

FINANCIAL SECTION

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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, 2014, 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, 2014, 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, schedule of funding progress – police pension plan, schedule of employer contributions, schedule of changes in the net pension liability and related ratios, schedule of contributions, schedule of investment returns, and schedule of funding progress - other post employment benefits on pages 19 through 30 and pages 66 through 71 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.

August 18, 2015

MAJOR & MASTRO, LLC
Montgomeryville, Pennsylvania
Certified Public Accountants

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**Falls Township
Bucks County, Pennsylvania**

**Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Fiscal Year Ended December 31, 2014**

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, 2014. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our letter of transmittal, which can be found on pages 3-8 of this report. Readers should also review the independent auditor's opinion letter, the notes to the basic financial statements, and the financial statements themselves to enhance their understanding of the Township's financial performance. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The assets of Falls Township exceeded its liabilities by \$133,690,943 and \$136,815,561 at the close of the years ended December 31, 2014 and 2013, respectively. Of the 2014 amount, \$36,458,178 may be used to meet the government's ongoing obligations for general operations of the Township, whereas in 2013 \$40,530,435 was available for that purpose.

The Township's governmental net position decreased by a total of \$3,142,473 over the prior year. This decrease is primarily due to a decrease in the Township's cash reserves.

As of the end of 2014, Falls Township's governmental funds reported combined ending fund balances of \$40,336,603. As a comparison, at the end of 2013, the balance was \$44,058,145, a reduction of \$3,721,542.

Business-type activities' net position increased by \$17,855 from (\$876) in 2013 to \$16,979 in 2014. The reason for this increase is a reduction in current liabilities, specifically interfund payable.

At the end of the 2014, the unassigned fund balance for the general fund was \$26,488,008 or 110% of the total general fund expenditures.

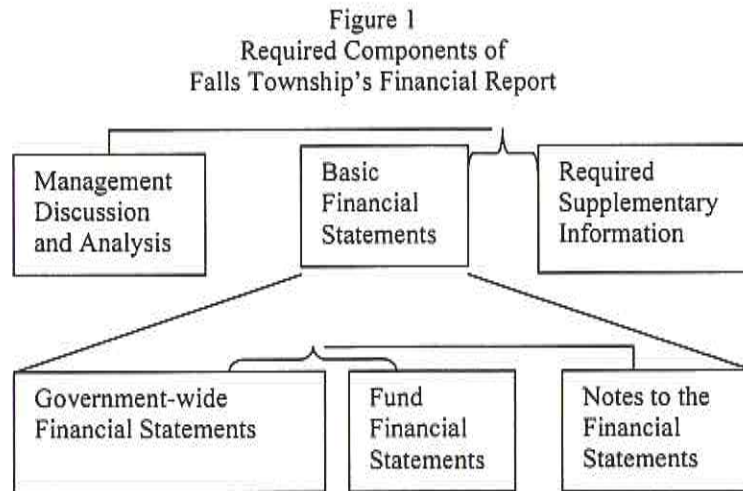
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



Government-wide financial statements

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

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

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

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

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

Fund financial statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 44-63 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 66 - 71 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 75-85 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. For Falls Township, assets exceed liabilities by \$133,690,943 and \$133,815,561 at the close of the years ended December 31, 2014 and 2013, respectively.

The following table provides a summary of the Township's net position at December 31, 2014 compared to the prior year's figures:

FALLS TOWNSHIP NET POSITION

	Governmental		Business-Type		Totals	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 42,596,518	\$ 46,735,933	\$ -	\$ -	\$ 42,596,518	\$ 46,735,933
Capital assets	96,366,263	95,245,962	172,565	174,538	96,538,828	95,420,500
Other noncurrent assets	-	-	-	-	-	-
Total Assets	138,962,781	141,981,895	172,565	174,538	139,135,346	142,156,433
Long-term liabilities outstanding	3,225,797	2,673,485	-	-	3,225,797	2,673,485
Other liabilities	<u>2,063,020</u>	<u>2,491,973</u>	<u>155,586</u>	<u>175,414</u>	<u>2,218,606</u>	<u>2,667,387</u>
Total Liabilities	5,288,817	5,165,458	155,586	175,414	5,444,403	5,340,872
Net Position:						
Invested in capital assets	96,366,263	95,245,962	172,565	174,538	96,538,828	95,420,500
Restricted	693,937	864,626	-	-	693,937	864,626
Unrestricted	<u>36,613,764</u>	<u>40,705,849</u>	<u>(155,586)</u>	<u>(175,414)</u>	<u>36,458,178</u>	<u>40,530,435</u>
Total Net Position	<u>\$ 133,673,964</u>	<u>\$ 136,816,437</u>	<u>\$ 16,979</u>	<u>\$ (876)</u>	<u>\$ 133,690,943</u>	<u>\$ 136,815,561</u>

The largest portion of Falls Township's net position, 72.2%, 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, 0.52%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$36,458,178, 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 \$3,142,473 for the year ended December 31, 2014 in addition to the decrease in net position by \$1,589,165 for the year ended December 31, 2013. The 2014 and 2013 decreases are both due to a reduction in the Township's cash reserve. Falls Township is committed to maintaining high quality services and recreation facilities for its residents without increasing real estate taxes or charging exorbitant user fees. Some cash reserves have been expended in order to meet rising costs without burdening our residents.

Business-type activities

Business-type activities increased Falls Township's net position by \$17,855 for the year ended December 31, 2014 in addition to the increase of \$26,143 for the prior year. These activities represent ongoing operations at the Pinewood Pool for 2014.

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.

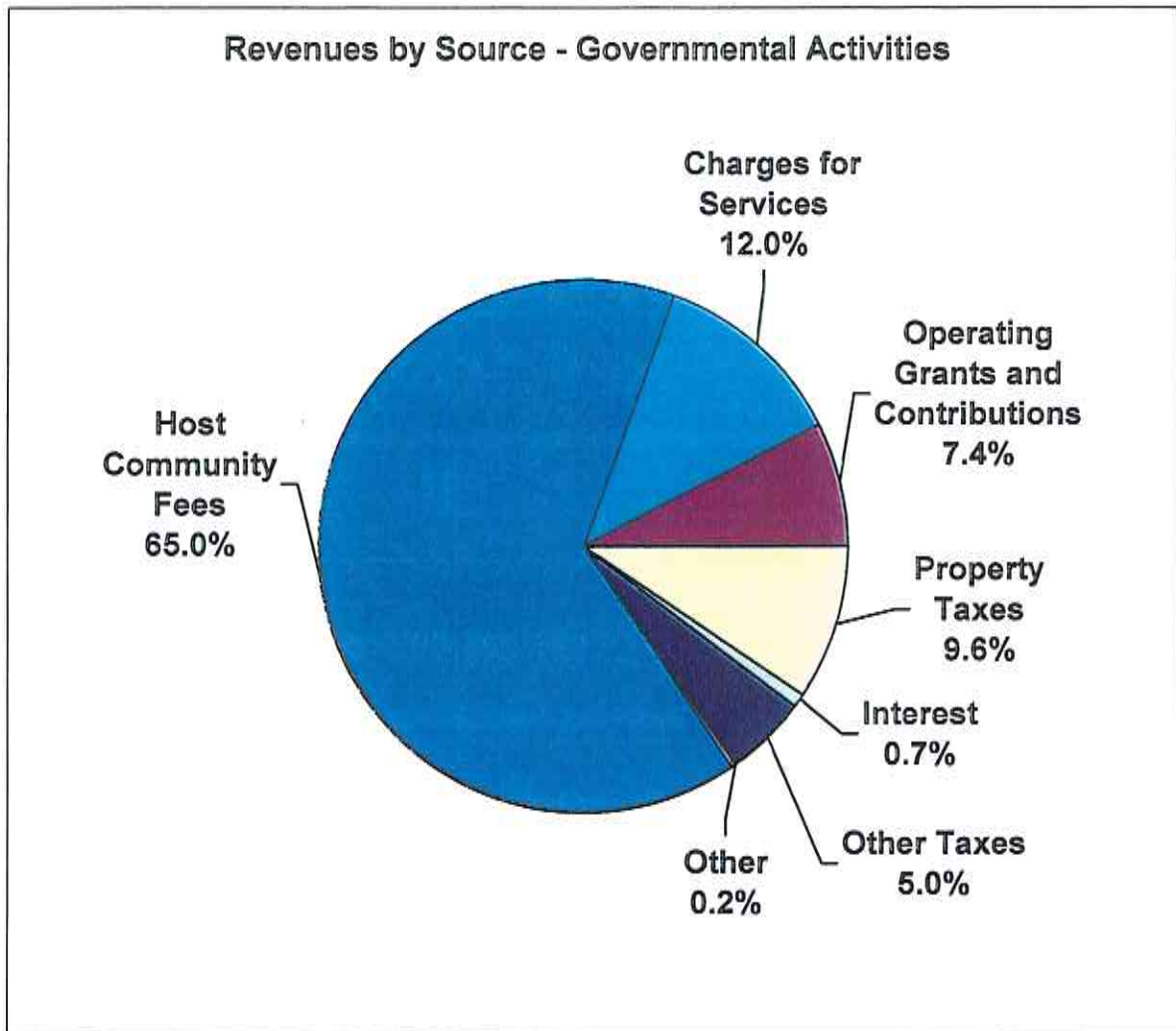
The following table takes the information from the Statement of Activities and rearranges it slightly, so you can see the Township's total revenues for the year ended December 31, 2014 compared to the prior year's figures.

**FALLS TOWNSHIP
CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program Revenues:						
Charges for Services	\$ 2,847,688	\$ 2,877,268	\$ 156,949	\$ 173,989	\$ 3,004,637	\$ 3,051,257
Operating Grants and Contributions	1,750,266	1,643,377	-	-	1,750,266	1,643,377
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	2,270,450	2,263,235	-	-	2,270,450	2,263,235
Other taxes	1,192,753	1,352,917	-	-	1,192,753	1,352,917
Host Community Fees	15,419,498	16,082,578	-	-	15,419,498	16,082,578
Other	227,380	114,575	-	-	227,380	114,575
Total Revenues	<u>\$ 23,708,035</u>	<u>\$ 24,333,950</u>	<u>\$ 156,949</u>	<u>\$ 173,989</u>	<u>\$ 23,864,984</u>	<u>\$ 24,507,939</u>
EXPENSES:						
General Government	\$ 2,713,828	\$ 2,573,012			\$ 2,713,828	\$ 2,573,012
Public Safety	16,080,941	15,554,489			16,080,941	15,554,489
Highway and Streets	6,198,874	5,817,812			6,198,874	5,817,812
Culture and Recreation	1,826,865	1,902,802			1,826,865	1,902,802
Pinewood Pool	-	-	\$ 169,094	\$ 222,846	169,094	222,846
Total Expenses	<u>26,820,508</u>	<u>25,848,115</u>	<u>169,094</u>	<u>222,846</u>	<u>26,989,602</u>	<u>26,070,961</u>
Change in net position before transfers	(3,112,473)	(1,514,165)	(12,145)	(48,857)	(3,124,618)	(1,563,022)
Transfers	(30,000)	(75,000)	30,000	75,000	-	-
Change in Net Position	(3,142,473)	(1,589,165)	17,855	26,143	(3,124,618)	(1,563,022)
Net Position, Beginning	136,816,437	138,405,602	(876)	(27,019)	136,815,561	138,378,583
Net Position, Ending	<u>\$ 133,673,964</u>	<u>\$ 136,816,437</u>	<u>\$ 16,979</u>	<u>\$ (876)</u>	<u>\$ 133,690,943</u>	<u>\$ 136,815,561</u>

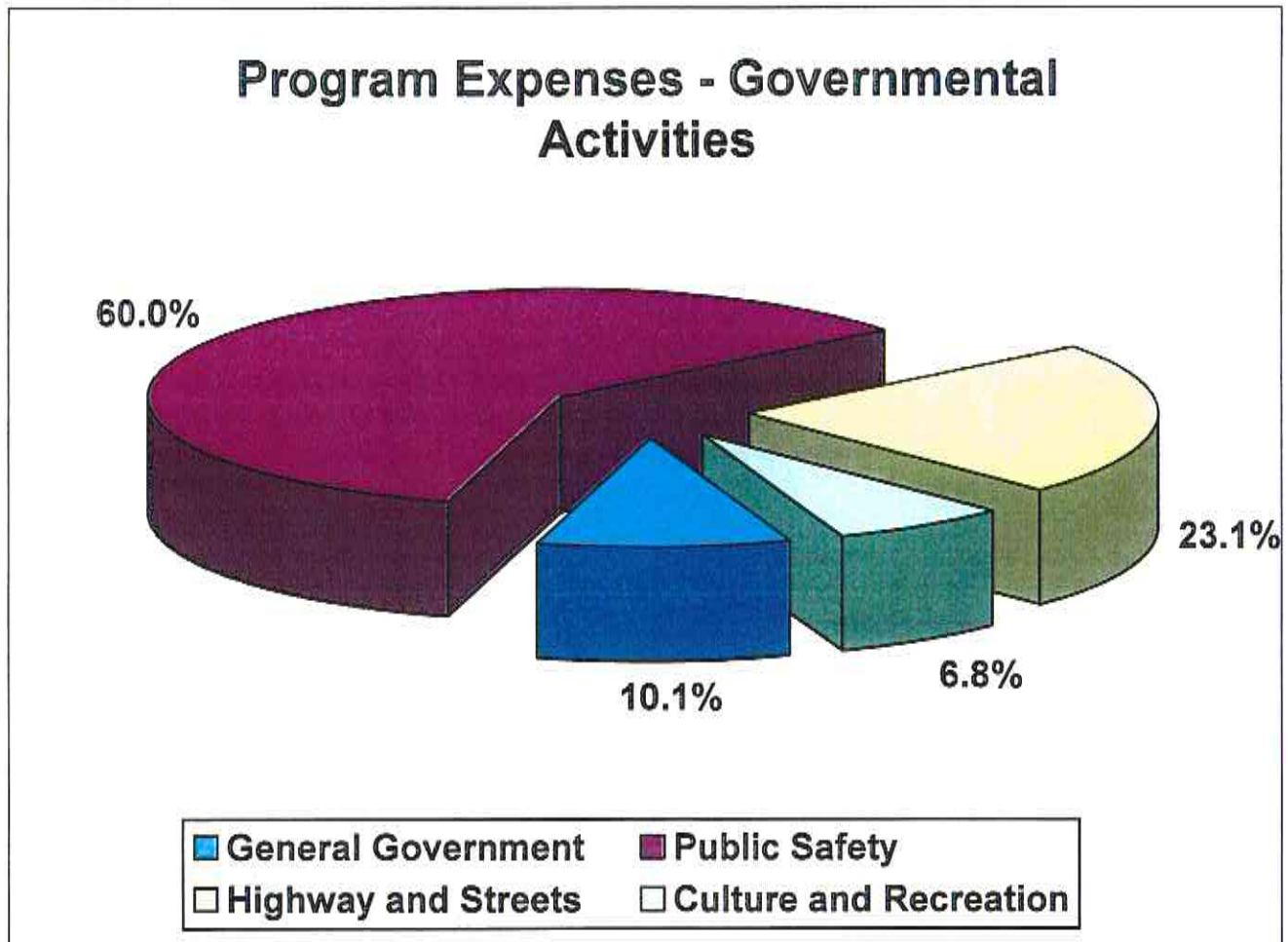
Governmental Activities

The following chart shows the Government-wide sources of revenues for the year ended December 31, 2014:



Of the total Government-wide revenues of \$23,708,035, \$15,419,498 were Host Community Fees or “tipping” fees received from Waste Management for the landfill and incinerator operations. Also contributing to the Township’s revenue stream were Charges for Services with revenues of \$2,847,688 which were generated for various items from business licenses to permits. Property taxes netted the Township \$2,270,450, Other Taxes brought in \$1,192,753, Operating Grants and Contributions added \$1,750,266, Interest Earnings netted \$176,550 and Other (miscellaneous) revenues were \$50,830.

The following chart shows the Government-wide sources of program expenses and revenues for the year ended December 31, 2014:

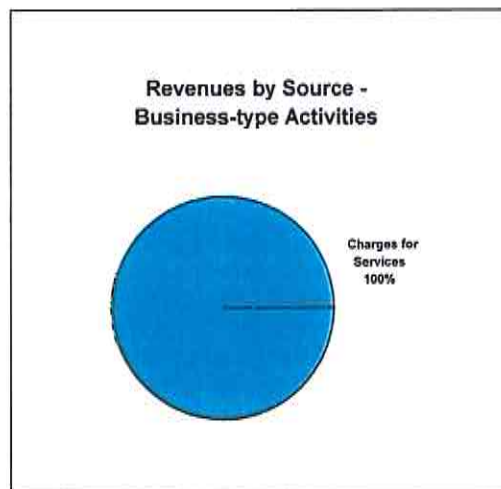
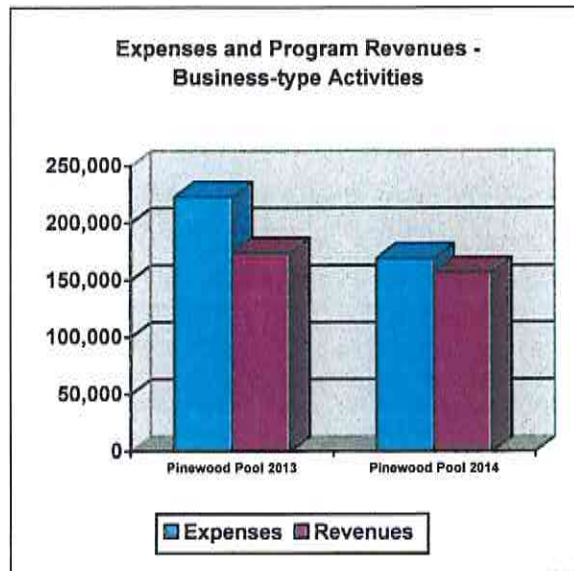


Most of the expenses that occurred in the year 2014 were related to Public Safety. Public Safety expenses were \$16,080,941. This broad category encompasses police protection, animal control, fire marshal's services, code enforcement, zoning services and environmental protection. Highway and Streets expenses were \$6,198,874 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 \$1,826,865 which includes maintenance/upgrades at over 16 parks including the Falls Township Community Park. General Government expenses were \$2,713,828 and include costs for staffing, benefits, insurance and various other administrative costs.

Business-type activities

Business-type activities increased the Township's net position by \$17,855. The single business-type activity of Falls Township is the operation of the Pinewood Pool.

The Pinewood Pool fund experienced an operating loss of \$12,145 in 2014. The Pool underwent a reconstruction in 2003 and was reopened to the public in 2004. 2014 was the eleventh 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.



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 \$40,336,603 a decrease of \$3,721,542 compared to the previous year. Of the combined fund balance total: \$26,431,423 constitutes *unassigned fund balance*, which is available to meet the Township's current and future needs at the Township's discretion; an additional \$12,977,696 is assigned for specific purposes; \$693,937 is restricted for particular purposes; and, the remaining \$233,547 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 \$26,488,008 while total fund balance reached \$36,720,970. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The fund balance of Falls Township's general fund decreased \$3,619,992 during 2014. Overall expenditures for the General Fund decreased by over \$3.2 million; however, the fund's expenses continue to outpace revenues and total revenues saw a decrease of over \$600,000 due to lower income from Waste Management for tipping fees. As opposed to the prior year, there was no transfer from the Capital Reserve to help cover rising costs resulting in the large decrease in fund balance.

Capital Reserve

The Capital Reserve fund serves the Township to finance various Township purchases and projects. At the end of 2014, the assigned and total fund balance was \$2,978,281. This is a decrease in the amount of \$76,050.

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 2014, the net position was \$16,979. This represents an increase of \$17,855 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 \$2,928,543 for 2014. The single largest contributing factor was Host Community Fees revenue coming in over budget by \$3,079,798. Total expenditures for the year were under budget by a total of \$1,978,281. The greatest savings occurred in expenditures for Capital Outlays with Public Safety under budget by \$1,124,672, General Government under budget by \$953,377, Culture and Recreation under budget by \$701,603, and Public Works under budget by \$365,012. These savings were more than sufficient to offset operating expenditures coming in over budget for 2014.

Capital Asset and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental and business type activities as of December 31, 2014, amount to \$96,538,828 (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 2014 included the following:

The purchase of a 2014 Street Sweeper cost \$258,167.

Road improvements for various roads in the Township amounted to just over \$4,500,000 in construction and engineering costs. Also improving our roadways were continuing upgrades to Township street lights at a cost of \$20,353.

Park improvements in the form of repairs to the baby pool at the Pinewood Pool facility cost \$27,800; engineering costs for the Biles Island master plan cost \$25,036; construction and engineering costs for the repair of the Quaker Penn Boat Ramp amounted to \$80,831; and, construction of dugouts at the Babe Ruth Field at Quaker Penn Park cost \$8,347.

Capital purchases for the Police Department, including three new vehicles, 46 bullet proof vests, and 40 mobile radio replacements, were just over \$150,000.

FALLS TOWNSHIP
Capital Assets
(net of accumulated depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 16,460,926	\$ 16,460,926	\$ 162,700	\$ 162,700
Construction in Progress	197,927	24,263	-	-
Building and System	2,887,167	3,106,473	-	-
Improvements other than Building	2,175,292	2,760,352	-	-
Machinery and Equipment	2,000,040	2,045,841	9,865	11,838
Infrastructure	72,644,911	70,848,107	-	-
	<u>\$ 96,366,263</u>	<u>\$ 95,245,962</u>	<u>\$ 172,565</u>	<u>\$ 174,538</u>

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

Falls Township prepared a ten year capital purchase plan in 2004. All long-term planning for the acquisition of these various assets would be primarily funded through host community fees. The capital assets for the year 2014 in the Township's ten year capital purchase plan were acquired in accordance with the budget. These assets were the Township's significant additions or improvements for the year.

Debt Administration

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

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

Economic Factors and Next Year's Budgets and Rates

1) Tipping fees received from the landfill located in the Township have been on the rise since 2010, netting \$866,000 more than budgeted for that year. In 2011, earnings recovered even further coming in over budget by \$1,465,421. Fiscal years 2012 and 2013 saw a large increase in landfill revenues topping \$13 million and \$14 million respectively. Fiscal year 2014 brought in over \$14 million as well, in spite of earlier unfavorable projections. Waste Management has projected that tonnages will decrease next year netting Falls Township revenues of just over \$11 million.

2) The Pinewood Pool is expected to continue operations while trying to contain costs and exceed projected revenues. The Township has continued in-house management of the pool for 2014 in an effort to control costs. Pool membership registration declined in 2014 leading the Township to reevaluate its advertising and programming for the pool for next season. And, the Host Community Fees fund will provide another cash transfer in 2015, if needed.

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

All of these factors were considered in preparing the Falls Township budget for 2015.

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, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash & cash equivalents	\$ 21,775,276	\$	\$ 21,775,276
Investments	18,202,649		18,202,649
Taxes receivable	85,055		85,055
Accounts receivable (net of allowance for uncollectibles)	2,294,730		2,294,730
Prepaid assets	238,808		238,808
Total Current Assets	<u>42,596,518</u>	<u>-</u>	<u>42,596,518</u>
Noncurrent Assets:			
Capital Assets (net of accumulated depreciation):			
Land	16,460,926	162,700	16,623,626
Construction in progress	197,927		197,927
Buildings and systems	2,887,167		2,887,167
Infrastructure	72,644,911		72,644,911
Improvements other than buildings	2,175,292		2,175,292
Machinery, equipment, and vehicles	2,000,040	9,865	2,009,905
Total Capital Assets	<u>96,366,263</u>	<u>172,565</u>	<u>96,538,828</u>
TOTAL ASSETS	<u>138,962,781</u>	<u>172,565</u>	<u>139,135,346</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	506,931	-	506,931
Accrued salary and benefits	46,242	74	46,316
Unearned revenue	246,297		246,297
Deposits	810,467		810,467
Internal balances	(155,512)	155,512	-
Portion due or payable within one year			
Compensated absences	608,595		608,595
Total Current Liabilities	<u>2,063,020</u>	<u>155,586</u>	<u>2,218,606</u>
Long-term Liabilities:			
Portion due or payable after one year			
Compensated absences	870,989		870,989
Other post-employment benefits	2,354,808		2,354,808
Total Long-term Liabilities	<u>3,225,797</u>	<u>-</u>	<u>3,225,797</u>
TOTAL LIABILITIES	<u>5,288,817</u>	<u>155,586</u>	<u>5,444,403</u>
NET POSITION			
Investment in capital assets	96,366,263	172,565	96,538,828
Restricted for			
Recycling expenditures	446,335		446,335
Rescue squad	3,509		3,509
Highway aid	178,854		178,854
Street lighting	65,239		65,239
Unrestricted	36,613,764	(155,586)	36,458,178
TOTAL NET POSITION	<u>\$ 133,673,964</u>	<u>\$ 16,979</u>	<u>\$ 133,690,943</u>

TOWNSHIP OF FALLS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
GOVERNMENTAL ACTIVITIES							
General government	\$ 2,713,828	\$ 1,089,257	\$ 630,338	\$	\$ (994,233)	\$	\$ (994,233)
Public safety	16,080,941	1,547,850	296,721		(14,236,370)		(14,236,370)
Public works - highways and streets	6,198,874	55,208	822,537		(5,321,129)		(5,321,129)
Culture and recreation	1,826,865	155,373	670		(1,670,822)		(1,670,822)
TOTAL GOVERNMENTAL ACTIVITIES	26,820,508	2,847,688	1,750,266	-	(22,222,554)	-	(22,222,554)
BUSINESS-TYPE ACTIVITIES							
Pinewood Pool	169,094	156,949				(12,145)	(12,145)
TOTAL BUSINESS-TYPE ACTIVITIES	169,094	156,949	-	-	-	(12,145)	(12,145)
TOTAL GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES	\$ 26,989,602	\$ 3,004,637	\$ 1,750,266	\$ -	(22,222,554)	(12,145)	(22,234,699)
GENERAL REVENUES							
Property taxes, levied for general purposes					2,270,450		2,270,450
Real estate transfer taxes					664,784		664,784
Local services taxes					404,511		404,511
Mechanical device tax					34,285		34,285
Other taxes					14,173		14,173
Payment in lieu of taxes					75,000		75,000
Contributions not restricted to specific programs					15,419,498		15,419,498
Interest earnings					176,550		176,550
Miscellaneous revenues					46,510		46,510
Gain on sale of capital assets					4,320		4,320
Transfers					(30,000)	30,000	-
TOTAL GENERAL REVENUES AND TRANSFERS					19,080,081	30,000	19,110,081
CHANGE IN NET POSITION					(3,142,473)	17,855	(3,124,618)
NET POSITION AT BEGINNING OF YEAR					136,816,437	(876)	136,815,561
NET POSITION AT END OF YEAR					\$ 133,673,964	\$ 16,979	\$ 133,690,943

**TOWNSHIP OF FALLS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Capital Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 17,316,131	\$ 3,757,549	\$ 701,596	\$ 21,775,276
Investments	18,202,649			18,202,649
Accounts receivable (net of allowance for uncollectibles)	2,294,729	1		2,294,730
Taxes receivable	31,317		53,738	85,055
Interfund receivable	174,200		4,085	178,285
Prepaid items	233,547		5,261	238,808
TOTAL ASSETS	\$ 38,252,573	\$ 3,757,550	\$ 764,680	\$ 42,774,803
LIABILITIES				
Accounts payable	\$ 463,523	\$ 7,016	\$ 36,392	\$ 506,931
Deposits	37,964	772,253	250	810,467
Interfund payable	4,085		18,688	22,773
Salaries and benefits payable	630,986		23,851	654,837
Unearned revenue	365,595			365,595
TOTAL LIABILITIES	1,502,153	779,269	79,181	2,360,603
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - real estate taxes	28,373		48,147	76,520
Unavailable revenue - other	1,077			1,077
TOTAL DEFERRED INFLOWS OF RESOURCES	29,450	-	48,147	77,597
FUND BALANCES				
Nonspendable:				
Prepaid items	233,547			233,547
Restricted for:				
Recycling expenditures			446,335	446,335
Rescue squad			3,509	3,509
Highway aid			178,854	178,854
Street lighting			65,239	65,239
Assigned to:				
Capital projects	9,201,402	2,978,281		12,179,683
Subsequent year's budget: appropriation of fund balance	798,013			798,013
Unassigned	26,488,008		(56,585)	26,431,423
TOTAL FUND BALANCES	36,720,970	2,978,281	637,352	40,336,603
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 38,252,573	\$ 3,757,550	\$ 764,680	\$ 42,774,803

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

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

DECEMBER 31, 2014

TOTAL GOVERNMENTAL FUND BALANCES	\$ 40,336,603
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 \$154,165,060 and the accumulated depreciation is \$57,798,797	96,366,263
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	196,895
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	(2,354,808)
Compensated absences	<u>(870,989)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 133,673,964</u>

TOWNSHIP OF FALLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Capital Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes				
Property	\$ 833,173	\$	\$ 1,451,625	\$ 2,284,798
Real estate transfer	664,784			664,784
Local services	410,435			410,435
Mechanical device	34,285			34,285
Motor fuel tax			671,686	671,686
Payment in lieu of taxes	27,320		47,680	75,000
Host community fees	15,419,498			15,419,498
Licenses and permits	840,523			840,523
Fines and forfeits	182,573			182,573
Interest earnings	169,557	3,404	3,589	176,550
Rents	90,848		8,684	99,532
Intergovernmental	644,511		260,871	905,382
Charges for services	1,542,057		155,373	1,697,430
Contributions and donations	150,851		36,520	187,371
Refunds of prior years	42,788			42,788
TOTAL REVENUES	21,053,203	3,404	2,636,028	23,692,635
EXPENDITURES				
Current				
General government	2,461,760	63,427	-	2,525,187
Public safety	13,968,706		1,284,502	15,253,208
Public works - highways and streets	2,287,101		971,465	3,258,566
Culture and recreation	113,631		907,235	1,020,866
Capital outlay				
General government	240,184			240,184
Public safety	150,105			150,105
Public works - highways and streets	4,723,393	16,027	54,326	4,793,746
Culture and recreation	146,635			146,635
TOTAL EXPENDITURES	24,091,515	79,454	3,217,528	27,388,497
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,038,312)	(76,050)	(581,500)	(3,695,862)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000		557,000	558,000
Transfers out	(587,000)		(1,000)	(588,000)
Sale of capital assets	4,320			4,320
TOTAL OTHER FINANCING SOURCES (USES)	(581,680)	-	556,000	(25,680)
NET INCREASE (DECREASE) IN FUND BALANCES	(3,619,992)	(76,050)	(25,500)	(3,721,542)
FUND BALANCES AT BEGINNING OF YEAR	40,340,962	3,054,331	662,852	44,058,145
FUND BALANCES, ENDING	\$ 36,720,970	\$ 2,978,281	\$ 637,352	\$ 40,336,603

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, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (3,721,542)
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	5,330,670
Depreciation expense	(4,210,369)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,080
Compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.	(62,385)
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>(489,927)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (3,142,473)</u>

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

FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$ 866,070	\$ 866,070	\$ 833,173	\$ (32,897)
Real estate transfer	700,000	700,000	664,784	(35,216)
Local services	400,000	400,000	410,435	10,435
Mechanical device	35,000	35,000	34,285	(715)
Payment in lieu of taxes	27,320	27,320	27,320	-
Host community fees	12,339,700	12,339,700	15,419,498	3,079,798
Licenses and permits	839,000	839,000	840,523	1,523
Fines and forfeits	210,000	210,000	182,573	(27,427)
Interest earnings	303,800	303,800	169,557	(134,243)
Rents	92,520	92,520	90,848	(1,672)
Intergovernmental	780,350	780,350	644,511	(135,839)
Charges for services	1,530,800	1,530,800	1,542,057	11,257
Contributions and donations	-	-	150,851	150,851
Refunds of prior years	-	-	42,788	42,788
Miscellaneous revenues	100	100	-	(100)
TOTAL REVENUES	<u>18,124,660</u>	<u>18,124,660</u>	<u>21,053,203</u>	<u>2,928,543</u>
EXPENDITURES				
Current				
General government				
Supervisors	36,336	36,336	37,640	(1,304)
Manager	389,710	389,710	430,741	(41,031)
Finance and administration	540,475	540,475	579,877	(39,402)
Attorney	330,000	330,000	378,405	(48,405)
Other	882,772	882,772	1,035,097	(152,325)
Total general government	<u>2,179,293</u>	<u>2,179,293</u>	<u>2,461,760</u>	<u>(282,467)</u>
Public safety				
Police	12,024,566	12,024,566	12,311,222	(286,656)
Fire	521,384	521,384	527,883	(6,499)
Code Enforcement	1,080,999	1,080,999	1,129,601	(48,602)
Total public safety	<u>13,626,949</u>	<u>13,626,949</u>	<u>13,968,706</u>	<u>(341,757)</u>
Public works				
Highways and streets	1,858,573	1,858,573	2,287,101	(428,528)
Total public works	<u>1,858,573</u>	<u>1,858,573</u>	<u>2,287,101</u>	<u>(428,528)</u>
Total culture and recreation	<u>-</u>	<u>-</u>	<u>113,631</u>	<u>(113,631)</u>
Capital outlay				
General government	1,193,561	1,193,561	240,184	953,377
Public safety	1,274,777	1,274,777	150,105	1,124,672
Public works - highway and streets	5,088,405	5,088,405	4,723,393	365,012
Culture and recreation	848,238	848,238	146,635	701,603
Total capital outlay	<u>8,404,981</u>	<u>8,404,981</u>	<u>5,260,317</u>	<u>3,144,664</u>
TOTAL EXPENDITURES	<u>26,069,796</u>	<u>26,069,796</u>	<u>24,091,515</u>	<u>1,978,281</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(7,945,136)</u>	<u>(7,945,136)</u>	<u>(3,038,312)</u>	<u>4,906,824</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	1,000	1,000	-
Transfers out	(587,000)	(587,000)	(587,000)	-
Sale of assets	2,000	2,000	4,320	2,320
TOTAL OTHER FINANCING SOURCES (USES)	<u>(584,000)</u>	<u>(584,000)</u>	<u>(581,680)</u>	<u>2,320</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>(8,529,136)</u>	<u>(8,529,136)</u>	<u>(3,619,992)</u>	<u>4,909,144</u>
FUND BALANCE, BEGINNING	<u>40,340,962</u>	<u>40,340,962</u>	<u>40,340,962</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 31,811,826</u>	<u>\$ 31,811,826</u>	<u>\$ 36,720,970</u>	<u>\$ 4,909,144</u>

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	<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	9,865	11,838
TOTAL CAPITAL ASSETS	<u>172,565</u>	<u>174,538</u>
TOTAL ASSETS	<u>172,565</u>	<u>174,538</u>
LIABILITIES		
Current liabilities		
Accounts payable		1,907
Interfund payable	155,512	172,778
Salaries and benefits payable	74	729
TOTAL CURRENT LIABILITIES	<u>155,586</u>	<u>175,414</u>
NET POSITION		
Investment in capital assets	172,565	174,538
Unrestricted	<u>(155,586)</u>	<u>(175,414)</u>
TOTAL NET POSITION	<u>\$ 16,979</u>	<u>\$ (876)</u>

TOWNSHIP OF FALLS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds	
	Pinewood Pool Current Year	Pinewood Pool Prior Year
OPERATING REVENUES		
Charges for sales and services		
Pool memberships	\$ 140,492	\$ 156,186
Concession income	16,457	17,803
	156,949	173,989
TOTAL OPERATING REVENUES		
OPERATING EXPENSES		
Costs of sales and services	153,760	195,011
Administration	13,361	25,862
Depreciation on capital assets	1,973	1,973
	169,094	222,846
TOTAL OPERATING EXPENSES		
Operating Loss	(12,145)	(48,857)
Transfers in	30,000	75,000
CHANGE IN NET POSITION	17,855	26,143
NET POSITION, BEGINNING	(876)	(27,019)
NET POSITION, ENDING	\$ 16,979	\$ (876)

TOWNSHIP OF FALLS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Business-type Activities - Enterprise Funds</u>	
	Pinewood Pool Current Year	Pinewood Pool Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 156,949	\$ 173,989
Payments to suppliers	(71,544)	(98,504)
Payments to employees	(98,139)	(120,492)
	(12,734)	(45,007)
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from other funds	12,734	45,007
	12,734	45,007
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES		
	12,734	45,007
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING	-	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ -	\$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (12,145)	\$ (48,857)
Adjustments to reconcile operating loss to net cash provided (used) by operating expenses		
Depreciation expense	1,973	1,973
Increase (decrease) in accounts payable	(1,907)	1,787
Increase (decrease) in salaries and benefits payable	(655)	90
	(589)	3,850
TOTAL ADJUSTMENTS		
NET CASH USED IN OPERATING ACTIVITIES	\$ (12,734)	\$ (45,007)

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

COMBINED STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2014

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 2,946,417	\$ 2,238,115
Receivables	161,883	
Accounts receivable		1,704
Investment, at fair value		
Certificates of deposit	494,000	
Common stock, mutual funds	<u>22,480,427</u>	
TOTAL ASSETS	26,082,727	<u>\$ 2,239,819</u>
LIABILITIES		
Pension payable	<u>518,939</u>	
Escrow deposits		<u>\$ 2,239,819</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 25,563,788</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, 2014

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 1,336,146
Plan member	314,428
Commonwealth	518,939
Total Contributions	<u>2,169,513</u>
Investment Income	
Interest	(5,525)
Dividend income	492,893
Net appreciation in fair market value of investments	877,453
Total investment income	<u>1,364,821</u>
Less: investment expenses	<u>83,707</u>
Net investment income	<u>1,281,114</u>
TOTAL ADDITIONS	<u>3,450,627</u>
DEDUCTIONS	
Benefits	2,048,049
Administrative expenses	663
Total deductions	<u>2,048,712</u>
Change in Net Position	1,401,915
NET POSITION BEGINNING OF YEAR	<u>24,161,873</u>
NET POSITION END OF YEAR	<u>\$ 25,563,788</u>

See accompanying notes to the basic financial statements