

FINANCIAL SECTION

This Page Intentionally Left Blank



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the TOWNSHIP OF FALLS, Pennsylvania (the Township) as of and for the year ended December 31, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in Note 5 to the financial statements, during the year ending December 31, 2015, the Township adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

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 17, 2016

MAJOR & MASTRO, LLC
Montgomeryville, Pennsylvania
Certified Public Accountants

Handwritten signature in black ink that reads "Major & Mastro LLC". The signature is written in a cursive, stylized font.

This Page Intentionally Left Blank

**Falls Township
Bucks County, Pennsylvania**

**Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Fiscal Year Ended December 31, 2015**

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, 2015. 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 \$113,790,201 and \$118,333,447 (as adjusted) at the close of the years ended December 31, 2015 and 2014, respectively. Of the 2015 amount, \$18,301,046 may be used to meet the government's ongoing obligations for general operations of the Township, whereas in 2014 \$21,100,682 (as adjusted) was available for that purpose. The adjustment to the 2014 amounts is a direct result of new accounting and financial reporting standards issued by the Governmental Accounting Standards Board (GASB). Statement 68, issued by GASB, outlines a different approach to the recognition and calculation of pension obligations. Under the new GASB standards, employers are required to record the net pension liability and pension expense in their financial statements as part of their financial position.

The Township's governmental net position decreased by a total of \$4,543,246 during 2015. This decrease in net position is due to a reduction in the Township's cash reserves.

As of the end of 2015, Falls Township's governmental funds reported combined ending fund balances of \$38,353,427. As a comparison, at the end of 2014, the balance was \$40,336,603, a reduction of \$1,983,176.

Business-type activities' net position increased by \$49,170 from \$16,979 in 2014 to \$66,149 in 2015. The reason for this increase is a reduction in current liabilities, specifically interfund payable.

At the end of the 2015, the unassigned fund balance for the general fund was \$25,226,617 or 123% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

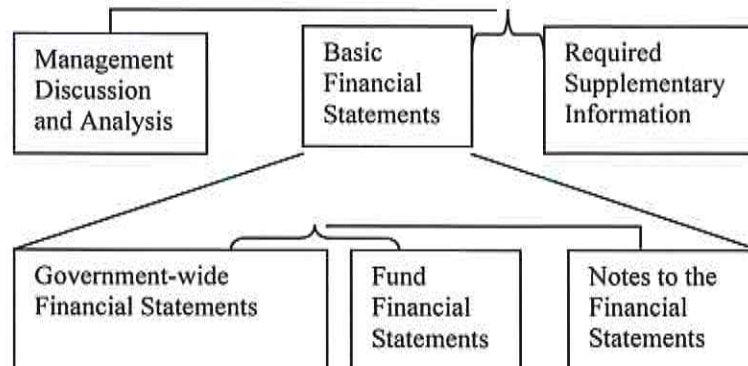
This discussion and analysis are intended to serve as an introduction to Falls Township's basic financial statements. Falls Township's basic financial statements are comprised of three components:

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

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

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

Figure 1
Required Components of
Falls Township's Financial Report



Government-wide financial statements

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

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

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

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

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

Fund financial statements

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Notes to the Financial Statements

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

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

Other information

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government’s financial position. For Falls Township, assets and deferred outflows of resources exceed liabilities by \$113,790,201 and \$118,333,447 (as adjusted) at the close of the years ended December 31, 2015 and 2014, respectively.

The following table provides a summary of the Township’s net position at December 31, 2015 compared to the prior year’s figures:

**FALLS TOWNSHIP
NET POSITION**

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2015	2014*	2015	2014	2015	2014
Current and other assets	\$ 40,385,782	\$ 42,596,518	\$ -	\$ -	\$ 40,385,782	\$ 42,596,518
Capital assets	94,701,771	96,366,263	170,592	172,565	94,872,363	96,538,828
Total Assets	\$ 135,087,553	\$ 138,962,781	\$ 170,592	\$ 172,565	\$ 135,258,145	\$ 139,135,346
Deferred Outflows of Resources	\$ 3,231,633	\$ 66,091	\$ -	\$ -	\$ 3,231,633	\$ 66,091
Long-term liabilities outstanding	\$ 22,732,577	\$ 18,649,384	\$ -	\$ -	\$ 22,732,577	\$ 18,649,384
Other liabilities	1,862,557	2,063,020	104,443	155,586	1,967,000	2,218,606
Total Liabilities	\$ 24,595,134	\$ 20,712,404	\$ 104,443	\$ 155,586	\$ 24,699,577	\$ 20,867,990
Net Position:						
Net Investment in capital assets	\$ 94,701,771	\$ 96,366,263	\$ 170,592	\$ 172,565	\$ 94,872,363	\$ 96,538,828
Restricted	616,792	693,937	-	-	616,792	693,937
Unrestricted	18,405,489	21,256,268	(104,443)	(155,586)	18,301,046	21,100,682
Total Net Position	\$ 113,724,052	\$ 118,316,468	\$ 66,149	\$ 16,979	\$ 113,790,201	\$ 118,333,447

*2014 was adjusted to reflect prior period adjustment relating to net pension liability in accordance with GASB Statement No. 68

The largest portion of Falls Township's net position, 83.4%, 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, 0.54%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$18,301,046, 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 \$4,592,416 for the year ended December 31, 2015 in addition to the decrease in net position by \$3,142,473 for the year ended December 31, 2014. The decreases in 2015 and 2014 are 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 \$49,170 for the year ended December 31, 2015 in addition to the increase of \$17,855 for the prior year. These activities represent ongoing operations at the Pinewood Pool for 2015.

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.

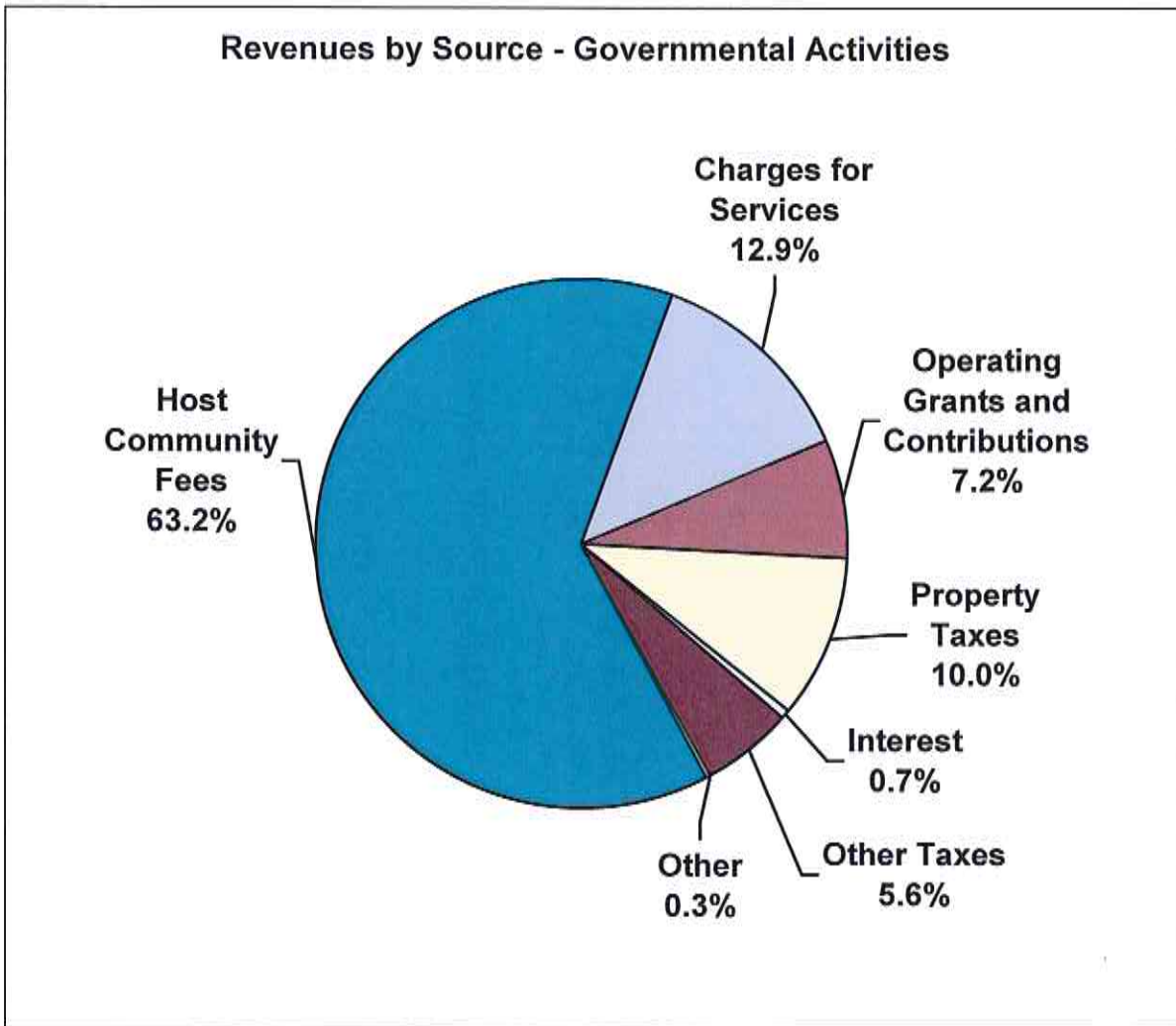
The following table takes the information from the Statement of Activities and rearranges it slightly, so you can see the Township's total revenues for the year ended December 31, 2015 compared to the prior year's figures.

**FALLS TOWNSHIP
CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ 2,927,179	\$ 2,847,688	\$ 184,100	\$ 156,949	\$ 3,111,279	\$ 3,004,637
Operating Grants and Contributions	1,630,750	1,750,266	-	-	1,630,750	1,750,266
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property taxes	2,265,384	2,270,450	-	-	2,265,384	2,270,450
Other taxes	1,255,416	1,192,753	-	-	1,255,416	1,192,753
Host Community Fees	14,298,232	15,419,498	-	-	14,298,232	15,419,498
Other	233,958	227,380	-	-	233,958	227,380
Total Revenues	<u>\$ 22,610,919</u>	<u>\$ 23,708,035</u>	<u>\$ 184,100</u>	<u>\$ 156,949</u>	<u>\$ 22,795,019</u>	<u>\$ 23,864,984</u>
EXPENSES:						
General Government	\$ 2,604,253	\$ 2,713,828			\$ 2,604,253	\$ 2,713,828
Public Safety	17,048,216	16,080,941			17,048,216	16,080,941
Highway and Streets	6,112,069	6,198,874			6,112,069	6,198,874
Culture and Recreation	1,381,797	1,826,865			1,381,797	1,826,865
Pinewood Pool	-	-	\$ 191,930	\$ 169,094	191,930	169,094
Total Expenses	<u>27,146,335</u>	<u>26,820,508</u>	<u>191,930</u>	<u>169,094</u>	<u>27,338,265</u>	<u>26,989,602</u>
Change in net position before transfers	(4,535,416)	(3,112,473)	(7,830)	(12,145)	(4,543,246)	(3,124,618)
Transfers	(57,000)	(30,000)	57,000	30,000	-	-
Change in Net Position	<u>(4,592,416)</u>	<u>(3,142,473)</u>	<u>49,170</u>	<u>17,855</u>	<u>(4,543,246)</u>	<u>(3,124,618)</u>
Net Position, Beginning	118,316,468	136,816,437	16,979	(876)	118,333,447	136,815,561
Adjustment (See note #5)	-	(15,357,496)	-	-	-	(15,357,496)
Net Position, Beginning, Restated	<u>118,316,468</u>	<u>121,458,941</u>	<u>16,979</u>	<u>(876)</u>	<u>118,333,447</u>	<u>121,458,065</u>
Net Position, Ending	<u>\$ 113,724,052</u>	<u>\$ 118,316,468</u>	<u>\$ 66,149</u>	<u>\$ 16,979</u>	<u>\$ 113,790,201</u>	<u>\$ 118,333,447</u>

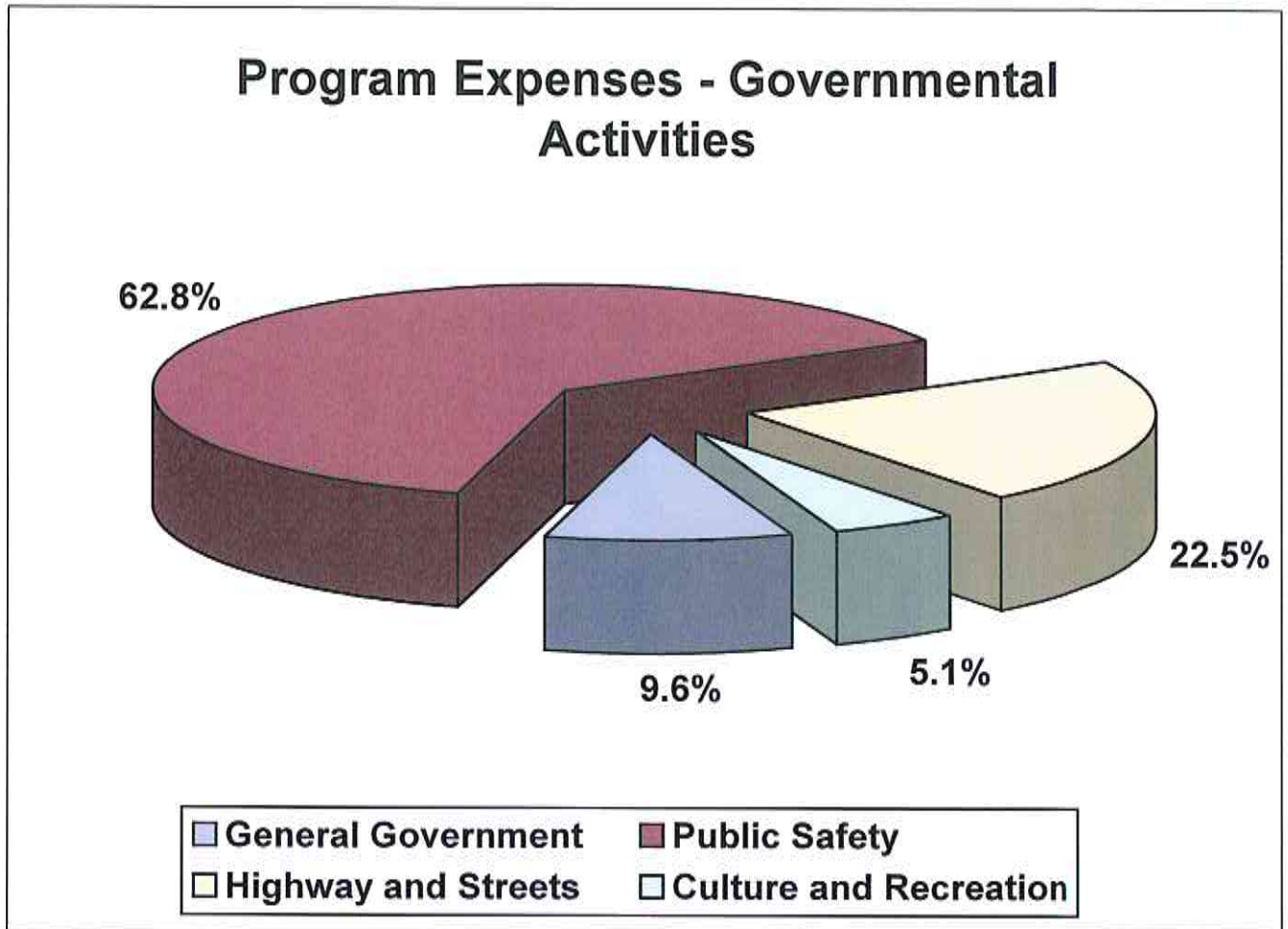
Governmental Activities

The following chart shows the Government-wide sources of revenues for the year ended December 31, 2015:



Of the total Government-wide revenues of \$22,610,919, \$14,298,232 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 \$2,927,179 which were generated for various items from business licenses to permits. Property taxes netted the Township \$2,265,384, Other Taxes brought in \$1,255,416, Operating Grants and Contributions added \$1,630,750, Interest Earnings netted \$161,521 and Other (miscellaneous) revenues were \$72,437.

The following chart shows the Government-wide sources of program expenses and revenues for the year ended December 31, 2015:

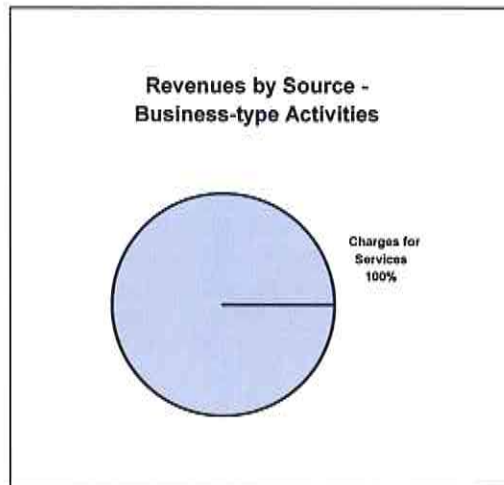
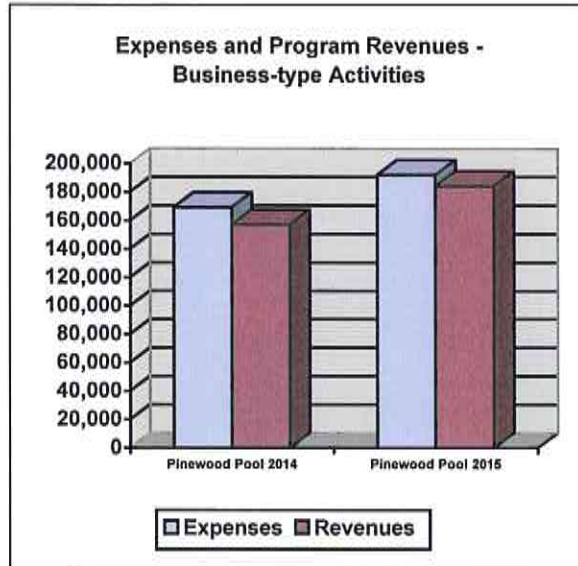


Most of the expenses that occurred in the year 2015 were related to Public Safety. Public Safety expenses were \$17,048,216. This broad category encompasses police protection, animal control, fire marshal's services, code enforcement, zoning services and environmental protection. Highway and Streets expenses were \$6,112,069 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 \$1,381,797 which includes maintenance/upgrades at over 16 parks including the Falls Township Community Park. General Government expenses were \$2,604,253 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 \$49,170. The single business-type activity of Falls Township is the operation of the Pinewood Pool.

The Pinewood Pool fund experienced an operating loss of \$7,830 in 2015. The Pool underwent a reconstruction in 2003 and was reopened to the public in 2004. 2015 was the twelfth 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 \$38,353,427 a decrease of \$1,983,176 compared to the previous year. Of the combined fund balance total: \$25,181,198 constitutes *unassigned fund balance*, which is available to meet the Township's current and future needs at the Township's discretion; an additional \$12,313,988 is assigned for specific purposes; \$627,637 is restricted for particular purposes; and, the remaining \$230,604 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 \$25,226,617 while total fund balance reached \$35,399,375. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The fund balance of Falls Township's general fund decreased \$1,321,595 during 2015. Overall expenditures for the General Fund decreased by over \$3.5 million; however, the fund's expenses continue to outpace revenues and total revenues saw a decrease of over \$1.1 million due to lower 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 2015, the assigned and total fund balance was \$2,371,834. This is a decrease in the amount of \$606,447.

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 2015, the net position was \$66,149. This represents an increase of \$49,170 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 \$866,324 for 2015. The single largest contributing factor was Host Community Fees revenue coming in over budget by \$1,889,032. Total expenditures for the year were under budget by a total of \$7,806,047. The greatest savings occurred in expenditures for Capital Outlays with Public Safety under budget by \$279,238, General Government under budget by \$5,851,851, Culture and Recreation under budget by \$377,009, and Public Works under budget by \$464,306. Many of the budgeted projects not completed in 2015 have been carried forward to the 2016 budget.

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, 2015, amount to \$94,872,363 (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 2015 included the following:

The purchase of two new vehicles for the Public Works department at a cost of \$134,553.

Road improvements for various roads in the Township amounted to just under \$1,000,000 in construction and engineering costs. Also improving our roadways were continuing upgrades to Township street lights at a cost of \$547,548.

Park improvements in the form of roof repairs to the Community Park pavilions cost \$10,603; a Tow and Collect machine to remove goose droppings cost \$8,419; and, a new John Deere Gator XUV cost \$14,576.

Capital purchases for the Police Department, including three new vehicles, 10 tactical vests, 2 mobile in-car camera systems, 63 Smith & Wesson handguns, 8 Tasers and supplies, and 5 tablet computers, totalled just over \$105,000.

FALLS TOWNSHIP Capital Assets (net of accumulated depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 16,460,926	\$ 16,460,926	\$ 162,700	\$ 162,700
Construction in Progress	556,765	197,927	-	-
Building and System	2,667,860	2,887,167	-	-
Improvements other than Building	1,858,714	2,175,292	-	-
Machinery and Equipment	1,760,641	2,000,040	7,892	9,865
Infrastructure	71,396,865	72,644,911	-	-
	<u>\$ 94,701,771</u>	<u>\$ 96,366,263</u>	<u>\$ 170,592</u>	<u>\$ 172,565</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 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 years 2014 and 2015 brought in over \$14 million each, in spite of earlier unfavorable projections. Waste Management has projected that tonnages will decrease next year netting Falls Township revenues of just over \$12 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 2015 in an effort to control costs. Pool membership registrations and program income increased in 2015 as a result of additional advertising and programming for the pool. This in turn resulted in an increase in guest fees and concession stand sales. An additional cash transfer from the Host Community Fees fund is not anticipated for 2016.

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 2016.

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, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash & cash equivalents	\$ 18,287,844	\$	\$ 18,287,844
Investments	20,008,302		20,008,302
Taxes receivable	92,573		92,573
Accounts receivable (net of allowance for uncollectibles)	1,759,640		1,759,640
Prepaid assets	237,423		237,423
Total Current Assets	40,385,782	-	40,385,782
Noncurrent Assets:			
Capital Assets (net of accumulated depreciation):			
Land	16,460,926	162,700	16,623,626
Construction in progress	556,765		556,765
Buildings and systems	2,667,860		2,667,860
Infrastructure	71,396,865		71,396,865
Improvements other than buildings	1,858,714		1,858,714
Machinery, equipment, and vehicles	1,760,641	7,892	1,768,533
Total Capital Assets	94,701,771	170,592	94,872,363
TOTAL ASSETS	135,087,553	170,592	135,258,145
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	3,231,633		3,231,633
LIABILITIES			
Current Liabilities:			
Accounts payable	248,881		248,881
Accrued salary and benefits	104,402	154	104,556
Unearned revenue	188,867		188,867
Deposits	788,673		788,673
Internal balances	(104,289)	104,289	-
Portion due or payable within one year			
Compensated absences	636,023		636,023
Total Current Liabilities	1,862,557	104,443	1,967,000
Long-term Liabilities:			
Portion due or payable after one year			
Compensated absences	931,578		931,578
Net pension liability	18,974,896		18,974,896
Other post-employment benefits	2,826,103		2,826,103
Total Long-term Liabilities	22,732,577	-	22,732,577
TOTAL LIABILITIES	24,595,134	104,443	24,699,577
NET POSITION			
Investment in capital assets	94,701,771	170,592	94,872,363
Restricted for			
Recycling expenditures	446,485		446,485
Rescue squad	4,722		4,722
Highway aid	52,427		52,427
Street lighting	113,158		113,158
Unrestricted	18,405,489	(104,443)	18,301,046
TOTAL NET POSITION	\$ 113,724,052	\$ 66,149	\$ 113,790,201

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

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	\$ 2,604,253	\$ 1,126,255	\$ 600,873	\$ -	\$ (877,125)	\$ -	\$ (877,125)
Public safety	17,048,216	1,562,830	279,659	-	(15,205,727)	-	(15,205,727)
Public works - highways and streets	6,112,069	83,773	737,750	-	(5,290,546)	-	(5,290,546)
Culture and recreation	1,381,797	154,321	12,468	-	(1,215,008)	-	(1,215,008)
TOTAL GOVERNMENTAL ACTIVITIES	27,146,335	2,927,179	1,630,750	-	(22,588,406)	-	(22,588,406)
BUSINESS-TYPE ACTIVITIES							
Pinewood Pool	191,930	184,100	-	-	-	(7,830)	(7,830)
TOTAL BUSINESS-TYPE ACTIVITIES	191,930	184,100	-	-	-	(7,830)	(7,830)
TOTAL GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES	\$ 27,338,265	\$ 3,111,279	\$ 1,630,750	\$ -	(22,588,406)	(7,830)	(22,596,236)
GENERAL REVENUES							
Property taxes, levied for general purposes					2,265,384		2,265,384
Real estate transfer taxes					727,455		727,455
Local services taxes					406,667		406,667
Mechanical device tax					32,015		32,015
Other taxes					14,279		14,279
Payment in lieu of taxes					75,000		75,000
Contributions not restricted to specific programs					14,298,232		14,298,232
Interest earnings					161,521		161,521
Miscellaneous revenues					72,437		72,437
Transfers					(57,000)	57,000	-
TOTAL GENERAL REVENUES AND TRANSFERS					17,995,990	57,000	18,052,990
CHANGE IN NET POSITION					(4,592,416)	49,170	(4,543,246)
NET POSITION AT BEGINNING OF YEAR							
As originally reported					133,673,964	16,979	133,690,943
Adjustment (see note #5)					(15,357,496)		(15,357,496)
NET POSITION AT BEGINNING OF YEAR, restated					118,316,468	16,979	118,333,447
NET POSITION AT END OF YEAR					\$ 113,724,052	\$ 66,149	\$ 113,790,201

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Capital Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & cash equivalents	\$ 13,897,958	\$ 3,567,486	\$ 822,400	\$ 18,287,844
Investments	20,008,302			20,008,302
Accounts receivable (net of allowance for uncollectibles)	1,759,639	1		1,759,640
Taxes receivable	33,936		58,637	92,573
Interfund receivable	715,310	100,000	-	815,310
Prepaid items	230,604		6,819	237,423
TOTAL ASSETS	<u>\$ 36,645,749</u>	<u>\$ 3,667,487</u>	<u>\$ 887,856</u>	<u>\$ 41,201,092</u>
LIABILITIES				
Accounts payable	\$ 213,463	\$ 3,001	\$ 32,417	\$ 248,881
Deposits	14,710	773,713	250	788,673
Interfund payable	-	518,939	192,082	711,021
Salaries and benefits payable	709,947		30,478	740,425
Unearned revenue	271,428			271,428
TOTAL LIABILITIES	<u>1,209,548</u>	<u>1,295,653</u>	<u>255,227</u>	<u>2,760,428</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - real estate taxes	29,218		50,411	79,629
Unavailable revenue - other	7,608			7,608
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>36,826</u>	<u>-</u>	<u>50,411</u>	<u>87,237</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	230,604			230,604
Restricted for:				
Recycling expenditures			446,485	446,485
Rescue squad			4,722	4,722
Fire hydrant			10,845	10,845
Highway aid			52,427	52,427
Street lighting			113,158	113,158
Assigned to:				
Capital projects	9,834,657	2,371,834		12,206,491
Subsequent year's budget: appropriation of fund balance	107,497			107,497
Unassigned	25,226,617		(45,419)	25,181,198
TOTAL FUND BALANCES	<u>35,399,375</u>	<u>2,371,834</u>	<u>582,218</u>	<u>38,353,427</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 36,645,749</u>	<u>\$ 3,667,487</u>	<u>\$ 887,856</u>	<u>\$ 41,201,092</u>

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, 2015

TOTAL GOVERNMENTAL FUND BALANCES	\$ 38,353,427
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 \$156,310,161 and the accumulated depreciation is \$61,608,390	94,701,771
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	169,798
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	3,231,633
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	(2,826,103)
Net pension liability	(18,974,896)
Compensated absences	<u>(931,578)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 113,724,052</u>

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

FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Capital Reserve	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes				
Property	\$ 824,041	\$	\$ 1,437,941	\$ 2,261,982
Real estate transfer	727,455			727,455
Local services	400,136			400,136
Mechanical device	32,015			32,015
Motor fuel tax			737,650	737,650
Payment in lieu of taxes	27,320		47,680	75,000
Host community fees	14,298,232			14,298,232
Licenses and permits	853,011			853,011
Fines and forfeits	200,543			200,543
Interest earnings	153,630	3,800	4,091	161,521
Rents	64,929		9,030	73,959
Intergovernmental	615,153		250,910	866,063
Charges for services	1,682,816		154,321	1,837,137
Contributions and donations	710		41,218	41,928
Refunds of prior years	71,384			71,384
TOTAL REVENUES	19,951,375	3,800	2,682,841	22,638,016
EXPENDITURES				
Current				
General government	2,358,330	66,421	-	2,424,751
Public safety	14,549,783		1,318,899	15,868,682
Public works - highways and streets	1,977,059		1,116,357	3,093,416
Culture and recreation	61,982		916,537	978,519
Capital outlay				
General government	365,577			365,577
Public safety	105,110			105,110
Public works - highways and streets	35,539	543,826	56,606	635,971
Culture and recreation	1,088,039		11,576	1,099,615
TOTAL EXPENDITURES	20,541,419	610,247	3,419,975	24,571,641
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(590,044)	(606,447)	(737,134)	(1,933,625)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000		683,000	684,000
Transfers out	(740,000)		(1,000)	(741,000)
Sale of capital assets	7,449			7,449
TOTAL OTHER FINANCING SOURCES (USES)	(731,551)	-	682,000	(49,551)
NET INCREASE (DECREASE) IN FUND BALANCES	(1,321,595)	(606,447)	(55,134)	(1,983,176)
FUND BALANCES AT BEGINNING OF YEAR	36,720,970	2,978,281	637,352	40,336,603
FUND BALANCES, ENDING	\$ 35,399,375	\$ 2,371,834	\$ 582,218	\$ 38,353,427

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, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (1,983,176)
<p>Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense:</p>	
Capital outlay	2,197,843
Depreciation expense	(3,862,335)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	(27,097)
<p>Compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in Governmental Funds.</p>	
	(60,589)
<p>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.</p>	
	(385,767)
<p>On the Statement of Activities the actual and projected long term expenditures for post-employment benefits are reported, whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.</p>	
	<u>(471,295)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (4,592,416)</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$ 865,413	\$ 865,413	\$ 824,041	\$ (41,372)
Real estate transfer	700,000	700,000	727,455	27,455
Local services	400,000	400,000	400,136	136
Mechanical device	35,000	35,000	32,015	(2,985)
Payment in lieu of taxes	27,320	27,320	27,320	-
Host community fees	12,409,200	12,409,200	14,298,232	1,889,032
Licenses and permits	863,765	863,765	853,011	(10,754)
Fines and forfeits	185,000	185,000	200,543	15,543
Interest earnings	302,700	302,700	153,630	(149,070)
Rents	72,653	72,653	64,929	(7,724)
Intergovernmental	1,663,000	1,663,000	615,153	(1,047,847)
Charges for services	1,526,000	1,526,000	1,682,816	156,816
Contributions and donations	-	-	710	710
Refunds of prior years	35,000	35,000	71,384	36,384
TOTAL REVENUES	19,085,051	19,085,051	19,951,375	866,324
EXPENDITURES				
Current				
General government				
Supervisors	35,806	35,806	34,234	1,572
Manager	414,063	414,063	441,812	(27,749)
Finance and administration	568,357	568,357	580,822	(12,465)
Attorney	340,000	340,000	332,869	7,131
Other	1,175,824	1,175,824	968,593	207,231
Total general government	2,534,050	2,534,050	2,358,330	175,720
Public safety				
Police	13,221,640	13,221,640	12,882,806	338,834
Fire	575,432	575,432	508,507	66,925
Code Enforcement	1,137,635	1,137,635	1,158,470	(20,835)
Total public safety	14,934,707	14,934,707	14,549,783	384,924
Public works				
Highways and streets	2,087,689	2,087,689	1,977,059	110,630
Total public works	2,087,689	2,087,689	1,977,059	110,630
Total culture and recreation	224,350	224,350	61,982	162,368
Capital outlay				
General government	6,217,429	6,217,429	365,577	5,851,852
Public safety	384,348	384,348	105,110	279,238
Public works - highway and streets	499,845	499,845	35,539	464,306
Culture and recreation	1,465,048	1,465,048	1,088,039	377,009
Total capital outlay	8,566,670	8,566,670	1,594,265	6,972,405
TOTAL EXPENDITURES	28,347,466	28,347,466	20,541,419	7,806,047
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,262,415)	(9,262,415)	(590,044)	8,672,371
OTHER FINANCING SOURCES (USES)				
Transfers in	1,000	1,000	1,000	-
Transfers out	(740,000)	(740,000)	(740,000)	-
Sale of assets	2,000	2,000	7,449	5,449
TOTAL OTHER FINANCING SOURCES (USES)	(737,000)	(737,000)	(731,551)	5,449
NET INCREASE (DECREASE) IN FUND BALANCE	(9,999,415)	(9,999,415)	(1,321,595)	8,677,820
FUND BALANCE, BEGINNING	36,720,970	36,720,970	36,720,970	-
FUND BALANCE, ENDING	\$ 26,721,555	\$ 26,721,555	\$ 35,399,375	\$ 8,677,820

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds	
	Pinewood Pool Current Year	Pinewood Pool Prior Year
	<p>ASSETS</p> <p>Noncurrent Assets:</p> <p>Capital Assets (net of accumulated depreciation):</p> <p style="padding-left: 20px;">Land</p> <p style="padding-left: 20px;">Machinery and equipment</p> <p>TOTAL CAPITAL ASSETS</p> <p>TOTAL ASSETS</p> <p>LIABILITIES</p> <p>Current liabilities</p> <p style="padding-left: 20px;">Interfund payable</p> <p style="padding-left: 20px;">Salaries and benefits payable</p> <p>TOTAL CURRENT LIABILITIES</p> <p>NET POSITION</p> <p>Investment in capital assets</p> <p>Unrestricted</p> <p>TOTAL NET POSITION</p>	<p>\$ 162,700</p> <p style="border-top: 1px solid black;">7,892</p> <p style="border-top: 1px solid black;">170,592</p> <p style="border-top: 1px solid black;">170,592</p> <p>104,289</p> <p style="border-top: 1px solid black;">154</p> <p style="border-top: 1px solid black;">104,443</p> <p>170,592</p> <p style="border-top: 1px solid black;">(104,443)</p> <p style="border-top: 1px solid black;">\$ 66,149</p>

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds	
	Pinewood Pool Current Year	Pinewood Pool Prior Year
OPERATING REVENUES		
Charges for sales and services		
Pool memberships	\$ 161,310	\$ 140,492
Concession income	22,790	16,457
TOTAL OPERATING REVENUES	<u>184,100</u>	<u>156,949</u>
OPERATING EXPENSES		
Costs of sales and services	164,906	153,760
Administration	25,051	13,361
Depreciation on capital assets	1,973	1,973
TOTAL OPERATING EXPENSES	<u>191,930</u>	<u>169,094</u>
Operating Loss	(7,830)	(12,145)
Transfers in	<u>57,000</u>	<u>30,000</u>
CHANGE IN NET POSITION	49,170	17,855
NET POSITION, BEGINNING	<u>16,979</u>	<u>(876)</u>
NET POSITION, ENDING	<u>\$ 66,149</u>	<u>\$ 16,979</u>

See accompanying notes to the basic financial statements

TOWNSHIP OF FALLS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds	
	Pinewood Pool Current Year	Pinewood Pool Prior Year
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 184,100	\$ 156,949
Payments to suppliers	(69,791)	(71,544)
Payments to employees	(120,086)	(98,139)
NET CASH USED IN OPERATING ACTIVITIES	(5,777)	(12,734)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from other funds	5,777	12,734
NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	5,777	12,734
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	\$ (7,830)	\$ (12,145)
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)
Increase (decrease) in salaries and benefits payable	80	(655)
TOTAL ADJUSTMENTS	2,053	(589)
NET CASH USED IN OPERATING ACTIVITIES	\$ (5,777)	\$ (12,734)

TOWNSHIP OF FALLS

COMBINED STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2015

	Pension Trust Funds	Agency Fund
ASSETS		
Cash and cash equivalents	\$ 5,272,179	\$ 2,810,954
Receivables	183,494	
Accounts receivable		1,704
Investment, at fair value		
Common stock, mutual funds	20,294,345	
TOTAL ASSETS	25,750,018	\$ 2,812,658
LIABILITIES		
Pension payable	223	
Escrow deposits		\$ 2,812,658
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 25,749,795	

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, 2015

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 1,808,521
Plan member	311,101
Commonwealth	537,154
Total Contributions	<u>2,656,776</u>
Investment Income	
Dividend income	492,054
Net appreciation (depreciation) in fair value of investments	<u>(607,717)</u>
Total investment income	(115,663)
Less: investment expenses	<u>88,490</u>
Net investment income	<u>(204,153)</u>
TOTAL ADDITIONS	<u>2,452,623</u>
DEDUCTIONS	
Benefits	2,246,717
Reimbursements	19,155
Administrative expenses	744
Total deductions	<u>2,266,616</u>
Change in Net Position	186,007
NET POSITION BEGINNING OF YEAR	<u>25,563,788</u>
NET POSITION END OF YEAR	<u>\$ 25,749,795</u>

See accompanying notes to the basic financial statements