481	5,289,057	5,078,350	4,808,901	4,520,005	4,141,085
Culture and recreation	1,583,519	1,381,797	1,826,865	1,902,802	1,837,690	1,782,852	1,477,633	1,393,156	1,372,976	1,254,797
Debt service interest	-	-	-	-	-	-	-	102,594	168,129	53,091
Total governmental activities expenses	<u>28,137,959</u>	<u>27,146,335</u>	<u>26,820,508</u>	<u>25,848,115</u>	<u>24,372,380</u>	<u>23,434,828</u>	<u>22,351,867</u>	<u>20,334,978</u>	<u>21,427,583</u>	<u>18,142,999</u>
Business-type activities										
Water	-	-	-	-	-	-	-	-	-	235,803
Sewer	-	-	-	-	-	-	-	-	-	231,348
Pinewood Pool	201,255	191,930	169,094	222,846	226,079	215,598	198,378	195,939	190,687	192,640
Total business-type activities expenses	<u>201,255</u>	<u>191,930</u>	<u>169,094</u>	<u>222,846</u>	<u>226,079</u>	<u>215,598</u>	<u>198,378</u>	<u>195,939</u>	<u>190,687</u>	<u>659,791</u>
Total primary government expenses	<u>\$ 28,339,214</u>	<u>\$ 27,338,265</u>	<u>\$ 26,989,602</u>	<u>\$ 26,070,961</u>	<u>\$ 24,598,459</u>	<u>\$ 23,650,424</u>	<u>\$ 22,550,245</u>	<u>\$ 20,530,917</u>	<u>\$ 21,618,270</u>	<u>\$ 18,802,790</u>
Program revenues										
Governmental activities										
Charges for services										
General government	\$ 1,221,268	\$ 1,126,255	\$ 1,089,257	\$ 1,021,066	\$ 953,299	\$ 945,872	\$ 911,525	\$ 713,199	\$ 971,180	\$ 1,150,847
Public safety	1,683,666	1,562,830	1,547,850	1,537,430	1,498,699	1,431,035	1,194,309	1,581,276	1,606,185	1,952,591
Public works - highways and streets	40,756	83,773	55,208	140,425	59,570	38,004	50,025	163,665	54,018	176,171
Culture and recreation	183,297	154,321	155,373	178,347	174,219	180,091	153,921	155,546	173,908	156,120
Operating grants & contributions										
General government	704,953	600,873	630,338	628,019	579,781	867,321	514,482	501,355	501,659	517,199
Public safety	300,785	279,659	286,721	312,828	278,797	467,220	328,894	303,046	338,679	320,010
Public works - highways and streets	893,062	737,750	822,537	702,500	864,175	645,539	959,143	643,554	592,683	683,726
Culture and recreation	4,718	12,468	670	30	32	-	2,500	5,085	8,410	-
Total governmental activities program revenues	<u>5,032,485</u>	<u>4,557,829</u>	<u>4,597,954</u>	<u>4,520,645</u>	<u>4,406,572</u>	<u>4,575,082</u>	<u>4,114,809</u>	<u>4,066,726</u>	<u>4,246,722</u>	<u>4,956,664</u>
Business-type activities										
Charges for service										
Water	-	-	-	-	-	-	-	-	-	99,127
Sewer	-	-	-	-	-	-	-	-	-	11,849
Pinewood Pool	177,272	184,100	156,949	173,989	176,139	168,755	140,498	114,838	135,695	131,196
Total business-type activities program revenues	<u>177,272</u>	<u>184,100</u>	<u>156,949</u>	<u>173,989</u>	<u>176,139</u>	<u>168,755</u>	<u>140,498</u>	<u>114,838</u>	<u>135,695</u>	<u>242,172</u>
Total primary government program revenues	<u>\$ 5,209,757</u>	<u>\$ 4,742,029</u>	<u>\$ 4,754,903</u>	<u>\$ 4,694,634</u>	<u>\$ 4,582,711</u>	<u>\$ 4,741,837</u>	<u>\$ 4,255,307</u>	<u>\$ 4,181,564</u>	<u>\$ 4,382,417</u>	<u>\$ 5,198,836</u>
Net (Expense)/Revenue										
Governmental activities	<u>\$(23,105,474)</u>	<u>\$(22,588,406)</u>	<u>\$(22,222,554)</u>	<u>\$(21,327,470)</u>	<u>\$(19,965,808)</u>	<u>\$(18,859,744)</u>	<u>\$(18,237,058)</u>	<u>\$(18,268,252)</u>	<u>\$(17,180,861)</u>	<u>\$(13,186,335)</u>
Business-type activities	<u>(23,983)</u>	<u>(7,830)</u>	<u>(12,145)</u>	<u>(48,857)</u>	<u>(49,940)</u>	<u>(48,843)</u>	<u>(57,880)</u>	<u>(61,101)</u>	<u>(54,992)</u>	<u>(417,619)</u>
Total primary government net expense	<u>\$(23,129,457)</u>	<u>\$(22,596,236)</u>	<u>\$(22,234,699)</u>	<u>\$(21,376,327)</u>	<u>\$(20,015,748)</u>	<u>\$(18,908,587)</u>	<u>\$(18,294,938)</u>	<u>\$(18,349,353)</u>	<u>\$(17,235,853)</u>	<u>\$(13,603,954)</u>

Fiscal Year

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General revenues and other changes in net position										
Governmental activities										
Property taxes, levied for general purposes	\$ 2,261,598	\$ 2,285,384	\$ 2,270,450	\$ 2,263,235	\$ 2,274,529	\$ 2,279,128	\$ 2,280,492	\$ 2,321,546	\$ 2,315,382	\$ 2,492,057
Real estate transfer taxes	831,173	727,455	664,784	858,764	582,059	361,953	323,164	531,353	686,634	776,351
Local Services taxes	418,884	406,687	404,511	371,842	371,546	376,389	402,011	393,200	389,125	-
Emergency Municipal Services taxes	-	-	-	-	-	-	-	-	-	635,217
Mechanical device tax	31,414	32,015	34,285	34,023	33,583	36,372	32,513	23,778	23,207	26,432
Other taxes	14,279	14,279	14,173	13,288	14,328	12,938	13,539	14,109	13,907	15,213
Payment in lieu of taxes	74,650	75,000	75,000	75,000	75,459	75,000	75,000	75,000	75,000	75,000
Contributions not restricted to specific programs	15,256,922	14,288,232	15,419,498	16,082,578	14,104,136	13,179,521	11,979,130	11,617,345	10,298,608	8,323,221
Investment earnings	222,764	161,521	176,550	37,434	288,455	958,469	1,113,180	1,273,281	2,647,142	2,891,638
Contributions/donations	-	-	-	-	-	-	-	-	-	14,511
Miscellaneous revenues	79,525	72,437	46,510	77,141	46,327	529,619	54,826	179,229	154,257	78,743
Gain / Loss on sale of capital assets	3,586	-	4,320	(75,000)	-	-	(70,000)	-	(11,213)	(23,677)
Transfers	-	(57,000)	(30,000)	-	-	(150,000)	-	-	-	21,138,268
Total governmental activities	19,194,795	17,995,990	19,080,081	19,738,305	17,790,422	17,859,419	16,203,855	16,428,841	16,592,229	36,442,974
Business-type activities										
Investment earnings	-	-	-	-	-	-	-	-	-	501,616
Capital contributions	-	-	-	-	-	-	-	-	-	-
Transfers	-	57,000	30,000	75,000	-	150,000	70,000	-	11,213	(21,138,268)
Total business-type activities	-	57,000	30,000	75,000	-	150,000	70,000	-	11,213	(20,636,652)
Total primary government	\$ 19,194,795	\$ 18,052,990	\$ 19,110,081	\$ 19,813,305	\$ 17,790,422	\$ 17,809,419	\$ 16,273,855	\$ 16,428,841	\$ 16,603,442	\$ 15,806,322
Change in net position	\$ (3,910,679)	\$ (4,582,416)	\$ (3,142,473)	\$ (1,588,165)	\$ (2,175,366)	\$ (1,200,325)	\$ (2,033,203)	\$ 160,589	\$ (588,632)	\$ 23,256,639
Governmental activities	(23,983)	49,170	17,855	26,143	(48,940)	101,157	12,120	(81,101)	(43,779)	(21,054,271)
Business-type activities	(3,934,662)	(4,543,246)	(3,124,618)	(1,563,022)	(2,225,326)	(1,099,168)	(2,021,083)	79,488	(632,411)	2,202,368
Total primary government	\$ (3,934,662)	\$ (4,543,246)	\$ (3,124,618)	\$ (1,563,022)	\$ (2,225,326)	\$ (1,099,168)	\$ (2,021,083)	\$ 79,488	\$ (632,411)	\$ 2,202,368

Source: Falls Township records

This Page Intentionally Left Blank

TOWNSHIP OF FALLS
Fund Balances of Governmental Funds
Last Ten Fiscal Years

General Fund	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Nonspendable:										
Prepaid items	\$ 476,441	\$ 230,604	\$ 233,547	\$ 196,903	\$ 204,163	\$ 169,290		\$ 1,182,347	\$ (168,386)	\$ (182,733)
Assigned to:										
Capital projects	16,522,982	9,834,657	9,201,402	8,429,981	17,326,670	10,520,582		109,817	172,148	183,767
Subsequent year's budget	-	107,497	798,013	8,932,781	9,926,276	818,577				
Unassigned	17,372,557	25,226,617	26,488,008	22,781,297	14,616,130	24,763,566				
Unreserved										
Reserved							\$ 1,224,634	\$ 1,292,164	\$ 3,762	\$ 1,034
Total General fund	\$ 34,371,980	\$ 35,399,375	\$ 36,720,970	\$ 40,340,962	\$ 42,073,239	\$ 36,292,015	\$ 1,399,643	\$ 1,292,164	\$ 3,762	\$ 1,034
All other governmental funds										
Nonspendable:										
Prepaid items	\$ 18,992	\$ 6,819	\$ 5,261	\$ -	\$ -	\$ -				
Restricted for:										
Culture and recreation	5,798	-	-	-	120,805	333,961				
Fire protection	-	-	-	-	1,663	-				
Library support	-	-	-	-	372	922				
Rescue squad services	4,978	4,722	3,509	1,929	-	135				
Recycling expenditures	447,261	446,485	446,335	446,108	446,108	445,943				
Fire hydrant	33,123	10,845	-	-	-	-				
Highway aid	430,561	52,404	178,854	222,604	427,175	290,572				
Street lighting	172,011	113,158	65,239	-	-	-				
Crime prevention	36,917	-	-	193,858	-	-				
Assigned to:										
Capital projects	2,227,944	2,371,834	2,978,281	3,054,331	7,590,030	16,576,441				
Unassigned	(16,507)	(52,215)	(61,846)	(201,774)	(128,119)	(63,334)				
Unreserved, reported in:										
Special revenue funds							\$ 38,871,974	\$ 34,903,155	\$ 42,223,283	\$ 45,614,258
Permanent funds							65,642	65,557	65,394	-
Capital projects funds							111,729	5,261,072	10,367,764	10,492,506
Reserved, reported in:										
Capital projects funds							16,795,212	16,795,212	16,878,212	16,879,081
Total all other governmental funds	\$ 3,361,078	\$ 2,954,052	\$ 3,615,633	\$ 3,717,163	\$ 8,599,867	\$ 17,608,836	\$ 55,844,557	\$ 57,024,896	\$ 69,534,653	\$ 72,985,845
Total Governmental Funds	\$ 37,733,058	\$ 38,353,427	\$ 40,336,603	\$ 44,058,145	\$ 50,673,106	\$ 53,900,851	\$ 57,244,200	\$ 58,317,160	\$ 69,538,415	\$ 72,986,879

Note: GASB Statement No. 54 has been implemented prospectively beginning in the 2011 year and the prior years have not been restated.

Source: Falls Township records

TOWNSHIP OF FALLS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes										
Property	\$ 2,265,864	\$ 2,261,982	\$ 2,284,798	\$ 2,268,738	\$ 2,268,828	\$ 2,279,211	\$ 2,269,754	\$ 2,321,546	\$ 2,312,152	\$ 2,480,393
Real estate transfer	831,173	727,455	664,784	858,764	582,059	361,953	323,164	531,353	686,834	776,351
Local Services tax	420,501	400,136	410,435	371,787	371,209	376,414	401,538	407,309	395,037	-
Emergency municipal services										623,804
Mechanical device	31,414	32,015	34,285	34,023	33,583	36,372	32,513	23,778	23,207	26,432
Motor Fuel tax	864,028	737,650	671,686	621,321	633,435	633,393	620,034	643,554	669,559	605,850
Payment in lieu of taxes	74,649	75,000	75,000	75,000	75,459	75,000	75,000	75,000	75,000	75,000
Host Community fees	15,258,922	14,298,232	15,419,498	16,082,578	14,104,136	13,079,521	11,529,130	11,067,346	9,749,608	7,773,222
Licenses and permits	876,272	853,011	640,523	816,356	797,257	749,112	737,645	651,484	630,848	599,457
Fines and forfeits	183,350	200,543	182,573	200,345	186,362	162,229	204,078	202,820	210,517	218,614
Interest earnings	222,783	161,521	176,550	288,457	288,457	1,210,431	1,223,805	1,163,901	2,647,141	2,638,452
Rents	90,103	73,959	99,532	104,771	98,081	135,933	81,190	166,526	203,061	396,594
Intergovernmental	979,318	866,063	905,382	973,464	1,070,995	1,327,844	1,163,164	761,887	801,925	807,606
Charges for services	1,977,827	1,837,137	1,697,430	1,747,987	1,627,068	1,711,050	1,939,089	2,134,991	2,340,809	2,612,743
Contributions and donations	73,745	41,928	187,371	62,685	33,588	33,035	38,510	47,600	71,989	63,998
Refunds of prior years	97,448	71,384	42,788	34,574	34,101	30,278	26,646	-	94,471	86,752
Miscellaneous	-	-	-	-	-	115	1,946	9,428	3,193	178
Total revenue	24,247,377	22,638,016	23,692,635	24,289,924	22,204,618	22,201,891	20,667,206	20,208,523	20,915,351	19,765,446
Expenditures										
Current										
General government	2,338,372	2,424,751	2,525,187	2,389,076	2,283,123	2,091,505	1,982,847	2,470,190	1,740,389	1,838,680
Public safety	16,974,695	15,868,682	15,253,208	14,903,972	13,802,918	13,315,061	13,271,102	11,769,814	11,291,262	10,579,431
Public works - highway and street	2,867,881	3,093,416	3,258,566	3,035,945	2,905,706	2,830,061	2,620,414	2,437,359	2,383,332	2,296,124
Culture and recreation	1,028,753	978,519	1,020,866	1,134,638	1,046,577	1,055,873	903,860	884,786	794,497	740,625
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Capital outlay										
General government	10,121	365,577	240,184	399,869	65,462	185,890	23,241	92,992	120,767	20,791
Public safety	280,549	105,110	150,105	839,433	277,014	307,440	325,579	296,309	223,162	238,450
Highways and streets	761,630	635,971	4,793,746	6,888,844	4,303,795	3,932,673	1,823,288	10,142,639	6,304,675	1,382,535
Culture and recreation	609,331	1,099,615	146,635	1,277,434	758,629	1,554,258	710,658	181,370	826,117	271,719
Debt service principal	-	-	-	-	-	-	-	3,055,000	542,066	47,453
Debt service interest	-	-	-	-	-	-	-	102,594	121,298	661
Total expenditures	24,871,332	24,571,641	27,388,497	30,869,311	25,443,224	25,272,761	21,670,989	31,433,053	24,347,565	17,416,469
Excess of revenues over/(under) expenditures	(623,955)	(1,933,625)	(3,695,862)	(6,579,387)	(3,238,606)	(3,070,870)	(1,003,783)	(11,224,530)	(3,432,214)	2,388,977

	Fiscal Year										
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	
Other financing sources(uses)											
Transfer in	856,900	684,000	558,000	5,352,064	9,309,500	463,700	12,590,837	10,336,951	7,345,097	26,762,798	
Transfer of bonds payable	(856,900)	(741,000)	(588,000)	(5,427,064)	(9,309,500)	(613,700)	(12,660,837)	(10,336,951)	(7,356,310)	(5,624,530)	
Capital lease obligation	-	-	-	-	-	-	-	-	-	3,093,068	
Sale of capital assets	3,586	7,449	4,320	39,426	10,861	13,770	823	3,274	930	102,686	
Total other financing sources(uses)	3,586	(49,551)	(25,680)	(35,574)	10,861	(136,230)	(69,177)	3,274	(10,283)	24,349,266	
Net change in fund balance	\$ (620,369)	\$ (1,983,176)	\$ (3,721,542)	\$ (6,614,961)	\$ (3,227,745)	\$ (3,207,100)	\$ (1,072,960)	\$ (11,221,256)	\$ (3,442,497)	\$ 26,718,243	

Debt service as a percentage of non-capital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	15.24%	3.93%	0.31%	
---	--------------	--------------	--------------	--------------	--------------	--------------	--------------	---------------	--------------	--------------	--

Source: Falls Township records

TOWNSHIP OF FALLS
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years

Year ending December 31,	Property	Local Services	Emergency Municipal Services	Real Estate Transfer	Mechanical Device	Total
2007	\$ 2,480,393	\$ -	\$ 623,804	\$ 776,351	\$ 26,432	\$ 3,906,980
2008	2,315,362	389,125	-	686,834	23,207	3,414,528
2009	2,321,546	393,200	-	531,353	23,778	3,269,877
2010	2,280,492	402,011	-	323,164	32,513	3,038,180
2011	2,279,211	376,414	-	361,953	36,372	3,053,950
2012	2,268,828	371,209	-	582,059	33,583	3,255,679
2013	2,268,738	371,787	-	858,764	34,023	3,533,312
2014	2,284,798	410,435	-	664,784	34,285	3,394,302
2015	2,261,982	400,136	-	727,455	32,015	3,421,588
2016	2,265,864	420,501	-	831,173	31,414	3,548,952

Sources: Township documents

TOWNSHIP OF FALLS
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

<u>Year</u>	<u>Real Property Assessed Value ^(a)</u>	<u>Less: Tax Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Actual Values of Real Property</u>	<u>Ratio of Total Assessed Value to Total Estimated Actual Value ^(b)</u>	<u>Falls Twp Municipal Millage Rate</u>
2007	\$ 377,048,910	\$ 57,615,300	\$ 319,433,610	\$ 4,011,158,617	9.40%	7.72
2008	377,657,160	58,205,330	319,451,830	3,893,372,784	9.70%	7.22
2009	379,763,660	60,384,750	319,378,910	3,484,070,275	10.90%	7.22
2010	380,379,040	60,975,730	319,403,310	4,148,081,134	9.17%	7.22
2011	379,439,470	61,043,290	318,396,180	4,287,451,638	8.85%	7.22
2012	378,157,270	60,545,010	317,612,260	4,083,771,814	9.26%	7.22
2013	378,687,490	60,508,530	318,178,960	4,165,978,988	9.09%	7.22
2014	378,528,240	60,583,740	317,944,500	4,087,777,970	9.26%	7.22
2015	374,049,820	55,541,880	318,507,940	4,226,551,638	8.85%	7.22
2016	374,211,350	55,731,820	318,479,530	4,153,289,123	9.01%	7.22

Source: Falls Township Tax Department (Bucks County, PA Real Estate Assessment Roll)

^(a) Assessed value of real property includes all property within the Township. County assessment records do not provide categorization use or ownership.

^(b) Information provided by Pennsylvania State Tax Equalization Board (STEB) for Bucks County, PA.

TOWNSHIP OF FALLS
Property Tax Rates
Direct & Overlapping Governments
Per \$1,000 of Assessed Value
Last Ten Fiscal Years

<u>Year</u>	<u>Falls Township</u>			<u>Overlapping Rates</u>		<u>All Government Totals</u>
	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Total Township Millage</u>	<u>Bucks County Total Millage (a)</u>	<u>Pennsbury SD Total Millage (a)</u>	
2007	7.72	0.00	7.72	21.94	139.40	169.06
2008	7.22	0.00	7.22	21.94	145.00	174.16
2009	7.22	0.00	7.22	21.94	148.80	177.96
2010	7.22	0.00	7.22	21.94	150.30	179.46
2011	7.22	0.00	7.22	23.20	150.30	180.72
2012	7.22	0.00	7.22	23.20	150.30	180.72
2013	7.22	0.00	7.22	23.20	150.30	180.72
2014	7.22	0.00	7.22	23.20	153.45	183.87
2015	7.22	0.00	7.22	23.20	157.89	188.31
2016	7.22	0.00	7.22	23.20	161.36	191.78

(a) Information supplied by Falls Township Tax Collector

TOWNSHIP OF FALLS
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Type of Business	2016			2007		
		Taxable Assessed valuation (a)	Rank	Percentage of total taxable assessed valuation	Taxable Assessed valuation	Rank	Percentage of total taxable assessed valuation
Oxford Valley Road Associates	Retail Stores	\$ 6,314,040	1	1.98%	\$ 6,314,040	1	1.98%
Healey, Robert T. & William J.	Apartment	4,935,880	2	1.55%	4,974,720	2	1.56%
Pennwood Assoc. Ltd. Partnership	Mobile Home Park	4,579,320	3	1.44%	3,802,320	5	1.19%
National Prop. Investments/Village Pennbrook 2 LLC	Apartment	4,320,000	4	1.36%	4,320,000	4	1.35%
WMI Properties	Industrial	4,001,400	5	1.26%	4,629,840	3	1.45%
K-Mart Corporation / Fairsan Co LLC	Industrial	3,108,000	6	0.98%	3,108,000	7	0.97%
Bucks County Economic Development Corp.	Development	2,877,860	7	0.90%			
Wheelabrator Falls Inc.	Industrial	2,616,770	8	0.82%	3,680,000	6	1.15%
General Motors LLC	Industrial	2,070,490	9	0.65%	2,811,270	8	0.88%
Fairless Hills S C Assoc.	Retail Stores	1,733,850	10	0.54%	2,039,800	10	0.64%
Equity Industries Ltd. Part. III	Retail Stores				2,074,760	9	0.65%
Totals		<u>\$ 36,557,610</u>		<u>11.48%</u>	<u>\$ 37,754,750</u>		<u>11.82%</u>

(a) Total Assessed Valuation equal to \$ 318,479,530

Source: Falls Township records

TOWNSHIP OF FALLS
Property Tax Levies & Collections
Last Ten Fiscal Years

<u>Year</u>	<u>Total Tax Levy</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>% of Levy</u>		<u>Amount</u>	<u>% of Levy</u>
2007	\$ 2,556,271	\$ 2,409,921	94.27%	\$ 146,301	\$ 2,556,222	99.998%
2008	2,336,093	2,254,217	96.50%	81,830	2,336,047	99.998%
2009	2,335,472	2,283,391	97.77%	51,952	2,335,343	99.994%
2010	2,305,916	2,215,102	96.06%	90,583	2,305,685	99.990%
2011	2,305,950	2,213,694	96.00%	91,895	2,305,589	99.984%
2012	2,298,820	2,203,440	95.85%	94,912	2,298,352	99.980%
2013	2,293,161	2,202,566	96.05%	89,829	2,292,395	99.967%
2014	2,297,252	2,208,350	96.13%	86,456	2,294,806	99.894%
2015	2,295,559	2,211,958	96.36%	63,878	2,275,836	99.141%
2016	2,298,187	2,197,967	95.64%	-	2,197,967	95.639%

Source: Falls Township Tax Collector

TOWNSHIP OF FALLS
Ratios of Outstanding Debt by Type
Last Ten Years

Fiscal year	Governmental activities		Business-Type activities		Total Primary government	Percentage of personal income	Per Capita	Per W/S customer
	General obligation bonds	General obligation notes	General obligation bonds	General obligation notes				
2007	\$ 3,565,000	-	-	-	\$ 3,565,000	1.68%	\$ 106	-
2008	3,055,000	-	-	-	3,055,000	2.03%	91	-
2009	-	-	-	-	-	0.00%	-	-
2010	-	-	-	-	-	0.00%	-	-
2011	-	-	-	-	-	0.00%	-	-
2012	-	-	-	-	-	0.00%	-	-
2013	-	-	-	-	-	0.00%	-	-
2014	-	-	-	-	-	0.00%	-	-
2015	-	-	-	-	-	0.00%	-	-
2016	-	-	-	-	-	0.00%	-	-

Source: Falls Township records

Note: The Township-held Water & Sewer Revenue Bonds, Series 2004, were paid in full on December 15, 2009. As of December 31, 2009, Falls Township has no outstanding bonded debt.

TOWNSHIP OF FALLS
Ratio of General Bonded Debt Outstanding
Last Ten Years

<u>Year</u>	<u>Population(a)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Debt Payable From Enterprise Revenues</u>	<u>Net Bonded Debt</u>	<u>Ratio Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
2007	33,769	\$ 319,433,610	\$ 3,565,000	-	\$ 3,565,000	0.011	\$ 106
2008	33,579	319,451,830	3,055,000	-	3,055,000	0.010	91
2009	34,865	319,378,910	-	-	0.00	0.000	0
2010	34,300	319,403,310	-	-	0.00	0.000	0
2011	33,522	318,396,180	-	-	0.00	0.000	0
2012	34,300	317,612,260	-	-	0.00	0.000	0
2013	34,300	318,178,960	-	-	0.00	0.000	0
2014	34,367	317,944,500	-	-	0.00	0.000	0
2015	33,901	318,507,940	-	-	0.00	0.000	0
2016	33,714	318,479,530	-	-	0.00	0.000	0

(a) Population Estimates Branch of the U.S. Census

Source: Falls Township records

Note: The Township-held Water & Sewer Revenue Bonds, Series 2004, were paid in full on December 15, 2009.
As of December 31, 2009, Falls Township has no outstanding bonded debt.

TOWNSHIP OF FALLS
Direct & Overlapping Governmental Activities Debt
December 31, 2016

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to Township of Falls</u>	<u>Amount Applicable to Township of Falls</u>
Township of Falls (a)	\$ -	100.00%	\$ -
Pennsbury School District (b)	153,785,000	35.43%	54,486,026
Bucks County (c)	<u>277,282,000</u>	3.89%	<u>10,786,270</u>
 Total - Overlapping Debt	 \$ 431,067,000		 \$ 65,272,295

Sources:

(a) Falls Township financial records

(b) Pennsbury School District Business Office

(c) Bucks County Finance Office

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping unit's taxable assessed value that is within the Township's boundaries and dividing it by the unit's total taxable assessed value.

Note: The Township-held Water & Sewer Revenue Bonds, Series 2004, were paid in full on December 15, 2009. As of December 31, 2009, Falls Township has no outstanding bonded debt.

TOWNSHIP OF FALLS
Legal Debt Margin Information
Last Ten Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Limit	\$ 45,679,860	\$ 47,310,563	\$ 47,380,837	\$ 47,821,747	\$ 48,405,976	\$ 50,041,011	\$ 53,255,417	\$ 54,681,043	\$ 55,125,538	\$ 54,843,196
Total Net Debt applicable to limit	<u>3,565,000</u>	<u>3,055,000</u>	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 42,114,860	\$ 44,255,563	\$ 47,380,837	\$ 47,821,747	\$ 48,405,976	\$ 50,041,011	\$ 53,255,417	\$ 54,681,043	\$ 55,125,538	\$ 54,843,196
Total net debt applicable to the limit as a percentage of debt limit	<u>8%</u>	<u>6%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>

Legal Debt Margin Calculation for Year 2016

Borrowing Base Revenues: (a)	
2014	\$ 22,099,318
2015	21,191,366
2016	22,521,151
	<u>\$ 65,811,835</u>

Average Borrowing Base Revenues:
Debt Limit Percentage

	\$ 21,937,278
	<u>250.00%</u>

Debt Limit
Less: Total Amount Of Debt Applicable to
Debt Limit (b)

	\$ 54,843,196
	<u>-</u>

Legal Debt Margin

	\$ 54,843,196
--	---------------

(a) Borrowing Base revenues represent total revenues less governmental grants received for a specific purpose and enterprise fund revenues which are pledged for specific self-liquidating debt, interest on monies in sinking funds, grants and gifts for specified projects, proceeds from the disposition of capital assets and other non-recurring items not considered income under generally accepted accounting principles.

(b) Bonds and Notes Payable, less Sinking Fund credits and self liquidating debt.

Source: Falls Township records

TOWNSHIP OF FALLS
 Revenue Bond Coverage
 Water/Sewer Funds
 Last Ten Years

<u>Year</u>	<u>Gross Revenues (a)</u>	<u>Operating Expenses (b)</u>	<u>Net Revenues Available (Unavailable) for Debt Service</u>	<u>Debt Requirements</u>	<u>Coverage</u>
2007	\$ 612,592	\$ 337,432	\$ 275,160	\$ 629,719	0.44
2008	-	-	-	625,344	0.00
2009	-	-	-	-	0.00
2010	-	-	-	-	0.00
2011	-	-	-	-	0.00
2012	-	-	-	-	0.00
2013	-	-	-	-	0.00
2014	-	-	-	-	0.00
2015	-	-	-	-	0.00
2016	-	-	-	-	0.00

(a) Total revenues including interest income.

(b) Total expenses excluding depreciation & debt payments.

Source: Falls Township Records

Note: The Township-held Water & Sewer Revenue Bonds, Series 2004, were paid in full on December 15, 2009.

As of December 31, 2009, Falls Township has no outstanding bonded debt.

TOWNSHIP OF FALLS
Demographic and Economic Statistics
Last Ten Years

<u>Year</u>	<u>Population (a)</u>	<u>Per Capita Income</u>	<u>School District Enrollment (b)</u>	<u>Number of Dropouts (b)</u>	<u>Dropouts as % of Enrollment</u>	<u>Unemployment Rate (c)</u>
2007	33,769	N/A	11,584	31	0.27%	3.7%
2008	33,579	N/A	11,660	30	0.26%	5.9%
2009	34,865	N/A	11,423	35	0.31%	7.2%
2010	34,300	N/A	11,362	38	0.33%	6.8%
2011	33,522	N/A	10,967	32	0.29%	6.7%
2012	34,300	N/A	10,605	30	0.28%	7.2%
2013	34,300	N/A	10,673	30	0.28%	5.4%
2014	34,367	N/A	10,457	29	0.28%	4.3%
2015	33,901	N/A	10,477	28	0.27%	3.6%
2016	33,714	N/A	10,340	29	0.28%	3.9%

Data Sources:

(a) Population Estimates Branch of the U.S. Census

(b) Pennsbury School District, as of 6/30/15

(c) Homefacts.com, Township of Falls, Bucks County, PA

N/A Data not available

TOWNSHIP OF FALLS
Principal Employers
Current Year and Nine Years Ago

Employer	Description	2016			2007		
		Employees	Rank	Percentage of Total Township Employment	Employees	Rank	Percentage of Total Township Employment
Pennsbury School District	Public Education	911	1	3.06%	997	3	4.57%
Aria Health - Bucks County Campus	Hospital	878	2	2.95%	1,441	1	6.61%
Eckerd/Rite Aid	Warehouse/Retail Store	581	3	1.95%	1,171	2	5.37%
Kmart Distribution Center	Warehouse Distribution	334	4	1.12%	646	5	2.96%
Praxair Distribution	Gas Supply/Manufacturing	232	5	0.78%			
Peruzzi	Auto Sales	230	6	0.77%	265	8	1.22%
Home Depot	Retail Store	193	7	0.65%	263	9	1.21%
Univar	Chemicals	179	8	0.60%			
Giant Food	Grocery Store	157	9	0.53%			
Abington Reldan Metals	Metals Refinery	141	10	0.47%			
Gamesa Wind	Alternative Energy				711	4	3.26%
Walmart	Retail Store				498	6	2.29%
Waste Management	Waste Collector				297	7	1.36%
Burger King	Restaurant				252	10	1.16%
Total		3,836		12.88%	6,541		30.01%

Source: Respective Companies and Township Records

FALLS TOWNSHIP
 FULL TIME EQUIVALENT TOWNSHIP EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government	11	13	16	16	16	16	16	16	16	16
Public Safety										
Police										
Officers	51	52	53	52	53	51	51	51	51	52
Civilians	7	7	7	7	7	7	7	7	7	7
Fire										
Civilians	3	3	4	4	4	4	4	4	4	4
Highway and Streets										
Maintenance	14	15	15	15	16	16	16	16	16	17
Sanitation										
Culture and Recreation	2	2	3	3	3	3	3	4	3	2
Water	0	0	0	0	0	0	0	0	0	0
Sewer	0	0	0	0	0	0	0	0	0	0
Totals	88	92	98	97	99	97	97	98	97	98

Sources: Township documents

FALLS TOWNSHIP
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Police										
Arrests	1,344	1,426	1,351	1,050	872	847	873	912	763	1,003
Parking Violations	381	211	167	296	107	125	192	106	70	219
Traffic Violations	2,340	2,080	2,012	2,076	1,283	1,403	1,413	1,958	1,967	3,423
Animal Control Investigations	333	300	326	341	326	272	272	255	224	320
Fire										
Number of calls answered	1,619	1,653	1,497	1,584	1,518	1,494	1,416	1,475	1,521	1,470
License and Inspection										
Business Licenses	1,611	1,572	1,450	1,360	1,384	1,481	1,363	1,764	1,404	1,902
Building Permits	1,753	909	593	737	747	564	645	571	777	553
Electrical Permits	2,778	763	477	332	331	430	445	495	459	596
Highways and Streets										
Road Reconstruction (lineal feet)	5,925	10,900	20,172	6,450	6,848	11,939	11,596	-	-	-
Culture and Recreation										
Community Park Watercraft Permits	134	177	210	180	N/A	N/A	N/A	N/A	N/A	N/A
Community Park Pavillion Rentals	83	110	94	100	99	103	87	84	93	90
Water										
Water Permits	-	-	-	-	-	-	-	-	-	-
Sewer	-	-	-	-	-	-	-	-	-	-
Sewer Permits	-	-	-	-	-	-	-	-	-	-

Sources: Various government departments

Note: As of 2011, the Township no longer requires Watercraft Permits for the Community Park Lake

FALLS TOWNSHIP
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicle Units	49	50	51	53	55	55	60	59	57	57
Fire Stations	3	3	3	3	3	3	3	3	3	3
Highways and Streets										
Streets (miles)	86.25	86.75	86.75	86.75	86.75	86.75	86.75	86.75	86.75	86.75
Streetlights - R	2,465	2465	2465	2465	2465	2465	2465	2465	2465	2465
Streetlights - H	83	83	83	83	83	83	83	83	83	83
Traffic Signals	33	34	34	34	34	34	34	34	34	34
Culture and Recreation										
Parks Acreage	413.11	413.11	413.11	413.11	413.33	413.33	413.33	413.33	413.33	413.33
Parks	16	16	16	16	16	16	16	16	16	16
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Water										
Water Mains	3,290	3290	3290	3290	3290	3290	3290	3290	3290	3290
Sewer										
Sanitary Sewers	-	-	-	-	-	-	-	-	-	-

Sources: Various government departments
Note: Indicators not available for General Government Function

TOWNSHIP OF FALLS
 Schedule of Insurance
 As of December 31, 2016

Name of Company	Policy Number	Policy Period		Type of Coverage	Liability Limits	Deductible	Annual Premium	
		From	To					
Delaware Valley Insurance Trust	389280342	1/1/2016	1/1/2017	Workers Compensation	\$1M/\$1M/\$1M	\$ -	\$ 457,012	
Fidelity & Deposit	POB08877912	3/24/2016	3/24/2017	Public Official Bond for Manager	\$ 2,000,000	\$ -	\$ 2,619	
	POB08927696	5/1/2016	5/1/2017	Public Official Bond for Finance Dir	2,000,000	-	2,619	
	POB09107657	1/1/2016	1/1/2017	Public Official Bond for Sec/Treas	2,000,000	-	2,619	
AIG Insurance Co / National Union Fire Insurance Co	SRG9142988/2979/2980	1/11/2016	1/11/2017	Volunteer Accident for Vol Fire Cos.	\$ 250,000	\$ -	\$ 1,500	
	SRG9147838	10/24/2016	10/24/2017	Volunteer Accident for Rescue Squad	250,000	-	600	
Traveler's	630-1H335843	6/18/2016	6/18/2017	Property	\$ 20,464,942	\$ 5,000	\$ 15,069	
	ZLP-15T47305			General Liability	2,000,000	-	25,368	
	ZLP-15T47305			Employment Practices Liability	2,000,000	15,000	16,223	
	630-1H335843			Crime	As Specified	As Specified	334	
	810-2C412812			Automobile	1,000,000	1,000	121,538	
	ZLP-41M59670			Umbrella	3,000,000	10,000	29,235	
	ZLP-15T47305			Public Officials Liability	2,000,000	10,000	6,035	
	ZLP-15T47305			Law Enforcement Liability	2,000,000	15,000	59,784	
	ZLP-15T47305			Employee Benefits Liability	3,000,000	1,000	381	
	630-1H335843			Inland Marine	1,000,000	50,000	4,419	
Traveler's	ZPL-91M61525	6/17/2016	6/17/2017	Cyber Liability / Computers	500,000	1,000	2,643	
Markell/Evanston Insurance	15EILNE60029	6/18/2016	6/18/2017	Pollution	\$ 500,000	\$ 10,000	\$ 4,187	
Lloyd's of London / WNC Ins Svc	VCFM00003744-00	6/18/2016	6/18/2017	Flood - Millcreek Sports Complex	500,000	1,000	2,052	
Philadelphia Indemnity	FLD-1819783	10/10/2016	10/10/2017	National Flood-Concession-Millicreek	\$ 176,000	\$ 1,500	\$ 919	
	FLD-1819824	10/10/2016	10/10/2017	National Flood-Kiosk-Pennsbury	70,400	1,000	547	
Total premium							\$	755,703

Source: Falls Township records

TOWNSHIP OF FALLS
Miscellaneous Statistics
December 31, 2016

Education: Pennsbury School District
 10 Elementary Schools
 3 Middle Schools
 1 High Schools (East & West Campus)
 10,340 Students

Libraries: Fallsington Library

<u>Apartment Complexes:</u>	<u>Name</u>	<u># of Units</u>
	Village of Pennbrook	722
	Alexandria	201
	Castle Club	158
	Commons of Fallsington	477
	Dorilyn Terrace	158
	Wellington Woods	253
	Lakeview Terrace	288
	Newport Village	179
	Rock Spring	169
	Pennsbury Woods	110
	Aspen Falls	112
	Nolan Park	80
	Woodcrest Village	60

Banks: Bank of America
 Wells Fargo Bank
 Citizens Bank
 TD Bank

Rail: No rail stations

Bus: No terminal

Airfield: No airfield

Source: Falls Township records

TOWNSHIP OF FALLS
Miscellaneous Statistics
December 31, 2016

Public Utilities:

Verizon (Phone)
PECO Energy (Electric / Gas)
Township of Falls Authority (Water)
Township of Falls Authority (Sewer)
Morrisville Borough Authority (Water)
Morrisville Borough Authority (Sewer)
Lower Bucks County Joint Municipal
Authority (Water and Sewer)
Bucks County Water and Sewer
Authority (Sewer)
PA American Company (Water)

Newspapers:

The Bucks County Courier Times
The Philadelphia Inquirer
The Trenton Times (Trenton, NJ)
The Trentonian (Trenton, NJ)
The Philadelphia Daily News
The Levittown Leader
The Yardley News

Television:

KYW - Channel 3 - Philadelphia
WPHL - Channel 17 - Philadelphia
WHYY - Channel 12 - Philadelphia
WTFX - Channel 29 - Philadelphia
WPVI - Channel 6 - Philadelphia
WCAU - Channel 10 - Bala Cynwyd
Comcast Cable Company (Cable Provider)
Verizon FIOS Service (Fiber Optic Network)
Direct TV (Satellite)
Dish Network (Satellite)
Channel 22 - Government Access Channel - Comcast
Channel 40 - Government Access Channel - Verizon FIOS

Churches:

13

Hospitals:

1 Aria Health - Bucks County Campus
1 Assisted Living - Galilee Pavilion

Senior Housing:

Avenrowe - 55 & over Community
Galilee Pavilion - Assisted Living
Galilee Village Estates - Independent Living

Source: Falls Township records

