

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, 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

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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, 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.

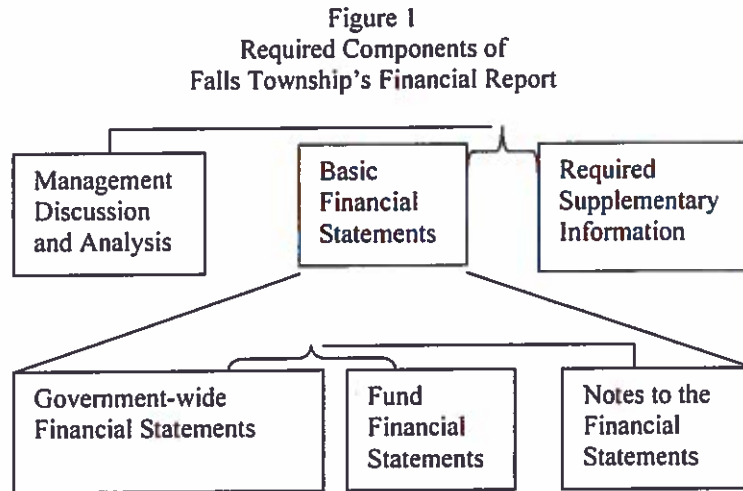
OVERVIEW OF THE FINANCIAL STATEMENTS

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.



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.

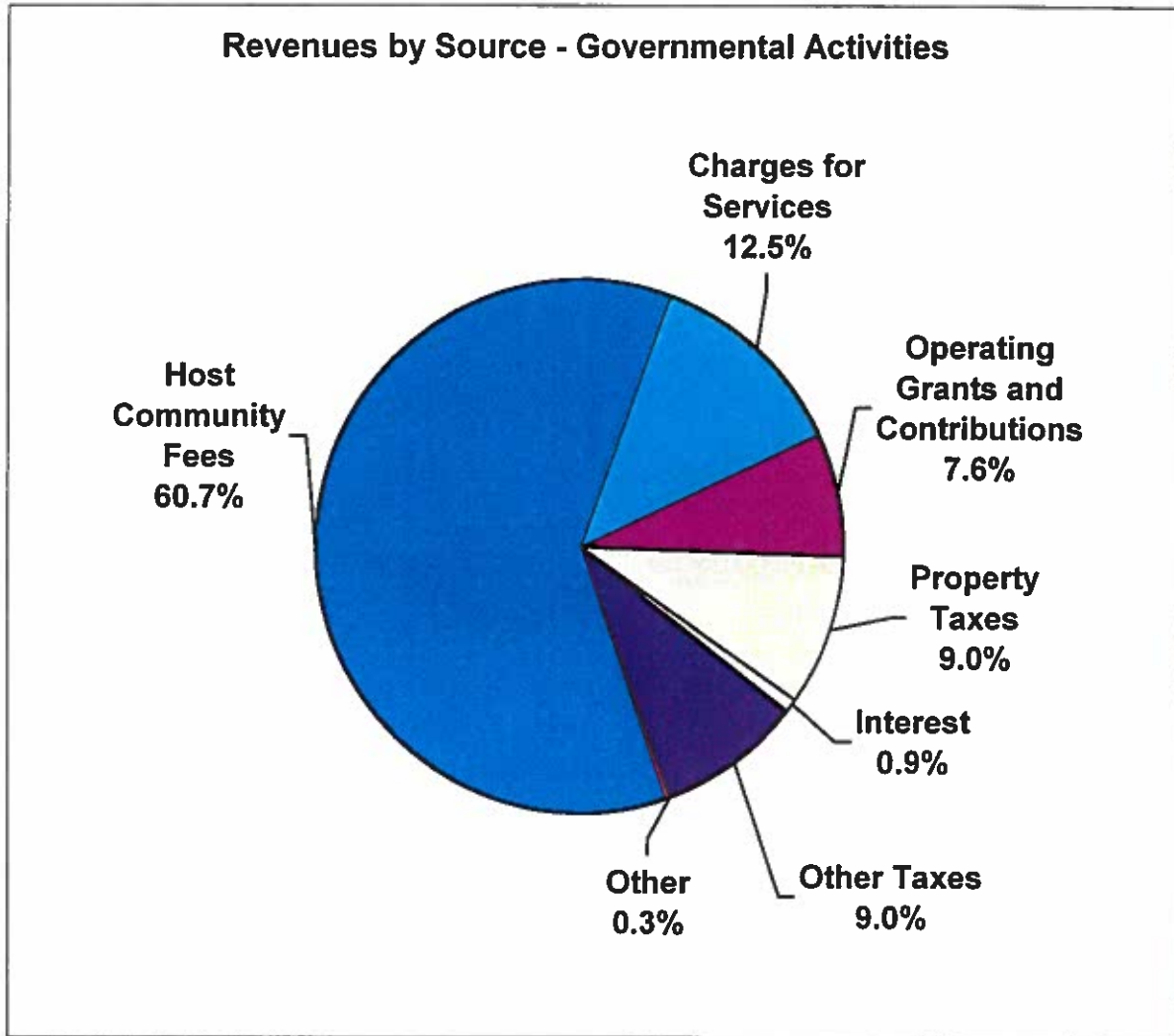
The following table takes the information from the Statement of Activities and rearranges it slightly, so you can see the Township's total revenues for the year ended December 31, 2016 compared to the prior year's figures.

**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

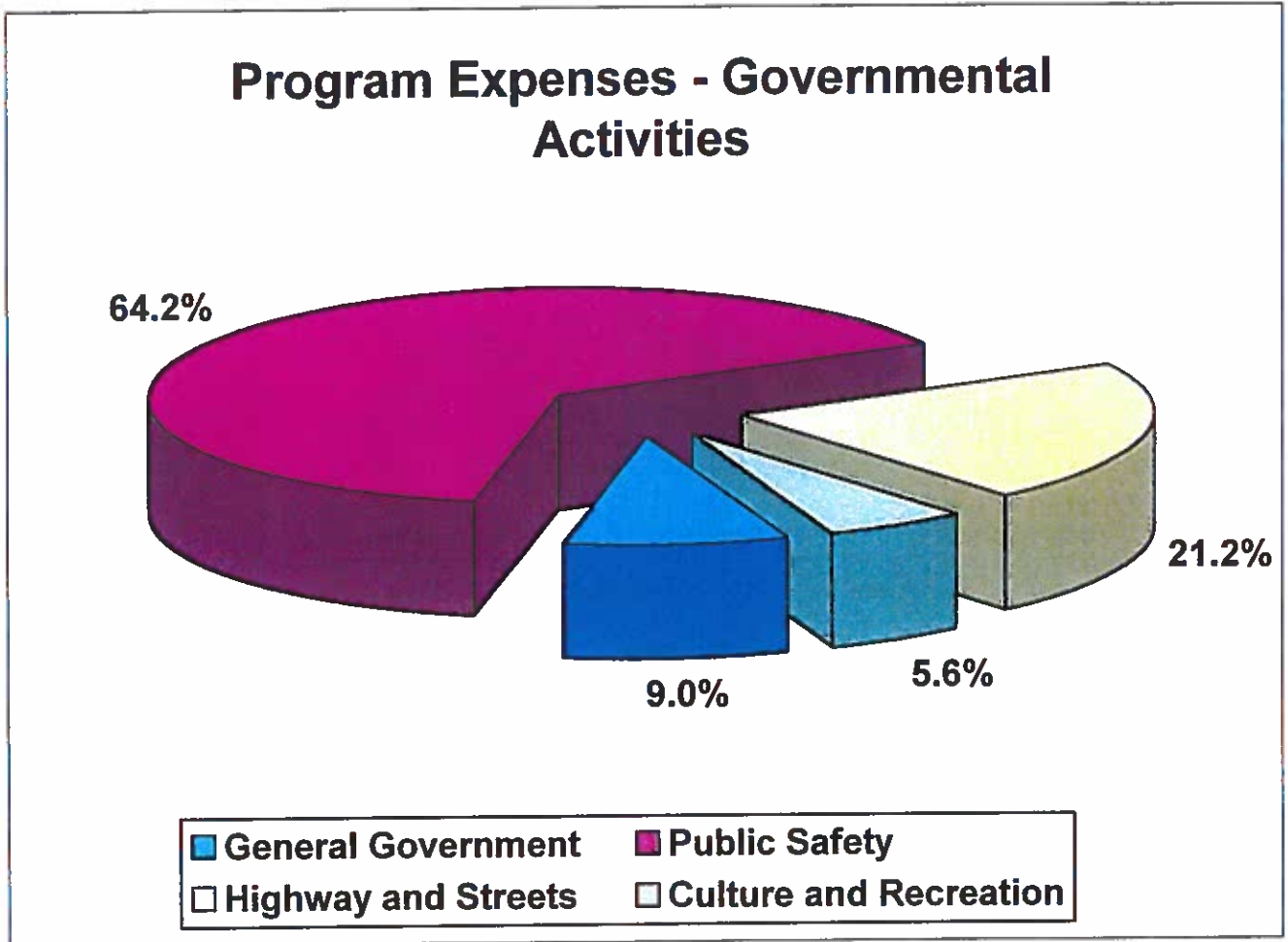
Governmental Activities

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:

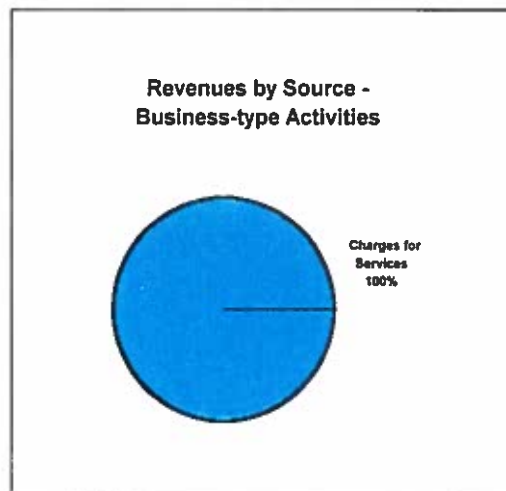
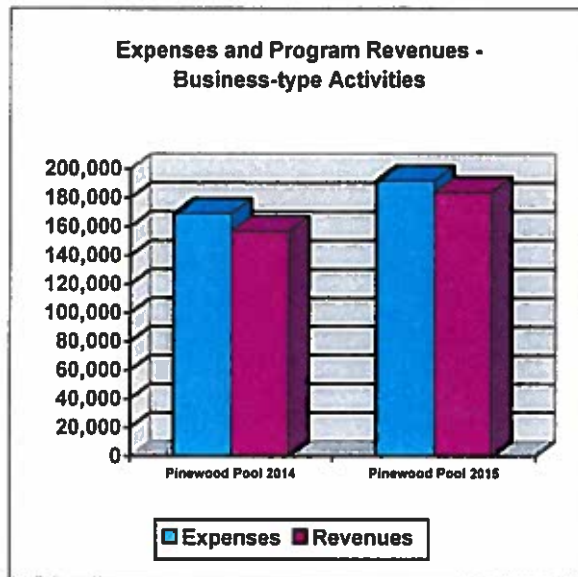


Most of the expenses that occurred in the year 2016 were related to Public Safety. Public Safety expenses were \$18,063,659. This broad category encompasses police protection, animal control, fire marshal's services, code enforcement, zoning services and environmental protection. Highway and Streets 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	<u>\$ 109,813,373</u>

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>

See accompanying notes to the basic financial statements

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	<u>19,851,851</u>	<u>19,851,851</u>	<u>21,350,677</u>	<u>1,498,826</u>
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	<u>2,400,179</u>	<u>2,400,179</u>	<u>2,289,826</u>	<u>110,353</u>
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	<u>14,827,996</u>	<u>14,827,996</u>	<u>15,704,434</u>	<u>(876,438)</u>
Public works				
Highways and streets	2,084,955	2,084,955	1,964,218	120,737
Total public works	<u>2,084,955</u>	<u>2,084,955</u>	<u>1,964,218</u>	<u>120,737</u>
Total culture and recreation	<u>22,900</u>	<u>22,900</u>	<u>92,536</u>	<u>(69,636)</u>
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	<u>9,728,906</u>	<u>9,728,906</u>	<u>1,575,744</u>	<u>8,153,162</u>
TOTAL EXPENDITURES	<u>29,064,936</u>	<u>29,064,936</u>	<u>21,626,758</u>	<u>7,438,178</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,213,085)</u>	<u>(9,213,085)</u>	<u>(276,081)</u>	<u>8,937,004</u>
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)	<u>(654,000)</u>	<u>(654,000)</u>	<u>(751,314)</u>	<u>(97,314)</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>(9,867,085)</u>	<u>(9,867,085)</u>	<u>(1,027,395)</u>	<u>8,839,690</u>
FUND BALANCE, BEGINNING	<u>35,399,375</u>	<u>35,399,375</u>	<u>35,399,375</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 25,532,290</u>	<u>\$ 25,532,290</u>	<u>\$ 34,371,980</u>	<u>\$ 8,839,690</u>

See accompanying notes to the basic financial statements

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>

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)
NET CASH USED IN OPERATING ACTIVITIES	<u>(21,872)</u>	<u>(5,777)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from other funds	21,872	5,777
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>21,872</u>	<u>5,777</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
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
TOTAL ADJUSTMENTS	<u>2,111</u>	<u>2,053</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (21,872)</u>	<u>\$ (5,777)</u>

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