



Montgomery Township, Pennsylvania



Comprehensive Annual Financial Report

Fiscal Year Ended December 31, 2017



*Prepared by the Montgomery Township
Finance Department*

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Montgomery Township, Pennsylvania

Fiscal Year Ended December 31, 2017

Prepared by the Montgomery Township Finance Department

INTRODUCTORY SECTION

MONTGOMERY TOWNSHIP
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**MONTGOMERY TOWNSHIP
BOARD OF SUPERVISORS**

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MONTGOMERYVILLE, PA 18936-9605

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JEFFREY W. McDONNELL
MATTHEW W. QUIGG

LAWRENCE J. GREGAN
TOWNSHIP MANAGER

June 15, 2018

To the Board of Supervisors and Citizens of Montgomery Township:

We are pleased to present to you the Comprehensive Annual Financial Report of Montgomery Township for the fiscal year ended December 31, 2017. The financial statements contained within the report are presented in accordance with generally accepted accounting principles by a firm of licensed certified public accountants.

This report was prepared by the Finance Department of Montgomery Township, which is responsible for the accuracy, completeness and fairness of the data presented, including all disclosures. To the best of our knowledge, the information presented in this report is accurate in all material respects and is reported in a manner designed to fairly represent the financial position and results of operations of the funds and component units of Montgomery Township. All disclosures necessary to enable the reader to gain an understanding of Montgomery Township's activities have been included.

Maillie, LLP, a firm of licensed certified public accountants, audits the Township's financial statements and has issued an unmodified ("clean") opinion on Montgomery Township's financial statements for the year ended December 31, 2017. The independent auditor's report is located at the front of the Financial Section of this report.

The purpose of this report is to provide readers with useful information concerning the Township's financial position and operations. Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Montgomery Township's MD&A can be found immediately following the report of the independent auditors.

Profile of the Township

Montgomery Township is a 10.82-square-mile, rectangular-shaped community located in the North Penn area of eastern Montgomery County. The Township is located in Montgomery County, approximately 13 miles from the City of Philadelphia. Montgomery Township is a diverse and dynamic suburban cosmopolitan area, with an excellent mix of housing and expanding opportunities for employment making it one of the most desirable communities in the region in which to live and work.

Incorporated in 1714, the Township was originally a rural-residential community but experienced

rapid residential growth in the past 35 years, more than quadrupling its population from 5,718 in 1980 to 26,143 in 2017. While primarily an affluent residential suburb of Philadelphia, the Township is a center for retail sales and has several major retail centers including the Montgomery Mall, a 1.1 million square foot super regional shopping center. The Bethlehem Pike Industrial Center and Montgomeryville Industrial Center are located in the Township, as is the Hartman Corporate Center. Despite a strong business presence, Montgomery retains its suburban character with a wide range of well-established residential neighborhoods.

The Township is governed by a five-member elected Board of Supervisors that serves as the Township's legislative and policymaking body. The board members are elected at large to staggered six-year terms. The Board of Supervisors is assisted by a full-time appointed Township Manager, who is responsible for the day to day operations of the Township.

The Township provides a full range of municipal services. The public safety programs include police, fire protection, building inspection, planning, zoning, emergency management and code enforcement. Public works programs include street maintenance and repair, street lighting, snow removal, traffic signalization, street markings, storm sewer and storm water basin maintenance, and maintenance of building and parks facilities. In addition to the Community & Recreation Center, the Township owns and maintains numerous community and neighborhood parks and nature areas, and holds an annual autumn festival and free concert in the park series.

Services in the Township are also provided by component units. Component units are legally separate entities for which Montgomery Township is financially accountable and are therefore included in this report. The following entities are considered component units of Montgomery Township for financial reporting purposes.

- Montgomery Township Municipal Sewer Authority - Established in 1986 to finance the Township's sewage collection and treatment facilities. A five-member board appointed by the Township's Board of Supervisors governs this Utility Authority.
- Volunteer Fire Department of Montgomery Township which serves in combination with the Department of Fire Services to provide 24/7 fire protection services to the Township.

Major Initiatives

Following are some of the major initiatives undertaken by the Township during 2017:

- Community and Recreation Center – Construction of the 44,000+ square foot facility was completed in 2015, and the Montgomery Township Community & Recreation Center, including an adjacent handicapped accessible playground and spray park, opened to the public in October of 2015. Management has continued to focus on improving the operating efficiencies of the center, increasing membership, and expanding the services available to the community at the Recreation Center.
- Labor Relations – The Township finalized the terms of a new collective bargaining agreement with the Montgomery Township Professional Firefighters' Association securing the contract provisions through December 31, 2019. The Township also conducted negotiations with the Montgomery Township Police Officers Collective Bargaining Unit, eventually concluding in 2018 and providing settlement terms through December 31, 2020. These settlement agreements will assure predictable salary and benefit expenditures through the coming years.

- **Capital Assets** - In 2017, the Township continued investing in its capital asset improvement programs including the annual curb and sidewalk replacement program, roadway resurfacing program, capital equipment replacement program with total expenditures in excess of \$1.7M.

Local Economy

The Township has a thriving business community with employment estimated at over 20,000, based on the Township's Tax records, making the Township essentially a net importer of jobs. The economic growth in the Township has been driven in large part by business development and strong retail sales. The strength of the local economy can be judged by looking at trends in employment and business tax receipts.

While a downturn in the economy can have a significant impact on employment in municipalities with large retail business centers such as Montgomery Township, the diversity of the Township's major employers and the variety of the Township's revenue streams allow the Township to continue to rank below the state and national averages for unemployment. Montgomery Township continues to rank as the 8th largest employment center in Montgomery County. As seen in the statistical section of this report, major employers in the Township include a pharmaceutical company, a manufacturing company, and a catalog/online sales company, as well as a large retail sector and thriving restaurants. In addition to the strong and diverse employment foundation in the Township, the fiscally conservative and progressive approach of the Board of Supervisors has given the Township a strong financial base to sustain itself through difficult times.

Earned Income Tax continues to be the Township's largest revenue stream, about 32% of total revenues, with a steady growth rate of about 2% annually over the last five years (with the exception of a 20% increase from 2012 to 2013 due to the implementation of Act 32 of the Pennsylvania Legislature). This indicates that township residents are continuing to earn higher incomes stemming from a stable, growing economy.

The ability of the leadership of the Township to continue to be financially conservative and forward thinking has created strength for the Township during the past few years of difficult economic times. While some of the Township's revenues are dependent upon a strong business community and real estate market, the Board has designed a revenue portfolio which is diversified and proportionate to ensure stability of the budget during periods of economic downturns. This diversification was a supporting factor when Standard and Poor's recently reissued the Township's credit rating as AAA, the agency's highest rating, assigned to only a handful of municipalities in Pennsylvania.

Long-Term Financial Planning

The Board of Supervisors and Township staff are committed to providing value to the taxpayers by maintaining quality service levels and offering new benefits whenever the opportunity presents itself and the Township's fiscal position permits. To accomplish this, the Township regularly evaluates its revenue generating strategy. The Township has also developed and maintains multi-year financing plans for replacement of capital assets and infrastructure improvements. These include a 10-Year Equipment Replacement Plan and a 16-Year Road and Curb/Sidewalk

Replacement Plan. Both of these programs provide for establishment of reserves funded by annual allocations to ensure that funding is available in the Township's annual budgets to replace needed capital equipment, resurface deteriorated roadway surfaces or replace damaged curbs and sidewalks.

Also, as a part of sound fiscal planning, the Township has adopted the Government Finance Officers Association's recommendation of maintaining an unreserved fund balance in the general fund of no less than ten to fifteen percent of general fund operating revenues. The Township currently maintains a 20.5% unreserved fund balance in the General Fund.

Internal Controls

The management of the Township is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Township are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled and maintained to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that the Township's objectives are met. The concept of reasonable assurance recognizes that:

1. The cost of a control should not exceed its benefit, and
2. The evaluation of cost and benefits requires estimates and judgments by management.

All internal accounting control evaluations occur within the above framework. We believe that the Township's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of transactions and maintenance of asset accountability.

In addition to the above controls, the Township maintains budgetary accounting controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Board of Supervisors. Activities of all Township funds, including the General, Capital Reserve, Fire Protection, Park and Recreation, Basin Maintenance, Street Lights, Liquid Fuels, Fire Relief, Environmental, Replacement Tree, Autumn Festival, Park Development, Capital Projects, Restoration, and Debt Service Funds, are included in the annual appropriation budget, with the only exception being the pension trust funds. The annual budget process officially begins in August of each year with the goal-setting conference between staff and the Township Manager. Throughout the course of September and October requests for funding are submitted and reviewed in public workshop meetings with the Board of Supervisors, culminating with a public hearing and vote for adoption by the governing body in December. The Township's fiscal year begins on January 1st and ends on December 31st. All annual appropriations lapse at year-end.

Although the Township maintains the legal level of control established by law for its operating budget, the Board of Supervisors has also established an internal budgetary control system at the departmental level. Each department is required to operate within the annual departmental budget established by the Board of Supervisors.

The level of budgetary control (i.e. the level at which expenditures cannot exceed the appropriated amount) is maintained by department. Changes to the budget by transfer or supplemental appropriation can only be made after April 1st of the budget year in accordance with the Pennsylvania Second Class Township Code. The Board of Supervisors may increase the amount of any object in the budget through supplemental appropriation contingent upon available revenues. To aid departments in maintaining budgetary control, the Township maintains a purchase order and encumbrance accounting system.

As demonstrated by the statements and schedules included in the financial section of this report, the Township continues to meet its responsibility for sound financial management.

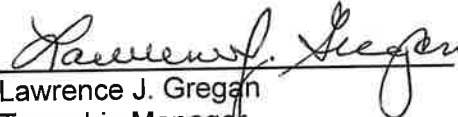
Awards and Acknowledgements

The Government Finance Officer Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery Township for its comprehensive annual financial report for the fiscal year ended December 31, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting the report to the GFOA to determine its eligibility for certificate award.

Preparation of this report would have been impossible without the hard work of the Finance Department Staff, not just in the compilation of information at year-end, but in maintaining the Township's financial records and fiscal control system throughout the year.

We greatly appreciate the ongoing support and guidance we receive from the Board of Supervisors.


Lawrence J. Grogan
Township Manager


Ami Tarburton
Finance Director



Government Finance Officers Association

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

Presented to

**Montgomery Township
Pennsylvania**

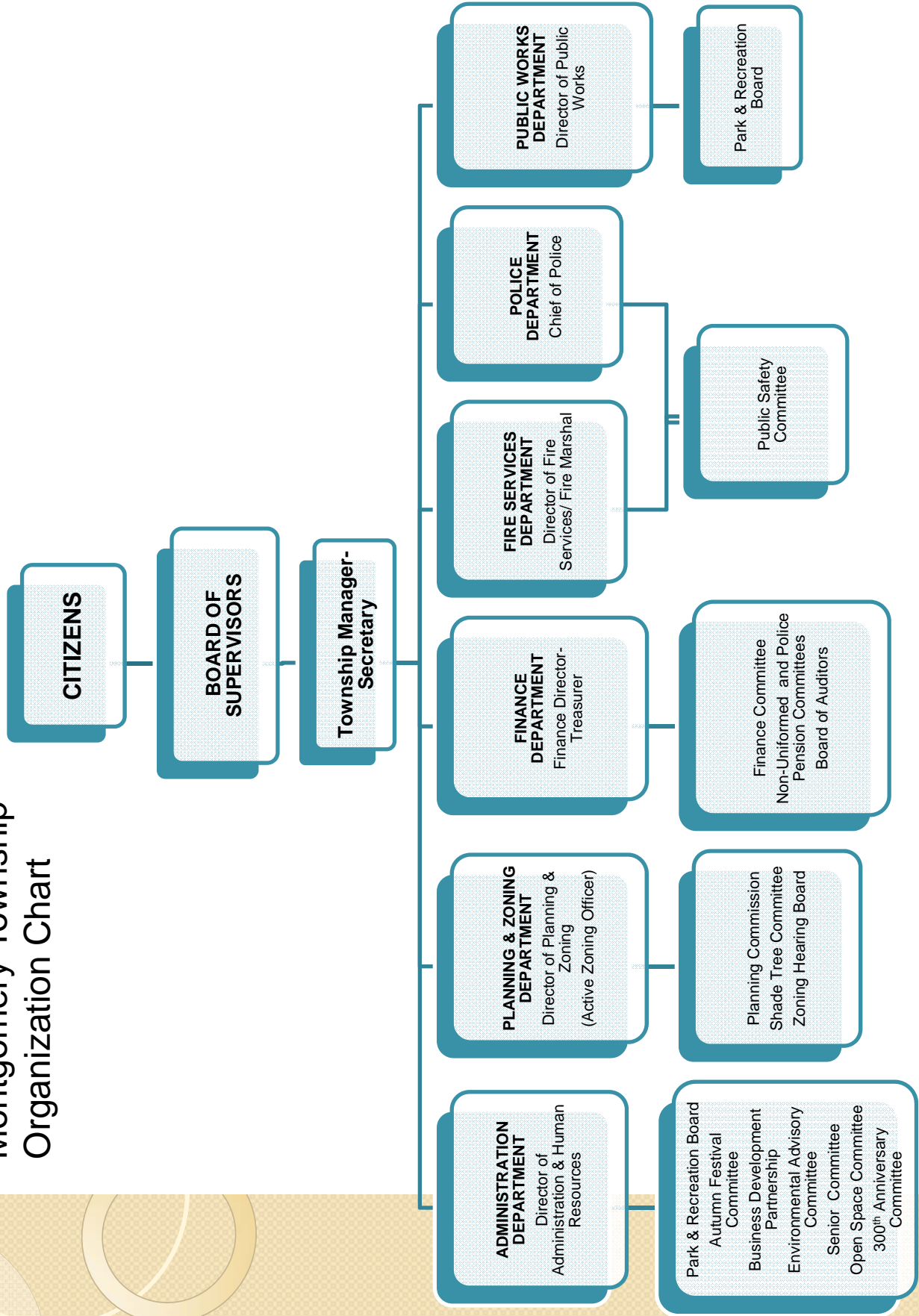
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

Montgomery Township Organization Chart



PRINCIPAL OFFICIALS

AS OF DECEMBER 31, 2017
MONTGOMERY TOWNSHIP, PENNSYLVANIA

BOARD OF SUPERVISORS

Robert J. Birch
Candyce Fluehr Chimera, Chairman
Michael J. Fox
Jeffrey W. McDonnell
Richard E. Miniscalco

APPOINTED OFFICIALS

Lawrence J. Gregan, Township Manager
Frank R. Bartle, Esq., Township Solicitor
Russell Dunleavy, P.E., Gilmore & Associates, Township Engineer

OTHER MANAGEMENT OFFICIALS

J. Scott Bendig, Chief of Police
William Peoples, Police Lieutenant
Gerald Dougherty, Police Lieutenant
Kevin A. Costello, Director of Public Works
Ami Tarburton, Finance Director
Floyd Shaffer, Director of Recreation and Community Center
Richard Lesniak, Director of Fire Services
Ann M. Shade, Director of Administration & Human Resources
Bruce Shoupe, Director of Planning and Zoning
Richard Grier, Director of Information Technology

OTHERS

Ken Amey, Planning Consultant
Conrad Siegel Actuaries, Pension Plan Actuary
Boucher & James, Inc., Landscape Engineer
Mary Kay Kelm, Esquire, Zoning Hearing Board Solicitor
Morgan Stanley Smith Barney, Pension Plan Investment Advisor
Eckert Seamans Cherin & Mellott, LLC, Labor Law Attorneys
Traffic Planning & Design, Inc., Traffic Engineers
Univest National Bank, Banking Depository
Robert Adshead, Esquire, Special Counsel
Gregory Gifford, Esquire, Special Counsel
Robert Brandt, Esquire, Special Counsel

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Supervisors
Montgomery Township
Montgomeryville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Montgomery Township as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Montgomery Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Montgomery Township's 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montgomery Township Municipal Sewer Authority (discretely presented component unit) which represents 99.2%, 99.2% and 96.5%, respectively, of the assets, net position and revenues of the component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montgomery Township Municipal Sewer Authority, is based solely on the report of the other auditors. 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 auditors' 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Montgomery Township as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Board of Supervisors
Montgomery Township
Montgomeryville, Pennsylvania

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 16 through 28, budgetary comparison information on pages 68 and 69, pension plan information on pages 70 through 72, postemployment benefits other than pension funding progress on page 73 and trend data on infrastructure condition on pages 74 and 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient 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 Montgomery Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is 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.

A handwritten signature in black ink that reads "Maullie LLP". The signature is written in a cursive, flowing style.

Oaks, Pennsylvania
June 15, 2018

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

As management of Montgomery Township, Pennsylvania (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2017.

As with other sections of this financial report, the information contained within this Management Discussion & Analysis (MD&A) should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the notes to the financial statements and the other required supplementary information that is provided in addition to this MD&A.

FINANCIAL HIGHLIGHTS

- The Assets of the Township's Governmental Activities as reported for compliance with GASB 34, exceeded Liabilities at year-end 2017 by \$130,220,208 (net position), an increase of \$1,106,210 as compared to 2016.
- The Township's Governmental Funds (Fund Financial Statements) reported combined ending balances for all funds of \$18,698,218, an increase of \$1,592,638 from 2016. In accordance with GASB 54, the General Fund ending balance of \$3,033,855 is unassigned and available for use according to the Township's fiscal policies. This balance represents 21% of total budgeted General Fund expenses for 2017. The remainder of the combined ending balances has been classified in accordance with the GASB 54 designations.
- The Township's Governmental Funds Debt decreased by \$1,668,809, while the Business-Type Debt decreased by \$5,082 during 2017. Further information on these decreases is detailed in Note D Long-Term Debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Township's annual financial report consists of several sections. Taken together, they provide a comprehensive financial view of the Township. The components of the report include the Independent Auditors' Report, Management's Discussion and Analysis, Government-Wide Financial Statements, Fund Financial Statements and Notes to the Basic Financial Statements. This report also contains other Required and Supplementary Information in addition to the basic Financial Statements.

The independent auditors' report briefly describes the audit engagement and also renders an opinion as to the material components of the Township's financial position. Management's Discussion and Analysis (MD&A), prepared by Township management, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The MD&A also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

The basic financial statements include the Government-Wide Financial Statements (Statement of Net Position and Statement of Activities), Fund Financial Statements, Notes to the Basic Financial Statements and other Supplementary Information.

Note A in the Audit provides an overview of significant accounting policies including an explanation of the reporting entities, Fund Accounting and the Basis of Presentation and Accounting. This Note should be read in conjunction with this MD&A and the Financial Statements to assist the reader in understanding the audit report.

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net Position and Statement of Activities

Our analysis of the Township as a whole begins with the Statement of Net Position in accordance with GASB Statement No. 63. In these statements, we divide the Township into three kinds of activities:

- **Governmental Activities** - Most of the Township's basic services are reported here, including public safety, public works, parks and recreation and administration. Real estate tax, earned income tax, business taxes, fees and grants finance most of these activities.
- **Business-Type Activities** - The Township added a proprietary fund in 2013 to account for the activity of the Montgomery Township Community & Recreation Center, which opened to the public in October of 2015. The Community & Recreation Center is intended to recover all or a significant portion of its costs through user fees and charges.
- **Component Units** - The Township includes two separate legal entities in this report: The Montgomery Township Municipal Sewer Authority and the Fire Department of Montgomery Township, Inc. Although legally separate, these component units are important because the Township is financially responsible for them. Additional financial information regarding the Township's component units can be found in the Statement of Net Position and Statement of Activities of this report. Separately audited annual financial reports of these component units may be obtained from the Township's Finance Director.

Over time, changes in net position serve as a useful indicator of the government's financial position. In the case of the Township, net position of the Primary Government Activities increased by \$1.1M from 2016 to 2017.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2017

The following table focuses on the net position of the current fiscal year as compared to the prior fiscal year (Table 1).

Table 1
Condensed Statements of Net Position
December 31, 2016 and 2017

| | Governmental Activities | |
|---|-------------------------|-----------------------|
| | 2016 | 2017 |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| ASSETS | | |
| Cash and equivalents | \$ 6,244,872 | \$ 6,014,878 |
| Other assets | 12,807,421 | 14,810,261 |
| Capital assets | <u>113,595,908</u> | <u>113,030,543</u> |
| TOTAL ASSETS | <u>132,648,201</u> | <u>133,855,682</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amount on refunding | - | - |
| Deferred outflows related to pensions | <u>1,486,896</u> | <u>940,082</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>1,486,896</u> | <u>940,082</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 134,135,097</u> | <u>\$ 134,795,764</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| LIABILITIES | | |
| Other liabilities | \$ 658,940 | \$ 805,134 |
| Long-term debt outstanding | <u>4,216,122</u> | <u>2,547,313</u> |
| TOTAL LIABILITIES | <u>4,875,062</u> | <u>3,352,447</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows related to pensions | <u>146,037</u> | <u>1,223,109</u> |
| NET POSITION | | |
| Net investment in capital assets | 113,595,908 | 113,030,543 |
| Restricted | 1,622,842 | 1,646,975 |
| Unrestricted | <u>13,895,248</u> | <u>15,542,690</u> |
| TOTAL NET POSITION | <u>129,113,998</u> | <u>130,220,208</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 134,135,097</u> | <u>\$ 134,795,764</u> |

| Business-Type Activities | | Component Units | | Totals | |
|--------------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| \$ 151,873 | \$ 173,207 | \$ 4,857,800 | \$ 3,709,088 | \$ 11,254,545 | \$ 9,897,173 |
| 589 | - | 4,712,518 | 7,058,320 | 17,520,528 | 21,868,581 |
| <u>11,306,823</u> | <u>10,993,461</u> | <u>34,039,092</u> | <u>32,625,738</u> | <u>158,941,823</u> | <u>156,649,742</u> |
| <u>11,459,285</u> | <u>11,166,668</u> | <u>43,609,410</u> | <u>43,393,146</u> | <u>187,716,896</u> | <u>188,415,496</u> |
| 232,183 | 223,530 | - | - | 232,183 | 223,530 |
| - | - | - | - | 1,486,896 | 940,082 |
| <u>232,183</u> | <u>223,530</u> | <u>-</u> | <u>-</u> | <u>1,719,079</u> | <u>1,163,612</u> |
| <u>\$ 11,691,468</u> | <u>\$ 11,390,198</u> | <u>\$ 43,609,410</u> | <u>\$ 43,393,146</u> | <u>\$ 189,435,975</u> | <u>\$ 189,579,108</u> |
| \$ 57,812 | \$ 54,872 | \$ 1,333,087 | \$ 766,846 | \$ 2,049,839 | \$ 1,626,852 |
| <u>8,721,375</u> | <u>8,716,293</u> | <u>25,047</u> | <u>20,374</u> | <u>12,962,544</u> | <u>11,283,980</u> |
| <u>8,779,187</u> | <u>8,771,165</u> | <u>1,358,134</u> | <u>787,220</u> | <u>15,012,383</u> | <u>12,910,832</u> |
| - | - | - | - | 146,037 | 1,223,109 |
| 2,817,631 | 2,500,698 | 33,876,130 | 32,509,337 | 150,289,669 | 148,040,578 |
| - | - | - | - | 1,622,842 | 1,646,975 |
| 94,650 | 118,335 | 8,375,146 | 10,096,589 | 22,365,044 | 25,757,614 |
| <u>2,912,281</u> | <u>2,619,033</u> | <u>42,251,276</u> | <u>42,605,926</u> | <u>174,277,555</u> | <u>175,445,167</u> |
| <u>\$ 11,691,468</u> | <u>\$ 11,390,198</u> | <u>\$ 43,609,410</u> | <u>\$ 43,393,146</u> | <u>\$ 189,435,975</u> | <u>\$ 189,579,108</u> |

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

Cash and investments represent 14% of the Total Governmental Assets and 1.6% of total Business-Type Assets. Of the governmental cash and investments amount, \$13,440,138 is classified on Montgomery Township's fund financial statements as committed by the Montgomery Township Board of Supervisors in accordance with GASB 54 designations.

The largest portion of the Township's assets, 84.4%, reflects the Township's investment in capital assets (e.g., land, buildings, streets, equipment). The Township uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 2 is a condensed Statement of Activities for all Governmental Activities for the current fiscal year as compared to the prior fiscal year and shows changes in net position from the prior fiscal year to the current fiscal year for the Township's Governmental Activities and Component Units. In 2017, total revenues exceeded total expenses (including transfers) by 6.4% for all Governmental Activities resulting in the increase in net position over the prior year. This increase in net position from 2016 to 2017 was a result of maintaining diversified revenues with controlled expenses.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

Table 2

Changes in Net Position

Years Ended December 31, 2016 and 2017

| | Governmental Activities | Business-Type Activities |
|---|----------------------------|-----------------------------|
| REVENUES | | |
| Program revenues | | |
| Charges for services | \$ 1,160,613 | \$ 542,315 |
| Operating grants and contributions | 1,304,769 | 66 |
| Capital grants and contributions | 267,723 | - |
| General revenues | | |
| Taxes | 13,733,814 | 100,000 |
| Cable TV franchise fees | 612,010 | - |
| Investment income | 150,541 | - |
| Gain on sale of capital assets | 334,692 | - |
| TOTAL REVENUES | 17,564,162 | 642,381 |
| EXPENSES | | |
| Operating | | |
| General government | 2,302,216 | - |
| Public safety | 8,834,138 | - |
| Highways and streets | 2,930,010 | - |
| Parks and recreation | 365,999 | 1,658,552 |
| Sewer Authority | - | - |
| Fire Department | - | - |
| Recreation center | - | - |
| Other employee benefits not allocated | - | - |
| Interest on long-term debt | 4,574 | - |
| Bond issuance costs | - | - |
| Depreciation, unallocated | 946,421 | - |
| TOTAL EXPENSES | 15,383,358 | 1,658,552 |
| CHANGE IN NET POSITION BEFORE TRANSFERS | 2,180,804 | (1,016,171) |
| TRANSFERS | (447,997) | 447,997 |
| CHANGE IN NET POSITION | 1,732,807 | (568,174) |
| NET POSITION, BEGINNING | 127,381,191 | 3,480,455 |
| NET POSITION, ENDING | \$ 129,113,998 | \$ 2,912,281 |

| 2016 | | 2017 | | | |
|----------------------|-----------------------|----------------------------|-----------------------------|----------------------|-----------------------|
| Component Units | Totals | Governmental Activities | Business-Type Activities | Component Units | Totals |
| \$ 6,312,009 | \$ 8,014,937 | \$ 1,376,808 | \$ 731,815 | \$ 6,534,239 | \$ 8,642,862 |
| 107,628 | 1,412,463 | 1,228,154 | - | - | 1,228,154 |
| - | 267,723 | - | - | 296,598 | 296,598 |
| - | 13,833,814 | 13,810,780 | 140,000 | - | 13,950,780 |
| - | 612,010 | 610,646 | - | - | 610,646 |
| 53,028 | 203,569 | 174,875 | - | 88,354 | 263,229 |
| 11,100 | 345,792 | - | - | - | - |
| <u>6,483,765</u> | <u>24,690,308</u> | <u>17,201,263</u> | <u>871,815</u> | <u>6,919,191</u> | <u>24,992,269</u> |
| - | 2,302,216 | 2,403,329 | - | - | 2,403,329 |
| - | 8,834,138 | 8,810,371 | - | - | 8,810,371 |
| - | 2,930,010 | 3,065,656 | - | - | 3,065,656 |
| - | 2,024,551 | 410,813 | 1,649,490 | - | 2,060,303 |
| 6,102,868 | 6,102,868 | - | - | 6,381,157 | 6,381,157 |
| 171,302 | 171,302 | - | - | 183,384 | 183,384 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 4,574 | - | - | - | - |
| - | - | - | - | - | - |
| - | 946,421 | 920,457 | - | - | 920,457 |
| <u>6,274,170</u> | <u>23,316,080</u> | <u>15,610,626</u> | <u>1,649,490</u> | <u>6,564,541</u> | <u>23,824,657</u> |
| 209,595 | 1,374,228 | 1,590,637 | (777,675) | 354,650 | 1,167,612 |
| - | - | (484,427) | 484,427 | - | - |
| 209,595 | 1,374,228 | 1,106,210 | (293,248) | 354,650 | 1,167,612 |
| <u>42,041,681</u> | <u>172,903,327</u> | <u>129,113,998</u> | <u>2,912,281</u> | <u>42,251,276</u> | <u>174,277,555</u> |
| \$ <u>42,251,276</u> | \$ <u>174,277,555</u> | \$ <u>130,220,208</u> | \$ <u>2,619,033</u> | \$ <u>42,605,926</u> | \$ <u>175,445,167</u> |

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

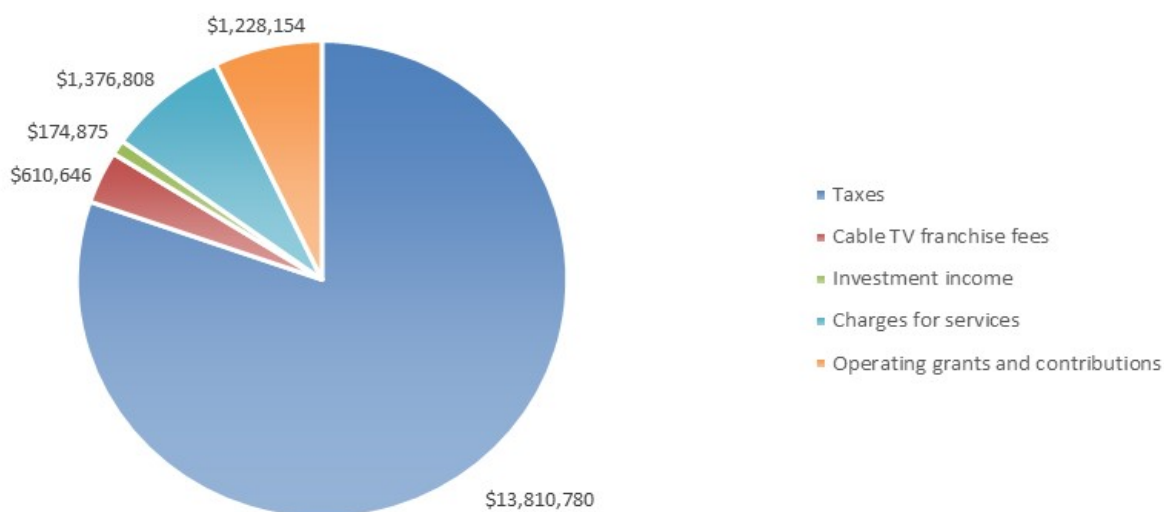
Governmental Activities

The Township generates revenues from a variety of sources. Total revenues for Governmental Activities for fiscal year 2017 were \$17,201,263 compared to \$17,564,162 in 2016, a decrease of \$362,899. The Township realized an increase in Taxes, Investment Income, and Charges for Services. A decrease was realized in Cable TV Franchise Fees, Gain on Sale of Capital Assets, and both Operating and Capital Grants and Contributions. This overall revenue decrease stems mainly from a decrease in the Gain on Sale of Capital Assets and Capital Grant and Contributions revenues. Revenues by source were as follows:

Governmental Activities Revenues From Statement of Activities

| Revenue | 2016 | | 2017 | |
|------------------------------------|----------------------|----------------|----------------------|----------------|
| | Amount | % of Total | Amount | % of Total |
| Taxes | \$ 13,733,814 | 78.19% | \$ 13,810,780 | 80.29% |
| Cable TV franchise fees | 612,010 | 3.48% | 610,646 | 3.55% |
| Investment income | 150,541 | 0.86% | 174,875 | 1.02% |
| Gain on sale of capital assets | 334,692 | 1.91% | - | 0.00% |
| Charges for services | 1,160,613 | 6.61% | 1,376,808 | 8.00% |
| Operating grants and contributions | 1,304,769 | 7.43% | 1,228,154 | 7.14% |
| Capital grants and contributions | 267,723 | 1.52% | - | 0.00% |
| | <u>\$ 17,564,162</u> | <u>100.00%</u> | <u>\$ 17,201,263</u> | <u>100.00%</u> |

Revenue by Source - Governmental Activities



MONTGOMERY TOWNSHIP

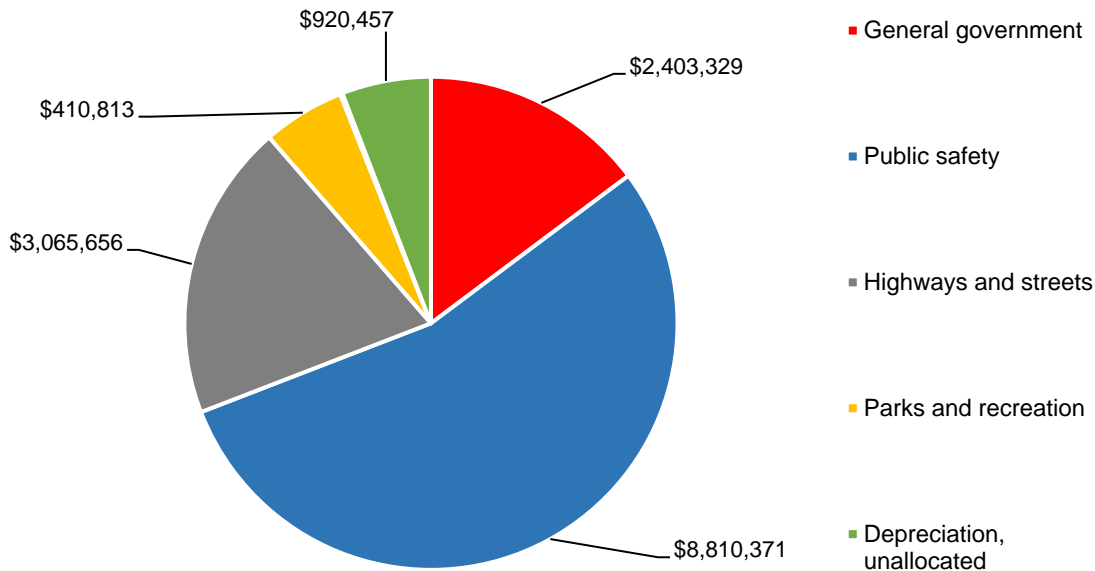
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

The Township's Governmental Activities expenses consist of operating departments including Police, Fire, Public Works, Planning, Parks and Recreation, Finance and Administration. Total expenses for governmental activities for fiscal year 2017 were \$15,610,626 compared to \$15,383,358 in expenses in 2016, an increase of \$227,268. This increase is primarily attributable to increased expenses in General Government and Highways and Streets. Details are shown in the Table below.

| Expenses | 2016 | | 2017 | |
|----------------------------|----------------------|----------------|----------------------|----------------|
| | Amount | % of Total | Amount | % of Total |
| General government | \$ 2,302,216 | 14.97% | \$ 2,403,329 | 15.40% |
| Public safety | 8,834,138 | 57.43% | 8,810,371 | 56.44% |
| Highways and streets | 2,930,010 | 19.05% | 3,065,656 | 19.64% |
| Parks and recreation | 365,999 | 2.38% | 410,813 | 2.63% |
| Interest on long-term debt | 4,574 | 0.03% | - | 0.00% |
| Depreciation, unallocated | 946,421 | 6.15% | 920,457 | 5.89% |
| | <u>\$ 15,383,358</u> | <u>100.00%</u> | <u>\$ 15,610,626</u> | <u>100.00%</u> |

Expenses by Service - Governmental Activities



MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS

The Township's approved General Fund Budget for 2017 included total revenues of \$14.4M, including transfers in of approximately \$395K, and total expenditures of \$14.4M, including transfers out of approximately \$1.2M. These budgeted amounts include budget amendments made throughout the fiscal year in accordance with the Second Class Township Code.

The 2017 Original General Fund budget, including transfers, reflected a \$20K surplus. After necessary amendments, the revenues exceeded expenditures by \$1K. However, actual revenues, in particular Transfer Tax, Business Privilege Tax and Permit fee receipts which exceeded budget estimates by 33% (\$757K), when netted against actual expenses below budget by 6% (\$776K), resulted in an initial surplus of \$1.5M. At year-end, the Board of Supervisors elected to transfer \$1.5M of surplus to the Capital Reserve Fund for future designated capital projects. This resulted in an ending General Fund balance of \$3,033,855 and allowed the Township to continue to adhere to the Board's policy of retaining a minimum General Fund balance of 15-20% of General Fund expenses.

Overall, revenue performance of the General Fund in 2017 was positive when compared to budget. Actual revenues, excluding transfers in, were \$14.8 million for 2017. While Earned Income Tax, Mercantile Tax, Licenses, and Interest Income were slightly below budget, all other revenue categories exceeded budget. Total taxes exceeded budget by \$479K, led primarily by the Transfer Tax and Business Privilege Tax. License and Permits exceeded budget by \$271K and Intergovernmental Revenues exceeded budget by \$12K. Each of these revenue categories contributed to the \$825K surplus (excluding transfers in) in General Fund revenues. This surplus was then reduced by \$1.5M shown in Other Financing Uses which was the result of a Board-approved transfer of surplus funds into the Capital Reserve Fund for future designated capital projects. The net of the revenue surplus and the transfer of surplus to the Capital Fund led to the General Fund ending Fund Balance of \$3.03M for fiscal year 2017.

Actual expenditures, excluding Interfund Transfers were \$12.4M for 2017. While expenditures were just slightly above the 2016 actual expenditures, they were \$776K less than the 2017 budgeted expenditures. This savings was achieved by practicing strict cost containment measures across all departments. The two primary departments contributing to the savings were Public Safety Expenditures which were below budget by \$558K and Highway and Streets Expenditures which were below budget by \$180K. The detail of this can be seen in the Schedule of Functional Expenditures by Activity and Other Financing Uses in this report.

Overall, the Township outperformed the budget, ending the year with a surplus of \$1.55M before the Board-authorized transfer of \$1.5M into Capital Reserves. As a result, the Board of Supervisors was able to adopt a 2018 Budget with no increase in the Township's Real Estate Tax millage while continuing to adhere to the Board's minimum fund balance policy of 15-20% of General Fund expenditures.

CAPITAL ASSETS

Montgomery Township's investment in capital assets for its Governmental Activities as of December 31, 2017, totaled \$113,030,543 (net of accumulated depreciation), a decrease of \$595,365 from 2016. This decrease was the result of new Capital Assets, comprised mostly of newly purchased Machinery and Equipment, reduced by the depreciation recorded in 2017.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

The Township's investment in capital assets includes land, buildings and improvements, equipment, vehicles, land improvements and infrastructure (see Table 3 below). Infrastructure includes roads, curbs and sidewalks, bridges, storm sewer lines, street lights and traffic signals. Property, plant and equipment and certain infrastructure assets, are depreciated using the straight-line method.

The Township has adopted an alternative process for recording depreciation on certain infrastructure assets. Under this alternative method, referred to as the modified approach, the Township expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 73.92 lane miles of local roads, 776,540 linear feet of curbs and 3,057,389 square feet of sidewalks.

In order to utilize the modified approach, the Township is required to perform condition assessments of eligible assets and summarize the results using a measurement scale, estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the Township, and document that the assets are being preserved approximately at or above the established condition level. The Township's policy is that no more than 20% of local road pavements and curbs/sidewalks will have a condition rating as "poor" or "very poor". However, the current condition level will always exceed this targeted condition level due to the Township's 16-Year Road Plan, which plans and budgets to replace all surfaces before they start to show signs of distress. Additional information on the Township's capital assets can be found in Notes A and C to the financial statements.

Table 3

Capital Assets at Year-End (Net of Depreciation)

December 31, 2016 and 2017

| | 2016 | | | |
|--|----------------------------|-----------------------------|----------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Component Units | Totals |
| CAPITAL ASSETS NOT BEING DEPRECIATED | | | | |
| Land | \$ 8,492,109 | \$ - | \$ 673,095 | \$ 9,165,204 |
| Infrastructure, as restated | 95,686,704 | - | - | 95,686,704 |
| Construction in progress | - | - | 3,515,021 | 3,515,021 |
| TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED | 104,178,813 | - | 4,188,116 | 108,366,929 |
| CAPITAL ASSETS BEING DEPRECIATED | | | | |
| Buildings and improvements | 10,839,042 | 10,797,929 | 36,330,275 | 57,967,246 |
| Land improvements | 103,720 | - | - | 103,720 |
| Infrastructure | 3,149,078 | - | 20,007,311 | 23,156,389 |
| Machinery and equipment | 7,146,638 | 1,183,042 | 2,262,151 | 10,591,831 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | 21,238,478 | 11,980,971 | 58,599,737 | 91,819,186 |
| Accumulated depreciation | (11,821,383) | (674,148) | (28,748,761) | (41,244,292) |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, net | 9,417,095 | 11,306,823 | 29,850,976 | 50,574,894 |
| TOTAL CAPITAL ASSETS, net | \$ 113,595,908 | \$ 11,306,823 | \$ 34,039,092 | \$ 158,941,823 |

| 2017 | | | |
|------------------------------|-----------------------------|-----------------------------|------------------------------|
| Governmental Activities | Business-Type Activities | Component Units | Totals |
| \$ 8,492,109 | \$ - | \$ 673,095 | \$ 9,165,204 |
| 95,686,704 | - | - | 95,686,704 |
| - | - | 228,017 | 228,017 |
| <u>104,178,813</u> | <u>-</u> | <u>901,112</u> | <u>105,079,925</u> |
| 10,839,042 | 10,797,929 | 35,460,418 | 57,097,389 |
| 103,720 | - | - | 103,720 |
| 3,202,025 | - | 20,450,099 | 23,652,124 |
| <u>7,387,801</u> | <u>1,222,913</u> | <u>2,568,343</u> | <u>11,179,057</u> |
| 21,532,588 | 12,020,842 | 58,478,860 | 92,032,290 |
| <u>(12,680,858)</u> | <u>(1,027,381)</u> | <u>(26,754,234)</u> | <u>(40,462,473)</u> |
| <u>8,851,730</u> | <u>10,993,461</u> | <u>31,724,626</u> | <u>51,569,817</u> |
| \$ <u><u>113,030,543</u></u> | \$ <u><u>10,993,461</u></u> | \$ <u><u>32,625,738</u></u> | \$ <u><u>156,649,742</u></u> |

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2017

FINANCIAL ANALYSIS OF THE TOWNSHIP'S OTHER GOVERNMENTAL FUNDS

The focus of the Township's Governmental Funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financial requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of year 2017.

As of the close of the 2017 fiscal year, the Township reported combined ending balances for all Governmental Funds of \$18,698,218 an increase of \$1,592,638 from 2016 resulting primarily from the General Fund operating surplus. Of this ending balance amount, \$11,940,138 or 64% is committed by the Board of Supervisors for uses such as Stormwater/NPDES projects, capital equipment replacement plans, road paving, acquisition of open space, and traffic improvements. Approximately 16%, or \$3M, is unassigned in the General Fund and available for use in accordance with the Township's fiscal policies. Along with the General Fund, the Township's Governmental Funds category includes a variety of funds with annual activity. The following is a summary of that activity, including individual fund balances, for each of these additional funds.

Fire Protection Fund - 04. Expenditures for the Department of Fire Services for 2017 were \$905K. Revenues for 2017 were \$1M and net transfers in were \$.4K. The fund posted a surplus of \$101,612 for the year and ended the year with a positive fund balance of \$405K.

Park and Recreation Fund - 05. Expenditures for the Park and Recreation Fund for 2017 were \$345K, revenues were \$426K and net transfers out were \$47K. The fund posted a surplus of \$34,643 for the year and ended the year with a positive fund balance of \$524K.

Basin Maintenance Fund - 06. Expenditures for the Basin Maintenance Fund for 2017 were \$62K and revenues were \$0, and transfers in were \$73K. The fund posted a surplus of \$11K for the year and ended the year with a fund balance of \$18K.

The current Township policy is that any new detention basins will remain the responsibility of the contractor or a Homeowner's Association. Therefore, the only revenue to this fund will be interest and the fund balance will continue to be drawn down for maintenance of existing Township basins.

Street Light Fund - 07. Expenditures for the Street Light Fund for 2017 were \$155K and revenues were \$140K. The fund posted a deficit of \$15K for the year and ended the year with a fund balance of \$553K.

Capital Projects Fund - 19. Expenses for the Capital Projects Fund for 2017 were \$214K. Revenues and transfers in totaled \$107K, leaving a negative fund balance of \$57. This fund is currently being used to manage the Police County Radio financing project.

Debt Service Fund - 23. Expenditures for the Debt Service Fund for 2017 were \$1.6K and revenues were \$5.2K and net transfers out were \$250K. The fund posted a deficit of \$247K and ended the year with a positive fund balance of \$299K. Further details regarding the Township's total debt can be viewed in Note D of the Financial Statements.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

Capital Reserve Fund - 30. Expenditures for the Capital Reserve Fund for 2017 were \$718K for budgeted capital construction projects and capital equipment purchases plus the interfund transfers out of \$510K to various operating funds to reimburse those funds for capital replacement expenses from the 10-Year Equipment Replacement Reserve Fund. Revenues for this fund were \$109K, plus the interfund transfers in of \$2.5M. The fund balance in this fund is comprised of assigned and committed funds totaling \$11.9M.

Park Development Fund - 31. There were no expenditures for the Park Development Fund for 2017. Revenues to this fund were \$63K from developer contributions during 2017. The fund posted a surplus of \$63K for the year, and ended the year with a positive fund balance of \$122K.

Liquid Fuels Fund - 35. Expenditures from the Liquid Fuels Fund for 2017 were \$478K and revenues for 2017 were \$690K. The fund posted a surplus of \$212K for the year and ended with a positive fund balance of \$645K.

Liquid fuel revenues are a portion of the State's Fuel Tax paid on liquid fuels when purchased retail at the pump. The funds are allocated to municipalities statewide based on population and lane miles of roadways maintained by the Township. The expenses from this fund are for Liquid Fuel Fund eligible expenses associated with the annual street resurfacing and handicap ramp replacement program.

Fire Relief Fund - 50. Expenditures for the Fire Relief Fund for 2017 were \$226K, and revenues were \$226K consisting of Foreign Fire Insurance Tax revenues collected by the State and allocated under the provisions of Chapter 7 of Act 205 of 1984 to municipalities for distribution to eligible fire relief associations. The funds are remitted by the Township to the Fire Department of Montgomery Township Relief Association. The expenses from this fund are only for eligible expenses approved under Chapter 7 of Act 205 of 1984 and are audited annually by the State Auditor General's Office and by the Township Auditors. The fund ends each year with a \$0 balance.

Environmental Fund - 93. Expenditures for the Environmental Fund for 2017 were \$34K, and revenues were \$7K consisting of interest earnings on the fund balance, and typically, payments for the Recycling Performance Grants, of which none were received in 2017. Expenses from the fund in 2017 were for the Township's recycling collection costs including the costs for the bi-annual curbside leaf collection program. The fund posted a deficit of \$27K for the year and ended the year with a positive fund balance of \$298K.

Replacement Tree Fund - 94. Expenditures for the Replacement Tree Fund for 2017 were \$29K, and revenues were \$126K. Funding for the Replacement Tree Fund comes from contributions from developers under "fee in lieu of" provisions of the Land Development Ordinance. The fund posted a surplus of \$98K for the year and ended the year with a positive fund balance of \$819K.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

Autumn Festival Fund - 95. Expenditures for the Autumn Festival Fund for 2017 were \$29K, and revenues were \$34K, including transfers in of \$7K. Expenditures from this fund pay for the expenses of the annual Autumn Festival held each year in October. The festival was slightly modified and held at the Community and Recreation Center in 2017. Revenues consist of voluntary community contributions, a township contribution and fees collected at the event. The fund posted a surplus of \$5K for the year and ended the year with a positive fund balance of \$54K.

Restoration Fund - 96. There were no expenditures and only minimal interest income for the Restoration Fund for 2017. Funding for this restoration work came from a one-time contribution by the developer of the Knapp Farm development. The fund ended the year with a positive fund balance of \$10K.

LONG-TERM DEBT

At year-end, the Township had no outstanding non-electoral debt for governmental activities and \$8,585,000 outstanding debt for business-type activities for the Community & Recreation Center. This debt is secured by the full faith and credit of the Township's taxing authority. The Township had also served as guarantor for debt for the Municipal Sewer Authority with the Township's full faith and credit pledge providing the ultimate bond security on a prior debt issue, however in 2016 the Authority paid off the remaining balance of all debt.

The current debt obligation of the Township is approximately 14.5% of the Township's available legal borrowing capacity which was calculated using year ending December 31, 2016, data. This again evidences the Township's fiscally responsible approach to funding Capital Improvement projects.

Table 4
Outstanding Debt at Year-End

| | <u>2016</u> | <u>2017</u> |
|--------------------------|---------------------|---------------------|
| BUSINESS-TYPE ACTIVITIES | | |
| 2016 Series Bond | \$ <u>8,585,000</u> | \$ <u>8,585,000</u> |
| COMPONENT UNITS | | |
| 2011 Series | \$ <u>-</u> | \$ <u>-</u> |

Additional information on Montgomery Township's debt can be found in Note D to the financial statements.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

NEXT YEAR'S BUDGET

In 2017, the Township finances, through the Board of Supervisors' continued commitment to operate on a fiscally conservative basis, resulted in lower than budgeted expenditures for the last five fiscal years, 2013 through 2017. Diverse streams of revenues such as Transfer Tax, Business Tax, and Permits generated higher than anticipated receipts for their respective budget accounts. This combination of strong revenues and lower than anticipated expenditures resulted in the transfer of \$2M (2013), \$1.1M (2014), \$1.7M (2015), \$1.3M (2016), and \$1.5M (2017) of surplus/fund balance to the Capital Reserve Fund which the Board has committed for future capital projects.

Entering 2018, the Township has not increased its real estate tax millage rate for the fifteenth year in a row while continuing to provide excellent levels of services to our residents and business community. Montgomery Township currently has nearly \$21M in net assets not invested in capital, which represents about 150% of its annual general operating budget.

The Township has continued to invest in major capital projects and future operations. The 2018 budget includes over \$3.5M in Capital Funding consisting of over \$1M in curb, sidewalk, apron, and ramp improvements to infrastructure; replacement of capital equipment of nearly \$1M for police cars, public works vehicles and significant technology/security upgrades; and funding of \$1.2M for a replacement fire ladder truck; all in accordance with the Township's 16-year Road Plan and 10-year Equipment Replacement Program.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the funds it receives and disburses. If you have questions about this report or to request additional financial information (to include component units), please contact the Finance Director at 1001 Stump Road, Montgomeryville, PA 18936-9605.

MONTGOMERY TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2017

| | Primary Government | | | Component Units | |
|--|-------------------------|--------------------------|-----------------------|----------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Totals | Sewer Authority | Fire Department |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 6,014,878 | \$ 173,207 | \$ 6,188,085 | \$ 3,466,919 | \$ 242,169 |
| Investments | 12,800,000 | - | 12,800,000 | 6,452,419 | - |
| Taxes receivable | 1,550,579 | - | 1,550,579 | - | - |
| Accounts receivable | 459,682 | - | 459,682 | 605,901 | - |
| Capital assets | | | | | |
| Property, plant and equipment, Sewer Authority | - | - | - | 32,509,337 | - |
| Depreciable capital assets | 8,851,730 | 10,993,461 | 19,845,191 | - | 116,401 |
| Nondepreciable capital assets | 104,178,813 | - | 104,178,813 | - | - |
| TOTAL ASSETS | 133,855,682 | 11,166,668 | 145,022,350 | 43,034,576 | 358,570 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred amount on refunding | - | 223,530 | 223,530 | - | - |
| Deferred outflows related to pensions | 940,082 | - | 940,082 | - | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 940,082 | 223,530 | 1,163,612 | - | - |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | 343,111 | 14,763 | 357,874 | 486,565 | - |
| Accrued payroll | 462,023 | 17,504 | 479,527 | - | - |
| Accrued interest | - | 22,605 | 22,605 | - | - |
| Unearned revenue | - | - | - | - | 3,037 |
| Developers' escrow deposits payable | - | - | - | 277,244 | - |
| Long-term liabilities | | | | | |
| Portion due or payable within one year | | | | | |
| Bonds payable | - | 25,000 | 25,000 | - | - |
| Portion due or payable after one year | | | | | |
| Bonds payable | - | 8,691,293 | 8,691,293 | - | - |
| Compensated absences | - | - | - | 20,374 | - |
| Net pension liability | 961,400 | - | 961,400 | - | - |
| Net OPEB obligation | 1,585,913 | - | 1,585,913 | - | - |
| TOTAL LIABILITIES | 3,352,447 | 8,771,165 | 12,123,612 | 784,183 | 3,037 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred inflows related to pensions | 1,223,109 | - | 1,223,109 | - | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 113,030,543 | 2,500,698 | 115,531,241 | 32,509,337 | - |
| Restricted | | | | | |
| Providing and maintaining street lights | 553,241 | - | 553,241 | - | - |
| Debt service | 299,200 | - | 299,200 | - | - |
| Basin maintenance | 18,147 | - | 18,147 | - | - |
| Park development projects | 121,775 | - | 121,775 | - | - |
| Highway and street projects | 644,718 | - | 644,718 | - | - |
| Knapp Farm house | 9,894 | - | 9,894 | - | - |
| Unrestricted | 15,542,690 | 118,335 | 15,661,025 | 9,741,056 | 355,533 |
| TOTAL NET POSITION | \$ 130,220,208 | \$ 2,619,033 | \$ 132,839,241 | \$ 42,250,393 | \$ 355,533 |

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|---------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| PRIMARY GOVERNMENT | | | | |
| GOVERNMENTAL ACTIVITIES | | | | |
| General government | \$ 2,403,329 | \$ 63,415 | \$ 167,085 | \$ - |
| Public safety | 8,810,371 | 1,306,493 | 311,672 | - |
| Highways and streets | 3,065,656 | 6,900 | 688,757 | - |
| Parks and recreation | 410,813 | - | 60,640 | - |
| Depreciation, unallocated | 920,457 | - | - | - |
| TOTAL GOVERNMENTAL ACTIVITIES | 15,610,626 | 1,376,808 | 1,228,154 | - |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Recreation center | 1,649,490 | 731,815 | - | - |
| TOTAL PRIMARY GOVERNMENT | \$ 17,260,116 | \$ 2,108,623 | \$ 1,228,154 | \$ - |
| COMPONENT UNITS | | | | |
| Sewer Authority | \$ 6,381,157 | \$ 6,383,043 | \$ - | \$ 296,598 |
| Fire Department | 183,384 | 151,196 | - | - |
| TOTAL COMPONENT UNITS | \$ 6,564,541 | \$ 6,534,239 | \$ - | \$ 296,598 |
| GENERAL REVENUES | | | | |
| Taxes | | | | |
| Earned income tax | | | | |
| Real property tax | | | | |
| Real estate transfer taxes | | | | |
| Business privilege and mercantile tax | | | | |
| Miscellaneous taxes | | | | |
| Cable TV franchise fees | | | | |
| Investment income | | | | |
| TRANSFERS | | | | |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | |
| CHANGE IN NET POSITION | | | | |
| NET POSITION AT BEGINNING OF YEAR | | | | |
| NET POSITION AT END OF YEAR | | | | |

See accompanying notes to the basic financial statements.

| Net (Expense) Revenue and Changes in Net Position | | | | |
|---|-----------------------------|----------------|--------------------|--------------------|
| Primary Government | | | Component Units | |
| Governmental Activities | Business-Type Activities | Totals | Sewer Authority | Fire Department |
| \$ (2,172,829) | \$ - | \$ (2,172,829) | \$ - | \$ - |
| (7,192,206) | - | (7,192,206) | - | - |
| (2,369,999) | - | (2,369,999) | - | - |
| (350,173) | - | (350,173) | - | - |
| (920,457) | - | (920,457) | - | - |
| (13,005,664) | - | (13,005,664) | - | - |
| - | (917,675) | (917,675) | - | - |
| (13,005,664) | (917,675) | (13,923,339) | - | - |
| | | | 298,484 | - |
| | | | - | (32,188) |
| | | | 298,484 | (32,188) |
| 5,594,502 | 140,000 | 5,734,502 | - | - |
| 3,074,173 | - | 3,074,173 | - | - |
| 1,088,442 | - | 1,088,442 | - | - |
| 3,164,921 | - | 3,164,921 | - | - |
| 888,742 | - | 888,742 | - | - |
| 610,646 | - | 610,646 | - | - |
| 174,875 | - | 174,875 | 88,354 | - |
| (484,427) | 484,427 | - | - | - |
| 14,111,874 | 624,427 | 14,736,301 | 88,354 | - |
| 1,106,210 | (293,248) | 812,962 | 386,838 | (32,188) |
| 129,113,998 | 2,912,281 | 132,026,279 | 41,863,555 | 387,721 |
| \$ 130,220,208 | \$ 2,619,033 | \$ 132,839,241 | \$ 42,250,393 | \$ 355,533 |

MONTGOMERY TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

| | General Fund | Capital Reserve Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,003,381 | \$ 3,806,067 | \$ 1,205,430 | \$ 6,014,878 |
| Investments | 2,134,413 | 8,100,373 | 2,565,214 | 12,800,000 |
| Taxes receivable | 1,542,439 | - | 8,140 | 1,550,579 |
| Accounts receivable | 413,683 | 19,000 | 26,999 | 459,682 |
| TOTAL ASSETS | \$ 5,093,916 | \$ 11,925,440 | \$ 3,805,783 | \$ 20,825,139 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts payable and accrued expenses | \$ 324,318 | \$ 7,012 | \$ 11,781 | \$ 343,111 |
| Accrued payroll | 420,155 | - | 41,868 | 462,023 |
| TOTAL LIABILITIES | 744,473 | 7,012 | 53,649 | 805,134 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable revenues | | | | |
| Property taxes | 19,455 | - | 6,199 | 25,654 |
| Income taxes | 1,296,133 | - | - | 1,296,133 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,315,588 | - | 6,199 | 1,321,787 |
| FUND BALANCES | | | | |
| Restricted | | | | |
| Providing and maintaining street lights | - | - | 553,241 | 553,241 |
| Debt service | - | - | 299,200 | 299,200 |
| Basin maintenance | - | - | 18,147 | 18,147 |
| Park development projects | - | - | 121,775 | 121,775 |
| Highway and street projects | - | - | 644,718 | 644,718 |
| Knapp Farm house | - | - | 9,894 | 9,894 |
| Committed to | | | | |
| Arbor Day and shade tree commission | - | - | 818,796 | 818,796 |
| Fire protection capital purchases and/or infrastructure projects | - | - | 404,703 | 404,703 |
| Environmental | - | - | 298,211 | 298,211 |
| Equipment plans | - | 3,767,955 | - | 3,767,955 |
| Highway and street projects | - | 2,232,603 | - | 2,232,603 |
| Building improvements | - | 514,181 | - | 514,181 |
| Storm water projects | - | 533,032 | - | 533,032 |
| Traffic engineering | - | 334,861 | - | 334,861 |
| Open space acquisition and improvement | - | 2,104,057 | - | 2,104,057 |
| Parks and recreation projects | - | 494,405 | - | 494,405 |
| Operating reserve fund | - | 1,937,334 | - | 1,937,334 |
| Assigned | | | | |
| Park and recreation projects | - | - | 523,647 | 523,647 |
| Annual autumn fest | - | - | 53,660 | 53,660 |
| Unassigned | 3,033,855 | - | (57) | 3,033,798 |
| TOTAL FUND BALANCES | 3,033,855 | 11,918,428 | 3,745,935 | 18,698,218 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 5,093,916 | \$ 11,925,440 | \$ 3,805,783 | \$ 20,825,139 |

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2017

| | |
|--|-----------------------|
| TOTAL GOVERNMENTAL FUNDS BALANCES | \$ 18,698,218 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of: | |
| Land | 8,492,109 |
| Buildings and building improvements | 10,839,042 |
| Land improvements | 103,720 |
| Infrastructure | 98,888,729 |
| Machinery and equipment | 7,387,801 |
| Accumulated depreciation | (12,680,858) |
| Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of: | |
| Deferred inflows and outflows related to pension activities | (283,027) |
| Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of: | |
| Net pension liability | (961,400) |
| Net OPEB obligation | (1,585,913) |
| Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recognized in the funds. | <u>1,321,787</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 130,220,208</u> |

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017

| | <u>General Fund</u> | <u>Capital Reserve Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------------|---|---|
| REVENUES | | | | |
| Taxes | \$ 12,342,568 | \$ - | \$ 1,434,198 | \$ 13,776,766 |
| Licenses and permits | 1,514,440 | - | 63,255 | 1,577,695 |
| Fines and forfeits | 202,604 | - | - | 202,604 |
| Interest income, rents and royalties | 29,417 | 108,587 | 36,871 | 174,875 |
| Intergovernmental revenues | 583,542 | - | 954,248 | 1,537,790 |
| Charges for services | 124,309 | - | 16,085 | 140,394 |
| Contributions | 6,052 | - | 274,134 | 280,186 |
| | <u>14,802,932</u> | <u>108,587</u> | <u>2,778,791</u> | <u>17,690,310</u> |
| TOTAL REVENUES | | | | |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 2,409,861 | 40,967 | 71,795 | 2,522,623 |
| Public safety | 7,998,981 | 13,951 | 1,345,275 | 9,358,207 |
| Highways and streets | 2,008,295 | 548,308 | 695,805 | 3,252,408 |
| Parks and recreation | - | 114,965 | 365,042 | 480,007 |
| | <u>12,417,137</u> | <u>718,191</u> | <u>2,477,917</u> | <u>15,613,245</u> |
| TOTAL EXPENDITURES | | | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>2,385,795</u> | <u>(609,604)</u> | <u>300,874</u> | <u>2,077,065</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers in | 348,457 | 2,539,970 | 139,944 | 3,028,371 |
| Interfund transfers out | (2,689,330) | (510,385) | (313,083) | (3,512,798) |
| | <u>(2,340,873)</u> | <u>2,029,585</u> | <u>(173,139)</u> | <u>(484,427)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | | | | |
| NET CHANGE IN FUND BALANCES | 44,922 | 1,419,981 | 127,735 | 1,592,638 |
| FUND BALANCES AT BEGINNING OF YEAR | <u>2,988,933</u> | <u>10,498,447</u> | <u>3,618,200</u> | <u>17,105,580</u> |
| FUND BALANCES AT END OF YEAR | <u>\$ 3,033,855</u> | <u>\$ 11,918,428</u> | <u>\$ 3,745,935</u> | <u>\$ 18,698,218</u> |

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2017

| | |
|--|--------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ 1,592,638 |
|--|--------------|

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$920,457) exceeds capital outlays (\$355,092) in the current period.

| |
|-----------|
| (565,365) |
|-----------|

Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Total unavailable revenue from taxes decreased by the following in the current period.

| |
|--------|
| 34,014 |
|--------|

The net change in the liability for the net pension liability and related deferred outflows of resources and deferred inflows of resources are reported in the government-wide statements but not in the Governmental Funds statements.

| |
|---------|
| 188,203 |
|---------|

The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.

| |
|------------------|
| <u>(143,280)</u> |
|------------------|

| | |
|---|----------------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ <u><u>1,106,210</u></u> |
|---|----------------------------|

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2017

| | <u>Recreation Center Fund</u> |
|-------------------------------------|-----------------------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ <u>173,207</u> |
| NONCURRENT ASSETS | |
| Building and building improvements | 10,797,929 |
| Machinery and equipment | 1,222,913 |
| Less accumulated depreciation | <u>(1,027,381)</u> |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | <u>10,993,461</u> |
| TOTAL ASSETS | <u>11,166,668</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred amount on refunding | <u>223,530</u> |
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Accounts payable | 14,763 |
| Accrued payroll | 17,504 |
| Accrued interest payable | 22,605 |
| Bonds payable, current | <u>25,000</u> |
| TOTAL CURRENT LIABILITIES | <u>79,872</u> |
| NONCURRENT LIABILITIES | |
| Bonds payable | <u>8,691,293</u> |
| TOTAL LIABILITIES | <u>8,771,165</u> |
| NET POSITION | |
| Net investment in capital assets | 2,500,698 |
| Unrestricted | <u>118,335</u> |
| TOTAL NET POSITION | \$ <u><u>2,619,033</u></u> |

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIPSTATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2017

| | <u>Recreation Center Fund</u> |
|---------------------------------------|-----------------------------------|
| OPERATING REVENUES | |
| Taxes | \$ 140,000 |
| Charges for services | 731,815 |
| TOTAL OPERATING REVENUES | <u>871,815</u> |
| OPERATING EXPENSES | |
| Contractual and professional services | 101,284 |
| Other supplies and expenses | 957,305 |
| Depreciation | 353,233 |
| TOTAL OPERATING EXPENSES | <u>1,411,822</u> |
| OPERATING LOSS | (540,007) |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest expense | <u>(237,668)</u> |
| LOSS BEFORE OTHER SOURCES | (777,675) |
| OTHER SOURCES | |
| Operating transfers in | <u>484,427</u> |
| CHANGE IN NET POSITION | (293,248) |
| NET POSITION AT BEGINNING OF YEAR | <u>2,912,281</u> |
| NET POSITION AT END OF YEAR | <u>\$ 2,619,033</u> |

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2017

| | <u>Recreation Center Fund</u> |
|--|-----------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 871,815 |
| Payments to employees for services | 3,048 |
| Payments to suppliers for goods and services | <u>(1,048,431)</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>(173,568)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Interfund revenues | <u>484,427</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Acquisition and construction of capital assets | (39,871) |
| Interest paid on debt | <u>(250,243)</u> |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(290,114)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Sale of investments | <u>589</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 21,334 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>151,873</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 173,207</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | |
| Operating loss | \$ (540,007) |
| Adjustments to reconcile operating loss to net cash used by operating activities | |
| Depreciation | 353,233 |
| Increase in | |
| Accounts payable | 10,158 |
| Accrued payroll | <u>3,048</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>\$ (173,568)</u> |

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2017

| | <u>Pension Trust Funds</u> | <u>Agency Fund</u> |
|--------------------------------------|--------------------------------|--------------------------|
| ASSETS | | |
| Cash | \$ 1,459,888 | \$ 839,888 |
| Investments | | |
| Domestic and international funds | 19,130,561 | - |
| Fixed income funds | 4,826,639 | - |
| Accounts receivable | <u>3,850</u> | <u>-</u> |
| TOTAL ASSETS | 25,420,938 | <u><u>\$ 839,888</u></u> |
| LIABILITIES | | |
| Escrow and other deposits | <u>-</u> | <u><u>\$ 839,888</u></u> |
| NET POSITION | | |
| Net position restricted for pensions | <u><u>\$ 25,420,938</u></u> | |

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2017

| | <u>Pension Trust Funds</u> |
|---|--------------------------------|
| ADDITIONS | |
| Contributions | |
| Plan member contributions | \$ 315,018 |
| Employer contributions | 527,768 |
| Other contributions, Commonwealth of Pennsylvania | 523,061 |
| TOTAL CONTRIBUTIONS | <u>1,365,847</u> |
| Investment earnings | |
| Interest income | 668,942 |
| Gain on investments | 2,770,989 |
| Investment expenses | (37,712) |
| INVESTMENT EARNINGS, net | <u>3,402,219</u> |
| TOTAL ADDITIONS | <u>4,768,066</u> |
| DEDUCTIONS | |
| Employee benefit payments | 1,656,627 |
| Administrative expenses | 15,740 |
| TOTAL DEDUCTIONS | <u>1,672,367</u> |
| CHANGE IN NET POSITION | 3,095,699 |
| NET POSITION AT BEGINNING OF YEAR | <u>22,325,239</u> |
| NET POSITION AT END OF YEAR | <u>\$ 25,420,938</u> |

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Montgomery Township (the "Township"), located in Montgomery County, Pennsylvania, was organized in 1714. The Township is classified as a "Township of the Second Class" under the laws of the Commonwealth of Pennsylvania and provides the following services as authorized by its charter: public safety, highways and streets, culture and recreation, public improvements, planning and zoning and general and administrative services.

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

Reporting Entity

The Township is governed by an elected five-member Board of Supervisors. As required by GAAP, the Township, for financial reporting purposes, includes all the funds relevant to the operations of the Township. Management, in determining what potential component units should be included for financial reporting purposes, considers financial accountability and the nature and significance of the relationship. Fiscal accountability, the most significant of all criteria, refers to conditions of financial interdependency between two units, including budgetary adoption, taxing authority, responsibility for debt and control over or responsibility for financial management.

Based on the aforementioned criteria, the Township's component units are the Montgomery Township Municipal Sewer Authority (the "Sewer Authority") and the Fire Department of Montgomery Township (the "Fire Department"). The Sewer Authority and the Fire Department have been reported as discretely presented component units in a separate column in the financial statements to emphasize that they are legally separate from the Township.

Montgomery Township Municipal Sewer Authority - The Sewer Authority is a public corporation organized in 1965 by the Board of Montgomery Township in accordance with the Municipality Authorities Act of 1945. The Sewer Authority is a lease-back and operating authority, the purpose of which is to borrow money to finance the construction or acquisition of sewer facilities and operate a sewer system. The facilities are subject to a lease-back arrangement between the Township and the Sewer Authority.

The Sewer Authority is governed by a five-member board appointed by the Township's Board of Supervisors.

The Sewer Authority's governing board is responsible for decisions made in the operation of the Sewer Authority. The Township, however, is responsible for funding any deficit which may arise in the operation of the Sewer Authority. The Township also is required to review and approve the Sewer Authority's annual operating budget and any amendment thereto.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Sewer Authority financial statements have been prepared on the accrual basis of accounting. Separately issued financial statements of the Sewer Authority may be obtained at the Township's administrative office.

Fire Department of Montgomery Township - The Fire Department provides firefighting and rescue services to the residents and businesses of Montgomery Township, Pennsylvania. The Fire Department was formed as a nonprofit corporation in 2003.

The governing body of the Fire Department is the Executive Board, which is comprised of eight members elected by the active members of the Fire Department.

In 2003, the Fire Department entered into a Fire Services Agreement with Montgomery Township. As part of this agreement, the Fire Department will prepare an annual budget. This budget will be reviewed with the Director of Fire Services, a Montgomery Township employee. The Director must approve purchases in excess of \$1,000. In addition, the Township provides the use of two fire stations and equipment.

The Fire Department financial statements have been prepared on the accrual basis of accounting. Separately issued financial statements of the Fire Department may be obtained at the Township's administrative office.

Fund Accounting

The Township uses fund accounting to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Township functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Township are grouped into the categories governmental, proprietary and fiduciary.

The Township reports the following major Governmental Funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Reserve Fund - The Capital Reserve Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following major Proprietary Fund:

Recreation Center Fund - The Recreation Center Fund is used to account for the Township's Community & Recreation Center, which will provide recreational activities for the residents of the Township.

Additionally, the Township reports the following fund types:

Special Revenue Funds (Nonmajor) - Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Township's nonmajor Special Revenue Funds include the Fire Protection Fund, Park and Recreation Fund, Basin Maintenance Fund, Street Lights Fund, Liquid Fuels Fund, Fire Relief Fund, Environmental Fund, Replacement Tree Fund, and Autumn Festival Fund.

Capital Projects Funds (Nonmajor) - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital projects. The Township's nonmajor Capital Projects Funds include the Park Development Fund, the Capital Projects Fund and the Restoration Fund.

Debt Service Fund (Nonmajor) - The Debt Service Fund is used to account for the accumulation of resources for and payment of general long-term debt principal, interest and related costs.

Fiduciary Fund Types

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations. The Township's Trust and Agency Funds consist of developer escrow deposits held by the Township and investments held for the Township's Police and Non-Uniform Employee Pension Plans.

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

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Recreation Center Fund are charges to customers for sales and services. Operating expenses include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds and Agency Funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each discretely presented component unit of the Township and for each function or program of the Township's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements, although interfund services provided and used are not eliminated in the process of consolidation.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of Governmental Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor Governmental Funds are aggregated and presented in a single column (Other Governmental Funds). Fiduciary Funds are reported by fund type.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Major revenues susceptible to accrual are taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

The Township's Proprietary Fund, Pension Trust Funds, discretely presented component units and Agency Funds are presented on the accrual basis of accounting, whereby revenues are recognized in the period earned and expenses are recognized when incurred.

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

Encumbrance Accounting

Encumbrance accounting, under which purchase orders and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds for which budgets are prepared. Encumbrances do not constitute expenditures or liabilities under accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The cash of individual funds other than the component units is combined to form a pool of cash and cash equivalents. Each fund type's portion of the pool is included on the balance sheet as "cash and cash equivalents" under each fund type's caption. The deposits and investments of the Pension Trust Funds are held separately from those of other Township funds.

Cash and cash equivalents include cash on hand and in banks and investments in short-term highly liquid investments with original maturities of less than 90 days.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments, Township

Statutes authorize the Township to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The specific conditions under which the Township may invest in these categories are detailed in Pennsylvania Act No. 53 of 1973, as amended by Pennsylvania Act No. 10 of 2016. Investments are stated at fair value except for certificates of deposit which are stated at amortized cost.

The Township has adopted GASB Statement No. 72, Fair Value Measurement and Application. In accordance with this Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values.

Deposits and Investments, Sewer Authority

State law allows the Authority to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the Authority to invest in certificates of deposit of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation (FDIC) or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loans or savings bank's assets, net of its liabilities. The Authority may also invest in shares of registered investment companies, provided that investments of the Authority are authorized investments, as noted above.

The Sewer Authority's investments are reported at fair value, determined by quoted market values.

Capital Assets

Capital assets, which include property, plant, equipment and certain limited infrastructure assets, are reported in the applicable governmental or discretely presented component units columns in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$5,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property, plant, equipment and certain limited infrastructure assets are depreciated using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 20-40 |
| Infrastructure | 20-25 |
| Machinery and equipment | 3-20 |

Infrastructure

GASB Statement No. 34 requires the inclusion of infrastructure capital assets in local governments' basic financial statements. The Township has included the value of all infrastructure in its basic financial statements for December 31, 2017.

The Township defines infrastructure as the basic physical assets, including roads, bridges, sidewalks, drainage systems and traffic signals, used by the Township in the conduct of its business. The Township will depreciate its infrastructure over the estimated useful life of the assets using the straight-line method of depreciation, except for its roads.

The Township has elected to use the modified approach as defined by GASB Statement No. 34 for reporting of its roads. The Township performed a physical assessment of the condition of the roads as of December 31, 2017. This condition assessment will be performed every three years.

Sewer Revenues and Accounts Receivable

Charges for services are recognized when earned. All residential and commercial customers are billed quarterly based on usage. An estimated amount has been recorded for services rendered but not yet billed as of the close of the fiscal year.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has two items that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions. The deferred charge on refunding is reported in the government-wide and proprietary fund statements of net position and results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Township has two items which qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes and income taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan and the net difference between projected and actual earnings on pension plan investments.

Compensated Absences

Township employees accumulate vacation leave hours for subsequent use or for payment upon termination, death, or retirement. Earned vacation pay to a maximum of 80 hours for nonuniform employees and 84 hours for uniform employees may be paid upon termination of employment, death, or retirement.

Proprietary Funds' Unamortized Bond Premium - Township

Bond premiums are deferred and amortized over the life of the related bonds using the straight-line method. For financial reporting purposes, the bond premium is netted against the bonds payable.

Real Estate Property Tax

Property taxes are levied on March 1 based upon the assessed value of property listed on the previous January 1. Assessed values are an approximation of market value.

Property taxes are payable under the following terms: 2% discount March 1 through May 1, face amount May 2 through July 1 and a 10% penalty after July 1. Unpaid taxes are lienied in February of the subsequent year.

Tax Collection

The Real Estate Tax Collector, who is responsible for collecting real estate taxes on behalf of the Township, Montgomery County and the North Penn School District, is an elected official. The Township, in accordance with state law, regards the Tax Collector's office as a separate entity, and only activity as it relates to the Township is recorded in the financial statements.

Net Position Flow Assumption

Sometimes the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

The Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the Township intends to use for a specific purpose. Intent can be expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. The Board of Supervisors has not delegated this authority.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Township will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned to it. The Township follows state statute as it relates to custodial credit risk. Pennsylvania statutes provide for investment of Governmental and Proprietary Funds resources into certain authorized investment types, including U.S. Treasury bills, other short-term U.S. and Pennsylvania Government obligations and insured or collateralized time deposits and certificates of deposit. The statutes do not prescribe regulations related to demand deposits; however, they do allow the pooling of Governmental Funds for investment purposes. In addition to the investments authorized for Governmental and Proprietary Funds, Fiduciary Fund investments also may be made in corporate stocks and bonds, real estate and other investments consistent with sound business practice.

As of December 31, 2017, \$8,198,094 of the Township's bank balance of \$8,698,094 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging
bank's trust department not in the Township's name

| | |
|----------------------------------|---------------------|
| Township governmental activities | \$ <u>5,809,536</u> |
| Township proprietary activities | \$ <u>167,294</u> |
| Pension Trust Funds | \$ <u>1,410,049</u> |
| Escrow | \$ <u>811,215</u> |

As of December 31, 2017, the following amounts of the component units were exposed to custodial credit risk.

Sewer Authority - At December 31, 2017, \$3,199,823 of the Sewer Authority's bank balance of \$3,449,823 was exposed to custodial credit risk as follows:

Uninsured and collateralized with securities held by the pledging
bank's trust department not in the Sewer Authority's name

| | |
|--|---------------------|
| | \$ <u>3,199,823</u> |
|--|---------------------|

Fire Department - At December 31, 2017, the bank deposits of the Fire Department were fully insured and not exposed to custodial credit risk.

Investments

The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2017, the Township had the following investments, maturities and fair value inputs:

| Investment Type | Amortized Cost | Fair Value | Level 1 Inputs | Investment Maturities | |
|--|-------------------|---------------|-------------------|-----------------------|--------------|
| | | | | Less Than One Year | 1 to 5 Years |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Certificate of deposit | \$ 12,800,000 | \$ - | \$ - | \$ 7,150,000 | \$ 5,650,000 |
| PENSION ACTIVITIES | | | | | |
| Domestic and international mutual funds | \$ - | \$ 19,130,561 | \$ 19,130,561 | \$ 19,130,561 | \$ - |
| Fixed income mutual funds | - | 4,826,639 | 4,826,639 | 4,826,639 | - |
| | \$ - | \$ 23,957,200 | \$ 23,957,200 | \$ 23,957,200 | \$ - |

As of December 31, 2017, the Sewer Authority had the following investments and maturities:

| Investment Type | Fair Value | Investment Maturities | |
|-------------------------|--------------|-----------------------|--------------|
| | | Less Than One Year | 1 to 5 Years |
| Certificates of deposit | \$ 6,452,419 | \$ 3,952,419 | \$ 2,500,000 |

Interest Rate Risk - The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The Township limits the type of investments permitted as defined in the Township code. Permitted investments are defined in Note A. When making investments, the Township can combine monies from more than one fund under the Township's control for the purpose of a single investment and join with other political subdivisions in the purchase of a single investment.

The Township's investment policy does not further limit its investment choices.

Concentration of Credit Risk - More than 5% of the Township's and component units' investments are in certificates of deposit, domestic and international mutual funds and fixed income mutual funds. These investments are 45%, 44% and 11%, respectively, of the Township's and component units' total investments.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

| | Balance January 1, 2017 | Additions | Deletions | Balance December 31, 2017 |
|---|-------------------------------|--------------|-----------|---------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 8,492,109 | \$ - | \$ - | \$ 8,492,109 |
| Infrastructure | 95,686,704 | - | - | 95,686,704 |
| TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED | 104,178,813 | - | - | 104,178,813 |
| Capital assets being depreciated | | | | |
| Buildings and building improvements | 10,839,042 | - | - | 10,839,042 |
| Land improvements | 103,720 | - | - | 103,720 |
| Infrastructure | 3,149,078 | 52,947 | - | 3,202,025 |
| Machinery and equipment | 7,146,638 | 302,145 | (60,982) | 7,387,801 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | 21,238,478 | 355,092 | (60,982) | 21,532,588 |
| Accumulated depreciation | | | | |
| Buildings and building improvements | (5,124,796) | (332,121) | - | (5,456,917) |
| Land improvements | (81,061) | (2,317) | - | (83,378) |
| Infrastructure | (2,146,722) | (119,715) | - | (2,266,437) |
| Machinery and equipment | (4,468,804) | (466,304) | 60,982 | (4,874,126) |
| TOTAL ACCUMULATED DEPRECIATION | (11,821,383) | (920,457) | 60,982 | (12,680,858) |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, net | 9,417,095 | (565,365) | - | 8,851,730 |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net | \$ 113,595,908 | \$ (565,365) | \$ - | \$ 113,030,543 |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Capital assets being depreciated | | | | |
| Buildings and building improvements | \$ 10,797,929 | \$ - | \$ - | \$ 10,797,929 |
| Machinery and equipment | 1,183,042 | 39,871 | - | 1,222,913 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | 11,980,971 | 39,871 | - | 12,020,842 |
| Accumulated depreciation | | | | |
| Buildings and building improvements | (524,287) | (270,007) | - | (794,294) |
| Machinery and equipment | (149,861) | (83,226) | - | (233,087) |
| TOTAL ACCUMULATED DEPRECIATION | (674,148) | (353,233) | - | (1,027,381) |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, net | 11,306,823 | (313,362) | - | 10,993,461 |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net | \$ 11,306,823 | \$ (313,362) | \$ - | \$ 10,993,461 |

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:

Unallocated \$ 950,457

Business-type activities:

Recreation center \$ 353,233

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE C - CAPITAL ASSETS (Continued)

| | Balance January 1, 2017 | Additions | Deletions | Balance December 31, 2017 |
|--|-------------------------------|--------------|----------------|---------------------------------|
| COMPONENT UNIT, SEWER AUTHORITY | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 673,095 | \$ - | \$ - | \$ 673,095 |
| Construction in progress | 3,515,021 | 427,527 | (3,714,531) | 228,017 |
| TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED | 4,188,116 | 427,527 | (3,714,531) | 901,112 |
| Capital assets being depreciated | | | | |
| Wastewater treatment and collection system | | | | |
| Hatfield Waste Water Treatment Plant | 13,644,363 | - | (3,327,553) | 10,316,810 |
| Eureka Treatment Plant | 22,685,912 | 2,587,296 | (129,600) | 25,143,608 |
| Other sewer system improvements | 6,189,086 | 146,193 | - | 6,335,279 |
| Developer dedications | 13,818,225 | 296,595 | - | 14,114,820 |
| TOTAL WASTEWATER TREATMENT AND COLLECTION SYSTEMS | 56,337,586 | 3,030,084 | (3,457,153) | 55,910,517 |
| Equipment | 2,029,349 | 980,044 | (673,852) | 2,335,541 |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED | 58,366,935 | 4,010,128 | (7,588,158) | 58,246,058 |
| Accumulated depreciation | | | | |
| Wastewater treatment and collection systems | | | | |
| Hatfield Waste Water Treatment Plant | (11,223,991) | (279,056) | 3,327,553 | (8,175,494) |
| Eureka Treatment Plant | (7,828,357) | (745,788) | 129,600 | (8,444,545) |
| Other sewer system improvements | (3,005,707) | (374,162) | - | (3,379,869) |
| Developer dedications | (5,407,220) | (441,785) | - | (5,849,005) |
| TOTAL WASTEWATER TREATMENT AND COLLECTION SYSTEMS ACCUMULATED DEPRECIATION | (27,465,275) | (1,840,791) | 3,457,153 | (25,848,913) |
| Equipment | (1,213,646) | (249,126) | 673,852 | (788,920) |
| TOTAL ACCUMULATED DEPRECIATION | (28,678,921) | (2,089,917) | 7,588,158 | (26,637,833) |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, net | 29,688,014 | 1,920,211 | - | 31,608,225 |
| COMPONENT UNIT, SEWER AUTHORITY CAPITAL ASSETS, net | \$ 33,876,130 | \$ 2,347,738 | \$ (3,714,531) | \$ 32,509,337 |
| COMPONENT UNIT, FIRE DEPARTMENT | | | | |
| Equipment | \$ 232,802 | \$ - | \$ - | \$ 232,802 |
| Accumulated depreciation | (69,840) | (46,561) | - | (116,401) |
| TOTAL CAPITAL ASSETS BEING DEPRECIATED, net | \$ 162,962 | \$ (46,561) | \$ - | \$ 116,401 |

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE D - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the primary government for the year ended December 31, 2017:

| | <u>Original Principal</u> |
|--|-------------------------------|
| GOVERNMENTAL ACTIVITIES | |
| Net pension liability | \$ - |
| Net OPEB obligation | - |
| TOTAL GOVERNMENTAL ACTIVITIES | <u>-</u> |
| BUSINESS-TYPE ACTIVITIES | |
| General Obligation Bonds, Series of 2016 | 8,585,000 |
| Premium on 2016 Series Bonds | 137,222 |
| TOTAL BUSINESS-TYPE ACTIVITIES | <u>8,722,222</u> |
| TOTAL LONG-TERM LIABILITIES | \$ <u><u>8,722,222</u></u> |

Net pension obligations and any net other postemployment benefit obligations are liquidated by the General Fund.

| Balance Outstanding January 1, 2017 | Proceeds from New Obligations | Retired During Year | Balance Outstanding December 31, 2017 | Due Within One Year |
|--|-------------------------------------|------------------------|--|------------------------|
| \$ 2,773,489 | \$ - | \$ (1,812,089) | \$ 961,400 | \$ - |
| 1,442,633 | 143,280 | - | 1,585,913 | - |
| <u>4,216,122</u> | <u>143,280</u> | <u>(1,812,089)</u> | <u>2,547,313</u> | <u>-</u> |
| 8,585,000 | - | - | 8,585,000 | 25,000 |
| 136,375 | - | (5,082) | 131,293 | - |
| <u>8,721,375</u> | <u>-</u> | <u>(5,082)</u> | <u>8,716,293</u> | <u>25,000</u> |
| \$ <u>12,937,497</u> | \$ <u>143,280</u> | \$ <u>(1,817,171)</u> | \$ <u>11,263,606</u> | \$ <u>25,000</u> |

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE D - LONG-TERM DEBT (Continued)

2016 Series Bonds

In October 2016, the Township issued \$8,585,000 in general obligation bonds for the purpose of advance refunding the 2013 Series Bonds. The bonds bear varying rates of interest from 1.0% to 3.0% and have varying maturities from June 1, 2018 to June 1, 2043. The refunding resulted in an economic gain of \$617,256 and a decrease in future cash flows of \$654,860. The amount outstanding as of December 31, 2016 on the defeased 2013 Series Bond is \$8,140,000.

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|-------------------------------------|---------------------|---------------------|----------------------|
| 2018 | \$ 25,000 | \$ 229,105 | \$ 254,105 |
| 2019 | 250,000 | 226,480 | 476,480 |
| 2020 | 255,000 | 220,155 | 475,155 |
| 2021 | 265,000 | 212,355 | 477,355 |
| 2022 | 275,000 | 204,255 | 479,255 |
| 2023 to 2027 | 1,450,000 | 929,150 | 2,379,150 |
| 2028 to 2032 | 1,610,000 | 769,980 | 2,379,980 |
| 2033 to 2037 | 1,845,000 | 533,025 | 2,378,025 |
| 2038 to 2042 | 2,140,000 | 234,750 | 2,374,750 |
| 2043 | 470,000 | 7,050 | 477,050 |
| | <u>\$ 8,585,000</u> | <u>\$ 3,566,305</u> | <u>\$ 12,151,305</u> |

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE D - LONG-TERM DEBT (Continued)

A summary of changes in long-term debt for the Sewer Authority for the year ended December 31, 2017, is as follows:

| | Balance January 1, 2017 | Additions | Deletions | Balance December 31, 2017 | Due Within One Year |
|----------------------|-------------------------------|-----------|------------|---------------------------------|------------------------|
| SEWER AUTHORITY | | | | | |
| Compensated absences | \$ 25,047 | \$ - | \$ (4,673) | \$ 20,374 | \$ - |

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers at December 31, 2017, are as follows:

| | Transfer Out | Transfer In |
|--------------------------|---------------------|---------------------|
| General Fund | \$ 2,689,330 | \$ 348,457 |
| Capital Revenue Fund | 510,385 | 2,539,970 |
| Other Governmental Funds | 313,083 | 139,944 |
| Recreation Center Fund | - | 484,427 |
| | <u>\$ 3,512,798</u> | <u>\$ 3,512,798</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to account for saving for future capital projects.

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Plan Description

Plan Administration - The Township administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers. The plan is part of the Township's financial reporting entity and is included in the Township's financial statements as a Pension Trust Fund. The plan does not issue separate, stand-alone financial statements.

Management of the Police Pension Plan is vested in the Police Pension Plan Committee, which consists of up to nine members - two Township sworn Police Officers, the Finance Director-Treasurer, the Human Resources Director and five Township residents appointed by the Township. The Police Pension Plan Committee is responsible for advising, reviewing, monitoring and making recommendations to the Board of Supervisors of Montgomery Township as to the administrative, operation and investment of the Police Pension Plan.

Plan Membership - At December 31, 2017, plan membership consisted of the following:

| | |
|---|-------|
| Inactive plan members or beneficiaries currently receiving benefits | 18 |
| Inactive plan members entitled to but not yet receiving benefits | 1 |
| Active plan members | 34 |
| | <hr/> |
| | 53 |
| | <hr/> |

Benefits Provided - The Plan provides retirement benefits to participating employees. Retirement benefits vest after 12 years of service. Employees who retire at or after age 50 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their average compensation. Average compensation is the employee's average monthly compensation (defined as base and longevity wages) on the 36 latest compensation dates.

The plan also provides certain death and disability benefits to participating employees who have met retirement eligibility requirements and to their dependents when the cause of death or disability is employment related. The amount and/or duration of these benefits depend upon the circumstances of the death or disability.

The benefit provisions of the Township's Police Pension Plan are established by Township ordinances.

Contributions - The authority under which obligations to contribute to the Police Pension Plan by the plan members, employer and other contributing entities are established or may be amended include Act 600 and Act 205 (the "Act") of the Commonwealth of Pennsylvania and Montgomery Township Ordinances. The Act requires that annual contributions be based upon the calculation of the minimum municipal obligation ("MMO"). The MMO is based upon the biennial actuarial valuation.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

As a condition of participation, participants are required to make bi-weekly contributions to the Plan. The amount of the contribution is equal to 5% of the participant's base and longevity pay. The participant's pay is the fixed rate of pay in effect on the first day of the contract year. If the plan actuary finds that the participants' contributions are no longer needed to fund the plan, the Township may reduce or eliminate these required contributions.

The Township allocates state aid received from the Commonwealth of Pennsylvania to the Plan. On-behalf payments of fringe benefits and salaries for the government's employees were recognized as revenues and expenditures/expenses during the period. To the extent that these fundings are not adequate, the Township would then be required to contribute. In accordance with Act 205, the Township was required to contribute \$770,721 to the plan for the year 2017. The Township's actual contributions for the plan year 2017 were \$770,721.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Police Pension Plan Committee based on consensus, with no minimum quorum required. It is the policy of the Police Pension Plan Committee to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Committee's adopted asset allocation policy as of December 31, 2017:

| <u>Asset Class</u> | <u>Target Allocation</u> |
|----------------------|------------------------------|
| Domestic equity | 63% |
| International equity | 6% |
| Fixed income | 25% |
| Real estate | 0% |
| Cash | 6% |
| | <u>100%</u> |

Concentrations - More than 5% of the Township's investments are in domestic and international mutual funds and fixed income mutual funds. These investments are 71% and 29%, respectively, of the plan's total investments.

Rate of Return - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 14.84%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2017, were as follows:

| | |
|--|-----------------------|
| Total pension liability | \$ 19,357,531 |
| Plan fiduciary net position | <u>(18,396,131)</u> |
| NET PENSION LIABILITY | <u>\$ 961,400</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>95.03%</u> |

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|----------------------|
| Inflation | 3% |
| Salary increases | 5.5% annual increase |
| Investment rate of return | 7.5% |

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2017 (see the plan's investment policy) are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|---|
| Domestic equity | 5.50% - 7.50% |
| International equity | 4.50% - 6.50% |
| Fixed income | 1.00% - 3.00% |
| Real estate | 4.50% - 6.50% |
| Cash | 0.00% - 1.00% |

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Discount Rate - The discount rate is based on the long-term expected rate of return on pension plan investments that expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes in the Net Pension Liability

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a)-(b) |
|-------------------------------|--------------------------------------|--|--|
| Balances at December 31, 2016 | \$ 19,191,149 | \$ 16,417,660 | \$ 2,773,489 |
| Service cost | 479,233 | - | 479,233 |
| Interest | 1,410,216 | - | 1,410,216 |
| Changes for experience | (868,285) | - | (868,285) |
| Changes of assumptions | 508,899 | - | 508,899 |
| Contributions | | | |
| Employer | - | 770,721 | (770,721) |
| Member | - | 174,963 | (174,963) |
| Net investment income | - | 2,412,208 | (2,412,208) |
| Benefit payments | (1,363,681) | (1,363,681) | - |
| Administrative expense | - | (15,740) | 15,740 |
| Net Changes | 166,382 | 1,978,471 | (1,812,089) |
| Balances at December 31, 2017 | \$ 19,357,531 | \$ 18,396,131 | \$ 961,400 |

Changes in Assumptions – In the 2017 actuarial valuation, the mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. In prior years, the mortality rates were based on the RP-2000 Healthy Annuitant Mortality Tables.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Township, calculated using the discount rate of 7.50%, as well as what the Township's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|-----------------------|---------------------------|--|---------------------------|
| Net pension liability | \$ 3,256,411 | \$ 961,400 | \$ (958,921) |

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE F - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the Township recognized pension expense of \$582,068. At December 31, 2017, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ - | \$ 884,923 |
| Changes in assumptions | 940,082 | - |
| Difference between projected and actual investment earnings | <u>-</u> | <u>338,186</u> |
| | \$ <u>940,082</u> | \$ <u>1,223,109</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending December 31,</u> | |
|-------------------------------------|-----------|
| 2018 | \$ 67,165 |
| 2019 | 67,165 |
| 2020 | (183,007) |
| 2021 | (222,787) |
| 2022 | 16,680 |
| Thereafter | (28,243) |

NOTE G - NON-UNIFORM EMPLOYEE PENSION PLAN

Plan Description

The Township has established the Montgomery Township Non-Uniform Employee Pension Plan (the "Plan"), which provides pension benefits for its full-time, non-uniform employees and its part-time, non-uniform employees working initially at least 1,000 hours per year. The Plan is a single-employer defined contribution money purchase pension plan under Section 401(a) of the Internal Revenue Code. In a defined contribution plan, the benefits to be received by an employee depend solely on the amount contributed to the participant's account and related returns on investments of those contributions. Benefits Consulting Group, Inc. serves as the third-party administrator for the Plan, maintaining records of individual account balances and administering receipt and payment of funds. All funds contributed by the employees and employer are invested with the American Funds through Smith Barney. The Plan does not issue separate, stand-alone financial statements.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE G - NON-UNIFORM EMPLOYEE PENSION PLAN (Continued)

Funding Policy

Each eligible employee covered under the Plan must contribute 4% of gross wages. The Township contributes 8% of each participating employee's gross wages to the Plan. The contributions for employees and earnings allocated to their accounts are immediately vested. Retirement benefits may be obtained at age 55.

The Township made contributions of \$280,108, of which \$238,589 was funded by state-shared revenues and \$41,519 was funded by the Township. Employee contributions to the Plan were \$140,055.

At December 31, 2017, there were no investments in any one organization that represented 5% or more of total plan assets available for benefits other than mutual funds, which do not require disclosure of concentration per GASB Statement No. 40.

NOTE H - DEFERRED COMPENSATION PLANS

Montgomery Township

The Township has a Deferred Compensation Plan (the "Plan") for its full-time and part-time permanent employees. The Plan, which is designed under the provisions of Section 457 of the Internal Revenue Code, permits employees to make voluntary contributions from their salary, which are excluded from federal taxable income. The Township contributes 2% of compensation to the Township Manager's and applicable Department Heads' accounts. Up to 25% of each participant's salary can be contributed and deferred under the Plan.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefits of participants and their beneficiaries. The compensation deferred is managed by outside trustees under various investment options. As a result, the financial statements of the Deferred Compensation Plan are excluded from the accompanying financial statements.

Montgomery Township Municipal Sewer Authority

The Sewer Authority offers its employees a Deferred Compensation Plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to full-time Sewer Authority employees, permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The compensation deferred is managed by an outside trustee under various investment options. The assets of the Plan are held in trust for the exclusive benefit of the Plan participants and their beneficiaries and shall not be diverted for any other purpose. As a result, the Sewer Authority excludes the financial statements of the Plan from its financial statements. For the year ended December 31, 2017, the Authority's contribution was \$84,923.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Township provides medical, prescription drug, dental and vision insurance benefits to eligible retired police officers and spouses through a single-employer defined benefit plan. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a stand-alone financial report. The activity of the plan is reported in the Township's General Fund.

Funding Policy

The Township pays 75% of the total cost of the employee and spouse for the medical (PPO or HMO), prescription drug, dental and vision plans for the first five years. Thereafter, the Township will pay 75% of the fifth year premium and 50% of the premium increase for the sixth and succeeding years. Coverage will cease upon eligibility for Medicare. The costs of administering the plan are paid by the Township.

Annual OPEB Cost and Net OPEB Obligation

The Township's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The General Fund has been used to pay the net OPEB obligation in the past.

The components of the Township's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Township's net OPEB obligation to the plan are as follows:

| | |
|--|---------------------|
| Normal cost | \$ 157,432 |
| Amortization of unfunded actuarial accrued liability | <u>173,236</u> |
| ANNUAL REQUIRED CONTRIBUTION (ARC) | 330,668 |
| Interest on net OPEB obligation | 64,918 |
| Adjustment to ARC | <u>(88,565)</u> |
| ANNUAL OPEB EXPENSE | 307,021 |
| Estimated pay-as-you-go contributions | <u>(163,741)</u> |
| INCREASE IN NET OPEB OBLIGATION | 143,280 |
| Net OPEB obligation at beginning of year | <u>1,442,633</u> |
| NET OPEB OBLIGATION AT END OF YEAR | <u>\$ 1,585,913</u> |

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

| <u>Year</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------|-----------------------------|---|--------------------------------|
| 2015 | \$ 241,188 | 41.15% | \$ 1,277,595 |
| 2016 | 309,727 | 53.33% | 1,442,633 |
| 2017 | 307,021 | 53.33% | 1,585,913 |

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,821,823 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,432,810 and the ratio of the UAAL to the covered payroll was 82.20%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical inflation rate of 6.5%, reduced by decrements of .5% to an ultimate rate of 5.5% in 2018. The healthcare cost trend rate is 6.5% in 2016, decreasing by .5% per year to 5.5% in 2018, followed by a decrease from 5.4% in 2021 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016, was 30 years.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE J - LEASE

A lease agreement dated May 15, 1965, was executed between the Township and the Sewer Authority. Terms of the lease, which expire May 15, 2021, require the Township to lease the "sewage system" from the Sewer Authority. The lease agreement was amended on April 15, 1970, March 15, 1988, December 1, 1991, November 15, 2001 and January 1, 2005.

Under the lease, the Township is committed to make payments to the Sewer Authority in the event that sewer revenues are insufficient to cover operating and administrative expenses plus 110% of the required amount to be transferred to the Sewer Authority's Debt Service Fund, as required in the Sewer Authority's 2005 Trust Indenture.

As of December 31, 2017, sewer revenues exceeded sewer expenditures, and the Township has not been required to make the above-noted rental payments to the Sewer Authority.

The lease allows the Township to exercise an option to delegate the operation of the sewage system, together with the performance of any of the obligations under the lease, to an independent entity. The Township, however, is to remain liable for the due and proper performance of its obligations under the lease. Pursuant to an operating agreement dated May 15, 1965, the Township has delegated the operation of the sewer system to the Sewer Authority and has discharged all of its obligations under the sewage system leases with regard to the operation of the sewage system to the extent that revenues derived from the operation satisfy current operating expenditures.

NOTE K - FIRE SERVICES AGREEMENT

As discussed in Note A, during 2003, the Township entered into a Fire Services Agreement with the Fire Department. Among other things under the agreement, the Fire Department agreed to recruit qualified volunteers and to provide fire protection and related services to the Township during the term of the agreement. The agreement continues on a year-to-year basis, unless terminated by either party. The agreement may be terminated by the Township upon 120 days advance written notice to the Fire Department and may be terminated by the Fire Department upon 180 days advance written notice to the Township.

NOTE L - AGREEMENT WITH HATFIELD TOWNSHIP MUNICIPAL AUTHORITY

The Sewer Authority has entered into an agreement with the Hatfield Township Municipal Authority ("Hatfield") whereby Hatfield agrees to accept sewage for treatment from the Sewer Authority's collection system. The agreement provides for the payment of a deferred capacity charge resulting in the Sewer Authority owning 1/3 of the capacity of the Hatfield Sewage Treatment Plant. The agreement also provides for a new expansion and upgrading of the treatment plant.

The Sewer Authority pays to Hatfield, in quarterly installments, an Annual Operating Charge, which is the Sewer Authority's pro rata share of the net operating and maintenance expense of the Hatfield Sewage Treatment Plant.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE M - RISK MANAGEMENT

Montgomery Township

The Township is exposed to various risks of loss related to third-party liability claims, damage to and loss of Township-owned property, errors and omissions by public officials, injuries to employees and claims for medical benefits provided by the Township to its employees and dependents. As a method of financing these risks, the Township joined the Delaware Valley Insurance Trust (DVIT), Delaware Valley Workers' Compensation Trust (DVWCT) and the Delaware Valley Health Trust (DVHT).

DVIT is an association of municipalities, which has formed a self-insurance risk-sharing pool. The pool covers the following risks: comprehensive general liability, business automobile liability, police professional liability, real and personal property liability and first party automobile physical damage. In addition, DVIT also purchases public employees blanket bond, crime, public officials and boiler/machinery coverage for the Township. DVIT is funded by annual contributions by its member municipalities, which are assessed at the beginning of each year. The Township's liability limits per incident range from \$0 to \$3,500, except for incidents involving floods, in which the Townships liability limit per incident is \$25,000.

DVWCT is a regional municipal risk retention pool formed under the authority granted by the Pennsylvania Department of Labor and Industry, Bureau of Workers' Compensation. DVWCT provides a method of financing an employer's medical and indemnity obligations due to municipal employees under the Pennsylvania Workers' Compensation Act. For the pool coverage, there is a total risk and cost sharing for all participants. Liabilities in excess of assets of DVWCT may be assessed to participating members. Specific excess insurance is provided to protect against catastrophic losses. The Township does not have any claim liability in addition to premiums, unless an assessment is made by DVWCT.

DVHT is an intergovernmental risk sharing pool authorized under the Pennsylvania Inter-governmental Cooperation Act. DVHT serves as a vehicle to provide health insurance coverage to participating municipal employees and dependents. DVHT acts as the primary administrator of the coverage and contracts with Aetna to provide substantially all services, including claims administration and payment processing, as well as network access services and reinsurance coverage. DVHT maintains specific stop loss insurance/reinsurance coverage that limits losses on individual claims up to the maximum lifetime benefit of the plan. DVHT may impose an assessment on current and former members to recover deficits.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE M - RISK MANAGEMENT (Continued)

There have been no significant reductions in insurance coverage during the year ended December 31, 2017, and settlements have not exceeded coverage in the past three years.

Montgomery Township Municipal Sewer Authority

The Sewer Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; worker's compensation; healthcare costs; and natural disasters for which the Sewer Authority carries commercial insurance. There have been no significant reductions in coverage from prior years, and settlements have not exceeded coverage in the past three years.

NOTE N - COMMITMENTS AND CONTINGENCIES

The Township has a number of tax assessment appeals pending before the Court of Common Pleas of Montgomery County. Management of the Township has indicated that no definitive opinion can be expressed as to the ultimate outcome of the litigation.

The Township is involved in various other legal matters. Management believes the outcome of any potential claims will not have a material effect on the financial statements.

NOTE O - COMBINING STATEMENTS OF FIDUCIARY FUNDS

A combining schedule of fiduciary net position for the Pension Trust Funds is as follows:

| | Police Pension Fund | Non-Uniform Employee Pension Fund | Total Pension Trust Funds |
|--------------------------------------|---------------------------|---|---------------------------------|
| ASSETS | | | |
| Cash | \$ 1,459,888 | \$ - | \$ 1,459,888 |
| Investments | | | |
| Domestic and international funds | 12,105,754 | 7,024,807 | 19,130,561 |
| Fixed income funds | 4,826,639 | - | 4,826,639 |
| Accounts receivable | 3,850 | - | 3,850 |
| TOTAL ASSETS | 18,396,131 | 7,024,807 | 25,420,938 |
| NET POSITION | | | |
| Net position restricted for pensions | \$ <u>18,396,131</u> | \$ <u>7,024,807</u> | \$ <u>25,420,938</u> |

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE O - COMBINING STATEMENTS OF FIDUCIARY FUNDS (Continued)

A combining schedule of changes in fiduciary net position for the Pension Trust Funds is as follows:

| | Police Pension Fund | Non-Uniform Employee Pension Fund | Total Pension Trust Funds |
|-----------------------------------|---------------------------|---|---------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ADDITIONS | | | |
| Contributions | | | |
| Plan member contributions | \$ 174,963 | \$ 140,055 | \$ 315,018 |
| Employer contributions | 486,249 | 41,519 | 527,768 |
| Other contributions | | | |
| Commonwealth of Pennsylvania | 284,472 | 238,589 | 523,061 |
| TOTAL CONTRIBUTIONS | <u>945,684</u> | <u>420,163</u> | <u>1,365,847</u> |
| Investment earnings | | | |
| Interest income | 374,798 | 294,144 | 668,942 |
| Gain on investments | 2,073,269 | 697,720 | 2,770,989 |
| Investment expenses | <u>(35,859)</u> | <u>(1,853)</u> | <u>(37,712)</u> |
| INVESTMENT EARNINGS, net | <u>2,412,208</u> | <u>990,011</u> | <u>3,402,219</u> |
| TOTAL ADDITIONS | <u>3,357,892</u> | <u>1,410,174</u> | <u>4,768,066</u> |
| DEDUCTIONS | | | |
| Employee benefit payments | 1,363,681 | 292,946 | 1,656,627 |
| Administrative expenses | 15,740 | - | 15,740 |
| TOTAL DEDUCTIONS | <u>1,379,421</u> | <u>292,946</u> | <u>1,672,367</u> |
| CHANGE IN NET POSITION | 1,978,471 | 1,117,228 | 3,095,699 |
| NET POSITION AT BEGINNING OF YEAR | <u>16,417,660</u> | <u>5,907,579</u> | <u>22,325,239</u> |
| NET POSITION AT END OF YEAR | <u>\$ 18,396,131</u> | <u>\$ 7,024,807</u> | <u>\$ 25,420,938</u> |

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

| | Budgeted Amounts | | Actual | Variance With |
|---|------------------|---------------|---------------|--|
| | Original | Final | Amounts | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ 11,733,900 | \$ 11,863,900 | \$ 12,342,568 | \$ 478,668 |
| Licenses and permits | 1,243,500 | 1,243,500 | 1,514,440 | 270,940 |
| Fines and forfeits | 175,000 | 175,000 | 202,604 | 27,604 |
| Interest income, rents and royalties | 40,000 | 40,000 | 29,417 | (10,583) |
| Intergovernmental revenues | 572,000 | 572,000 | 583,542 | 11,542 |
| Charges for services | 81,900 | 81,900 | 124,309 | 42,409 |
| Contributions | 1,500 | 1,500 | 6,052 | 4,552 |
| TOTAL REVENUES | 13,847,800 | 13,977,800 | 14,802,932 | 825,132 |
| EXPENDITURES | | | | |
| General government | 2,336,880 | 2,446,517 | 2,409,861 | 36,656 |
| Public safety | 8,525,300 | 8,556,860 | 7,998,981 | 557,879 |
| Highways and streets | 2,180,670 | 2,188,442 | 2,008,295 | 180,147 |
| TOTAL EXPENDITURES | 13,042,850 | 13,191,819 | 12,417,137 | 774,682 |
| EXCESS OF REVENUES OVER EXPENDITURES | 804,950 | 785,981 | 2,385,795 | 1,599,814 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | 10,000 | 10,000 | - | (10,000) |
| Interfund transfers in | 394,540 | 394,540 | 348,457 | (46,083) |
| Interfund transfers out | (1,189,330) | (1,189,330) | (2,689,330) | (1,500,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | (784,790) | (784,790) | (2,340,873) | (1,556,083) |
| NET CHANGE IN FUND BALANCE | 20,160 | 1,191 | 44,922 | 43,731 |
| FUND BALANCE AT BEGINNING OF YEAR | 2,988,933 | 2,988,933 | 2,988,933 | - |
| FUND BALANCE AT END OF YEAR | \$ 3,009,093 | \$ 2,990,124 | \$ 3,033,855 | \$ 43,731 |

See accompanying note to budgetary comparison schedule.

MONTGOMERY TOWNSHIP

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2017

NOTE A - BUDGETARY INFORMATION

The Township follows these statutory procedures in establishing the budgetary data reflected in the financial statements.

- The Board of Township Supervisors each year, at least 30 days prior to adoption of the annual budget, begins preparation of a proposed budget for all funds for the fiscal year, which commences on the first day of January of each year, and by ordinance appropriate, out of the revenues available for the year, the specific sums required as shown by the budget as finally adopted.
- The total appropriation shall not exceed the revenues estimated as available for the fiscal year.
- Upon preparation of the proposed budget, the Supervisors give public notice, by advertisement in at least one newspaper of general circulation in the Township, that the proposed budget will be available for public inspection.
- After the budget has been available for public inspection for 30 days, the Supervisors adopt the budget not later than the 31st of December.
- The Supervisors may at any time by resolution make supplemental appropriations for any lawful purpose from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including the proceeds of any authorized borrowing by law.
- During the month of January following any municipal election, the Supervisors may amend the budget and levy a tax rate to conform with its amended budget. Any amended budget must be adopted by the Township Supervisors on or before the 15th day of February.
- Budgets for all funds are presented on the modified accrual basis of accounting.

MONTGOMERY TOWNSHIP
SCHEDULE OF CHANGES IN THE NET POLICE
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS

| | 2017 | 2016 | 2015 | 2014 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| TOTAL PENSION LIABILITY | | | | |
| Service cost | \$ 479,233 | \$ 475,597 | \$ 450,803 | \$ 397,260 |
| Interest | 1,410,216 | 1,350,674 | 1,232,916 | 1,213,236 |
| Changes for experience | (868,285) | - | (187,763) | - |
| Changes of assumptions | 508,899 | - | 742,193 | - |
| Benefit payments | <u>(1,363,681)</u> | <u>(527,896)</u> | <u>(508,968)</u> | <u>(748,577)</u> |
| NET CHANGE IN TOTAL PENSION LIABILITY | 166,382 | 1,298,375 | 1,729,181 | 861,919 |
| Total pension liability, beginning | <u>19,191,149</u> | <u>17,892,774</u> | <u>16,163,593</u> | <u>15,301,674</u> |
| TOTAL PENSION LIABILITY, ENDING (a) | <u><u>\$ 19,357,531</u></u> | <u><u>\$ 19,191,149</u></u> | <u><u>\$ 17,892,774</u></u> | <u><u>\$ 16,163,593</u></u> |
| PLAN FIDUCIARY NET POSITION | | | | |
| Contributions | | | | |
| Employer | \$ 770,721 | \$ 761,309 | \$ 751,249 | \$ 611,018 |
| Member | 174,963 | 165,677 | 161,806 | 153,337 |
| DROP | - | - | - | 275,238 |
| Net investment income | 2,412,208 | 947,050 | (128,538) | 894,128 |
| Benefit payments, including refunds of member contributions | (1,363,681) | (527,896) | (508,968) | (748,577) |
| Administrative expense | <u>(15,740)</u> | <u>(3,910)</u> | <u>(12,440)</u> | <u>(15,905)</u> |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION | 1,978,471 | 1,342,230 | 263,109 | 1,169,239 |
| Plan fiduciary net position, beginning | <u>16,417,660</u> | <u>15,075,430</u> | <u>14,812,321</u> | <u>13,643,082</u> |
| PLAN FIDUCIARY NET POSITION, ENDING (b) | <u><u>\$ 18,396,131</u></u> | <u><u>\$ 16,417,660</u></u> | <u><u>\$ 15,075,430</u></u> | <u><u>\$ 14,812,321</u></u> |
| NET PENSION LIABILITY, ENDING (a)-(b) | <u><u>\$ 961,400</u></u> | <u><u>\$ 2,773,489</u></u> | <u><u>\$ 2,817,344</u></u> | <u><u>\$ 1,351,272</u></u> |
| PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY | <u>95.03%</u> | <u>85.55%</u> | <u>84.25%</u> | <u>91.64%</u> |
| COVERED-EMPLOYEE PAYROLL | <u><u>\$ 3,481,326</u></u> | <u><u>\$ 3,317,883</u></u> | <u><u>\$ 3,103,825</u></u> | <u><u>\$ 3,080,805</u></u> |
| NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL | <u>27.62%</u> | <u>83.59%</u> | <u>90.77%</u> | <u>43.86%</u> |

NOTES TO SCHEDULE

Changes of assumptions: In 2017, amounts reported as changes of assumptions resulted from changing the the mortality rates from being based on the RP-2000 Healthy Annuitant Mortality Tables to the IRS 2017 Static Combined Table for Small Plans. In 2015, amounts reported as changes of assumptions resulted from changing the assumed investment rate of return and the assumed discount rate from 8.0% to 7.5%, and changing the assumed annual salary increase from 6.0% to 5.5%.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

MONTGOMERY TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN
CONTRIBUTIONS
LAST FOUR FISCAL YEARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| ACTUARIALLY DETERMINED CONTRIBUTION | \$ 770,721 | \$ 761,309 | \$ 751,249 | \$ 611,018 |
| CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION | <u>770,721</u> | <u>761,309</u> | <u>751,249</u> | <u>611,018</u> |
| CONTRIBUTION (EXCESS) DEFICIENCY | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |
| COVERED-EMPLOYEE PAYROLL | \$ <u>3,481,326</u> | \$ <u>3,317,883</u> | \$ <u>3,103,825</u> | \$ <u>3,080,805</u> |
| CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL | <u>22.14%</u> | <u>22.95%</u> | <u>24.20%</u> | <u>19.83%</u> |

NOTES TO SCHEDULE

Valuation date: January 1, 2015

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed |
| Remaining amortization period | 6 years |
| Asset valuation method | Market value |
| Inflation | 3% |
| Salary increases | 5.5% annual increase |
| Investment rate of return | 7.5% |
| Retirement age | Normal retirement age |
| Mortality | RP-2000 Healthy Annuitant Mortality Table |

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

MONTGOMERY TOWNSHIP
SCHEDULE OF POLICE PENSION PLAN
INVESTMENT RETURNS
LAST FOUR FISCAL YEARS

| | 2017 | 2016 | 2015 | 2014 |
|---|--------|-------|--------|-------|
| ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE | 14.84% | 6.03% | -0.54% | 6.64% |

NOTES TO SCHEDULE

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

MONTGOMERY TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2017

SCHEDULE OF FUNDING PROGRESS

| Valuation Date January 1, | (a) Actuarial Value of Assets | (b) Entry Age Actuarial Accrued Liability (AAL) | (c) Unfunded AAL (UAAL) (b)-(a) | (d) Funded Ratio (a)/(b) | (e) Covered Payroll | (f) UAAL as a Percentage of Covered Payroll (c)/(e) |
|---------------------------------|--|--|--|-----------------------------------|---------------------------|--|
| 2010 | \$ - | \$ 2,308,499 | \$ 2,308,499 | 0% | \$ 2,943,079 | 78.4% |
| 2013 | - | 2,226,846 | 2,226,846 | 0% | 3,188,430 | 69.8% |
| 2016 | - | 2,821,823 | 2,821,823 | 0% | 3,432,810 | 82.2% |

MONTGOMERY TOWNSHIP

TREND DATA ON INFRASTRUCTURE CONDITION

YEAR ENDED DECEMBER 31, 2017

The Township has adopted an alternative process for recording depreciation on certain infrastructure assets. Under this alternative method, referred to as the modified approach, the Township expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 73.92 lane miles of local roads, 776,540 linear feet of curbs and 3,057,389 square feet of sidewalks.

In order to utilize the modified approach, the Township is required to:

- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the Township.
- Document that the assets are being preserved approximately at or above the established condition level.

The Montgomery Township Department of Public Works uses a number of methods to determine the condition of roadway pavements; however, the Pavement Condition Index (PCI) serves as the Township's primary method to measure and monitor pavement condition of its local roads. The PCI is a visual analysis conducted by an engineer and Public Works Director. It includes a five point scale evaluating the conditions of roadway surfaces from Excellent to Failed with corresponding maintenance and repair work recommendations. During the annual assessment inspection of road surfaces, the Township Engineer and Public Works Director inspect the adjoining curb/sidewalk facilities to determine those needing repair or replacement.

The Township manages the conditions of its road pavements and curbs/sidewalks through its 16-Year Road Plan. This plan calculates the amount of funds needed to be budgeted on an annual basis to resurface all Township-owned roads every 16 years and replace all curbs/sidewalks every 25-30 years. It is based on the premise that road pavement surfaces will start to show signs of major distress after 16 years and that necessary curbs/sidewalk replacements need to occur a year in advance of the scheduled road resurfacing to maintain the pavement's integrity after resurfacing. Funding for the 16-Year Road Plan is included in annual General Fund and Liquid Fuels Fund budgets.

The Township's policy is that no more than 20% of local road pavements and curbs/sidewalks will have a condition rating as "poor" or "very poor." The Township assesses conditions of its road and curbs/sidewalks on an annual basis and makes necessary adjustments to the pavement resurfacing and curb/sidewalk replacement schedule based on that assessment. The following reports the percentage of road pavements and curbs/sidewalks that met this rating as of December 31, 2017:

| Condition | % of Streets | | |
|------------------------------------|--------------|------|------|
| | 2017 | 2014 | 2010 |
| Excellent/Good - Rating of III - V | 94% | 94% | 93% |
| Fair/Poor - Rating of II | 6% | 6% | 7% |
| Very Poor/Failed - Rating of I | 0% | 0% | 0% |

MONTGOMERY TOWNSHIP

TREND DATA ON INFRASTRUCTURE CONDITION

YEAR ENDED DECEMBER 31, 2017

The following chart presents the estimated and actual amounts spent on road resurfacing and curb/sidewalk replacement work during the past five fiscal years to maintain and preserve the assets at the condition level established by the Township:

| <u>Fiscal Year Ended</u> | <u>Estimated Cost</u> | <u>Actual Cost</u> |
|------------------------------|---------------------------|------------------------|
| 2017 | \$ 469,175 | \$ 477,735 |
| 2016 | 591,700 | 465,409 |
| 2015 | 975,950 | 753,135 |
| 2014 | 735,875 | 721,810 |
| 2013 | 1,612,165 | 1,032,408 |

SUPPLEMENTARY INFORMATION SECTION

MONTGOMERY TOWNSHIP
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

| | Budgeted Amounts | | Actual | Over (Under) |
|--|------------------|---------------|---------------|--------------|
| | Original | Final | Amounts | Budget |
| REVENUES | | | | |
| Taxes | | | | |
| Real estate | \$ 2,113,400 | \$ 2,113,400 | \$ 2,153,045 | \$ 39,645 |
| Earned income | 5,350,000 | 5,350,000 | 5,303,342 | (46,658) |
| Transfer | 750,000 | 880,000 | 1,088,442 | 208,442 |
| Mercantile | 2,050,000 | 2,050,000 | 2,013,428 | (36,572) |
| Emergency municipal services | 557,500 | 557,500 | 582,801 | 25,301 |
| Amusement | 63,000 | 63,000 | 78,282 | 15,282 |
| Business privilege | 850,000 | 850,000 | 1,123,228 | 273,228 |
| TOTAL TAXES | 11,733,900 | 11,863,900 | 12,342,568 | 478,668 |
| Licenses and permits | | | | |
| Building | 310,000 | 310,000 | 513,752 | 203,752 |
| Zoning | 20,000 | 20,000 | 20,383 | 383 |
| Electrical | 40,000 | 40,000 | 61,931 | 21,931 |
| Plumbing | 15,000 | 15,000 | 20,453 | 5,453 |
| Street | 15,000 | 15,000 | 24,286 | 9,286 |
| Fence | 6,000 | 6,000 | 8,955 | 2,955 |
| Use and occupancy | 20,000 | 20,000 | 21,015 | 1,015 |
| Roofing and siding | 25,000 | 25,000 | 44,606 | 19,606 |
| Grading | 1,500 | 1,500 | 600 | (900) |
| Demolition | 8,000 | 8,000 | 12,956 | 4,956 |
| Heat, vent and air conditioning | 75,000 | 75,000 | 83,625 | 8,625 |
| Sign | 15,000 | 15,000 | 13,260 | (1,740) |
| Licenses | 93,000 | 93,000 | 77,972 | (15,028) |
| Cable television franchise fees | 600,000 | 600,000 | 610,646 | 10,646 |
| TOTAL LICENSES AND PERMITS | 1,243,500 | 1,243,500 | 1,514,440 | 270,940 |
| Fines and forfeits, police | 175,000 | 175,000 | 202,604 | 27,604 |
| Interest income, rents and royalties | 40,000 | 40,000 | 29,417 | (10,583) |
| Intergovernmental revenues | | | | |
| Public utility realty tax | 15,000 | 15,000 | 14,130 | (870) |
| State pension aid | 500,000 | 500,000 | 523,061 | 23,061 |
| Other state grants | 55,500 | 55,500 | 40,129 | (15,371) |
| County | 1,500 | 1,500 | 6,222 | 4,722 |
| TOTAL INTERGOVERNMENTAL REVENUES | 572,000 | 572,000 | 583,542 | 11,542 |
| Charges for services | | | | |
| Administrative | 30,000 | 30,000 | 30,964 | 964 |
| Finance, street lights | 6,900 | 6,900 | 6,900 | - |
| Police services | 45,000 | 45,000 | 86,445 | 41,445 |
| TOTAL CHARGES FOR SERVICES | 81,900 | 81,900 | 124,309 | 42,409 |
| Contributions | 1,500 | 1,500 | 6,052 | 4,552 |
| TOTAL REVENUES | 13,847,800 | 13,977,800 | 14,802,932 | 825,132 |
| OTHER FINANCING SOURCES | | | | |
| Proceeds from sale of fixed assets | 10,000 | 10,000 | - | (10,000) |
| Interfund transfers in | | | | |
| Capital Reserve Fund | 394,540 | 394,540 | 348,457 | (46,083) |
| TOTAL OTHER FINANCING SOURCES | 404,540 | 404,540 | 348,457 | (56,083) |
| TOTAL REVENUES AND OTHER FINANCING SOURCES | \$ 14,252,340 | \$ 14,382,340 | \$ 15,151,389 | \$ 769,049 |

MONTGOMERY TOWNSHIP
SCHEDULE OF FUNCTIONAL EXPENDITURES BY
ACTIVITY AND OTHER FINANCING USES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017

| | Budgeted Amounts | | Actual | Over (Under) |
|---|------------------|---------------|---------------|--------------|
| | Original | Final | Amounts | Budget |
| EXPENDITURES | | | | |
| General government | | | | |
| Administration | \$ 1,373,840 | \$ 1,483,477 | \$ 1,477,803 | \$ (5,674) |
| Tax collection | 205,250 | 205,250 | 173,486 | (31,764) |
| Finance | 517,950 | 517,950 | 517,061 | (889) |
| Information technology | 239,840 | 239,840 | 241,511 | |
| TOTAL GENERAL GOVERNMENT | 2,336,880 | 2,446,517 | 2,409,861 | (38,327) |
| Public safety | | | | |
| Police | 7,344,560 | 7,374,560 | 6,888,484 | (486,076) |
| Police vehicles | 283,440 | 283,440 | 267,566 | (15,874) |
| Fire protection | 90,100 | 90,100 | 89,800 | (300) |
| Planning and zoning | 789,700 | 791,260 | 744,824 | (46,436) |
| Emergency management | 17,500 | 17,500 | 8,307 | (9,193) |
| TOTAL PUBLIC SAFETY | 8,525,300 | 8,556,860 | 7,998,981 | (557,879) |
| Highways and streets | | | | |
| Public works | 1,938,330 | 1,938,330 | 1,825,140 | (113,190) |
| Snow removal | 108,660 | 108,660 | 74,666 | (33,994) |
| Traffic lights | 83,480 | 91,252 | 65,105 | (26,147) |
| Street lighting | 20,200 | 20,200 | 17,116 | (3,084) |
| Repairs | 30,000 | 30,000 | 25,411 | (4,589) |
| Construction and rebuilding projects | - | - | 857 | 857 |
| TOTAL HIGHWAYS AND STREETS | 2,180,670 | 2,188,442 | 2,008,295 | (180,147) |
| TOTAL EXPENDITURES | 13,042,850 | 13,191,819 | 12,417,137 | (776,353) |
| OTHER FINANCING USES | | | | |
| Interfund transfers out | | | | |
| Capital Reserve Fund | 977,130 | 977,130 | 2,477,130 | 1,500,000 |
| Recreation Center Fund | 205,200 | 205,200 | 205,200 | - |
| Autumn Festival Fund | 7,000 | 7,000 | 7,000 | - |
| TOTAL OTHER FINANCING USES | 1,189,330 | 1,189,330 | 2,689,330 | 1,500,000 |
| TOTAL EXPENDITURES AND OTHER FINANCING USES | \$ 14,232,180 | \$ 14,381,149 | \$ 15,106,467 | \$ 723,647 |

MONTGOMERY TOWNSHIP
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2017

| | | | | Special Revenue | |
|---|----------------------------|--------------------------------|------------------------------|--------------------------|----------------------|
| | Fire Protection Fund | Park and Recreation Fund | Basin Maintenance Fund | Street Lights Fund | Liquid Fuels Fund |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 138,723 | \$ 166,819 | \$ 6,208 | \$ 176,345 | \$ 206,093 |
| Investments | 295,240 | 354,761 | 13,211 | 375,312 | 438,625 |
| Taxes receivable | 3,843 | 4,297 | - | - | - |
| Accounts receivable | 15,070 | 5,543 | - | 2,279 | - |
| TOTAL ASSETS | \$ 452,876 | \$ 531,420 | \$ 19,419 | \$ 553,936 | \$ 644,718 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | \$ 6,733 | \$ 2,968 | \$ 100 | \$ 45 | \$ - |
| Accrued payroll | 38,513 | 1,533 | 1,172 | 650 | - |
| TOTAL LIABILITIES | 45,246 | 4,501 | 1,272 | 695 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenues, property taxes | 2,927 | 3,272 | - | - | - |
| FUND BALANCES | | | | | |
| Restricted | | | | | |
| Providing and maintaining street lights | - | - | - | 553,241 | - |
| Debt service | - | - | - | - | - |
| Basin maintenance | - | - | 18,147 | - | - |
| Park development projects | - | - | - | - | - |
| Highway and street projects | - | - | - | - | 644,718 |
| Knapp Farm house | - | - | - | - | - |
| Committed to | | | | | |
| Arbor Day and shade tree commission | - | - | - | - | - |
| Environmental | - | - | - | - | - |
| Fire protection capital purchases and/or infrastructure projects | 404,703 | - | - | - | - |
| Assigned | | | | | |
| Park and recreation projects | - | 523,647 | - | - | - |
| Annual autumn fest | - | - | - | - | - |
| Unassigned | - | - | - | - | - |
| TOTAL FUND BALANCES | 404,703 | 523,647 | 18,147 | 553,241 | 644,718 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 452,876 | \$ 531,420 | \$ 19,419 | \$ 553,936 | \$ 644,718 |

| Funds | | | Capital Projects Funds | | | | | |
|-----------------------|--------------------------|----------------------------|-----------------------------|-----------------------------|---------------------|-------------------------|--------------------------------------|--|
| Environmental Fund | Replacement Tree Fund | Autumn Festival Fund | Park Development Fund | Capital Projects Fund | Restoration Fund | Debt Service Fund | Total Other Governmental Funds | |
| \$ 94,914 | \$ 261,972 | \$ 17,153 | \$ 38,809 | \$ - | \$ 3,164 | \$ 95,230 | \$ 1,205,430 | |
| 202,005 | 557,548 | 36,507 | 82,597 | - | 6,730 | 202,678 | 2,565,214 | |
| - | - | - | - | - | - | - | 8,140 | |
| 1,292 | 1,154 | - | 369 | - | - | 1,292 | 26,999 | |
| <u>\$ 298,211</u> | <u>\$ 820,674</u> | <u>\$ 53,660</u> | <u>\$ 121,775</u> | <u>\$ -</u> | <u>\$ 9,894</u> | <u>\$ 299,200</u> | <u>\$ 3,805,783</u> | |
| | | | | | | | | |
| \$ - | \$ 1,878 | \$ - | \$ - | \$ 57 | \$ - | \$ - | \$ 11,781 | |
| - | - | - | - | - | - | - | 41,868 | |
| - | 1,878 | - | - | 57 | - | - | 53,649 | |
| - | - | - | - | - | - | - | 6,199 | |
| - | - | - | - | - | - | - | 553,241 | |
| - | - | - | - | - | - | 299,200 | 299,200 | |
| - | - | - | 121,775 | - | - | - | 18,147 | |
| - | - | - | - | - | - | - | 121,775 | |
| - | - | - | - | - | - | - | 644,718 | |
| - | - | - | - | - | 9,894 | - | 9,894 | |
| - | 818,796 | - | - | - | - | - | 818,796 | |
| 298,211 | - | - | - | - | - | - | 298,211 | |
| - | - | - | - | - | - | - | 404,703 | |
| - | - | - | - | - | - | - | 523,647 | |
| - | - | 53,660 | - | - | - | - | 53,660 | |
| - | - | - | - | (57) | - | - | (57) | |
| <u>298,211</u> | <u>818,796</u> | <u>53,660</u> | <u>121,775</u> | <u>(57)</u> | <u>9,894</u> | <u>299,200</u> | <u>3,745,935</u> | |
| <u>\$ 298,211</u> | <u>\$ 820,674</u> | <u>\$ 53,660</u> | <u>\$ 121,775</u> | <u>\$ -</u> | <u>\$ 9,894</u> | <u>\$ 299,200</u> | <u>\$ 3,805,783</u> | |

MONTGOMERY TOWNSHIP
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2017**

| | Special Revenue Funds | | | | | |
|--|----------------------------|--------------------------------|------------------------------|--------------------------|----------------------|---------------------|
| | Fire Protection Fund | Park and Recreation Fund | Basin Maintenance Fund | Street Lights Fund | Liquid Fuels Fund | Fire Relief Fund |
| REVENUES | | | | | | |
| Taxes | \$ 883,137 | \$ 417,660 | \$ - | \$ 133,401 | \$ - | \$ - |
| Licenses and permits | 63,255 | - | - | - | - | - |
| Interest income, rents and royalties | 501 | 8,266 | - | 6,642 | 962 | - |
| Intergovernmental revenues | 39,387 | - | - | - | 688,757 | 226,104 |
| Charges for services | 15,915 | - | - | - | - | - |
| Contributions | - | - | - | - | - | - |
| TOTAL REVENUES | <u>1,002,195</u> | <u>425,926</u> | <u>-</u> | <u>140,043</u> | <u>689,719</u> | <u>226,104</u> |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General government | - | - | - | - | - | - |
| Public safety | 905,231 | - | - | - | - | 226,104 |
| Highways and streets | - | - | 61,848 | 155,194 | 477,735 | - |
| Parks and recreation | - | 344,690 | - | - | - | - |
| TOTAL EXPENDITURES | <u>905,231</u> | <u>344,690</u> | <u>61,848</u> | <u>155,194</u> | <u>477,735</u> | <u>226,104</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>96,964</u> | <u>81,236</u> | <u>(61,848)</u> | <u>(15,151)</u> | <u>211,984</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Interfund transfers in | 3,648 | 16,247 | 73,200 | - | - | - |
| Interfund transfers out | - | (62,840) | - | - | - | - |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>3,648</u> | <u>(46,593)</u> | <u>73,200</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 100,612 | 34,643 | 11,352 | (15,151) | 211,984 | - |
| FUND BALANCES AT BEGINNING OF YEAR | <u>304,091</u> | <u>489,004</u> | <u>6,795</u> | <u>568,392</u> | <u>432,734</u> | <u>-</u> |
| FUND BALANCES AT END OF YEAR | <u>\$ 404,703</u> | <u>\$ 523,647</u> | <u>\$ 18,147</u> | <u>\$ 553,241</u> | <u>\$ 644,718</u> | <u>\$ -</u> |

| | | | Capital Projects Funds | | | | |
|--------------------|-----------------------|----------------------|------------------------|-----------------------|------------------|-------------------|--------------------------------|
| Environmental Fund | Replacement Tree Fund | Autumn Festival Fund | Park Development Fund | Capital Projects Fund | Restoration Fund | Debt Service Fund | Total Other Governmental Funds |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,434,198 |
| - | - | - | - | - | - | - | 63,255 |
| 6,754 | 6,523 | 56 | 1,944 | - | 11 | 5,212 | 36,871 |
| - | - | - | - | - | - | - | 954,248 |
| 170 | - | - | - | - | - | - | 16,085 |
| - | 119,907 | 26,826 | 60,640 | 66,761 | - | - | 274,134 |
| 6,924 | 126,430 | 26,882 | 62,584 | 66,761 | 11 | 5,212 | 2,778,791 |
| 32,841 | 8,176 | 29,162 | - | - | - | 1,616 | 71,795 |
| - | - | - | - | 213,940 | - | - | 1,345,275 |
| 1,028 | - | - | - | - | - | - | 695,805 |
| - | 20,333 | 19 | - | - | - | - | 365,042 |
| 33,869 | 28,509 | 29,181 | - | 213,940 | - | 1,616 | 2,477,917 |
| (26,945) | 97,921 | (2,299) | 62,584 | (147,179) | 11 | 3,596 | 300,874 |
| - | - | 7,000 | - | 39,849 | - | - | 139,944 |
| - | - | - | - | - | - | (250,243) | (313,083) |
| - | - | 7,000 | - | 39,849 | - | (250,243) | (173,139) |
| (26,945) | 97,921 | 4,701 | 62,584 | (107,330) | 11 | (246,647) | 127,735 |
| 325,156 | 720,875 | 48,959 | 59,191 | 107,273 | 9,883 | 545,847 | 3,618,200 |
| \$ 298,211 | \$ 818,796 | \$ 53,660 | \$ 121,775 | \$ (57) | \$ 9,894 | \$ 299,200 | \$ 3,745,935 |

MONTGOMERY TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
YEAR ENDED DECEMBER 31, 2017

| | Budgeted Amounts | | Actual | Variance With |
|---|------------------|--------------|---------------|--|
| | Original | Final | Amounts | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Interest income, rents and royalties | \$ 93,000 | \$ 93,000 | \$ 108,587 | \$ 15,587 |
| EXPENDITURES | | | | |
| General government | | | | |
| Administration | 78,550 | 78,550 | 37,153 | (41,397) |
| Finance | 650 | 650 | 306 | (344) |
| Information technology | 4,500 | 4,500 | 3,508 | (992) |
| TOTAL GENERAL GOVERNMENT | 83,700 | 83,700 | 40,967 | (42,733) |
| Public safety | | | | |
| Police | 33,450 | 33,450 | 10,892 | (22,558) |
| Fire protection | 706,800 | 706,800 | 3,059 | (703,741) |
| Planning and zoning | 21,600 | 21,600 | - | (21,600) |
| TOTAL PUBLIC SAFETY | 761,850 | 761,850 | 13,951 | (747,899) |
| Highways and streets | | | | |
| Public works | 19,890 | 19,890 | 27,722 | 7,832 |
| Traffic lights | 32,500 | 32,500 | 8,296 | (24,204) |
| Repairs | 533,590 | 533,590 | 512,290 | (21,300) |
| TOTAL HIGHWAYS AND STREETS | 585,980 | 585,980 | 548,308 | (37,672) |
| Parks and recreation | 261,740 | 261,740 | 114,965 | (146,775) |
| TOTAL EXPENDITURES | 1,693,270 | 1,693,270 | 718,191 | (975,079) |
| DEFICIENCY OF REVENUES OVER EXPENDITURES | (1,600,270) | (1,600,270) | (609,604) | 990,666 |
| OTHER FINANCING SOURCES | | | | |
| Interfund transfers in | | | | |
| General Fund | 977,130 | 977,130 | 2,477,130 | 1,500,000 |
| Parks and Recreation Fund | 62,840 | 62,840 | 62,840 | - |
| TOTAL INTERFUND TRANSFERS IN | 1,039,970 | 1,039,970 | 2,539,970 | 1,500,000 |
| Interfund transfers out | | | | |
| Recreation Center Fund | (53,100) | (53,100) | (28,984) | 24,116 |
| Basin Maintenance Fund | (73,200) | (73,200) | (73,200) | - |
| General Fund | (394,460) | (394,460) | (348,457) | 46,003 |
| Fire Protection Fund | (71,500) | (71,500) | (3,648) | 67,852 |
| Parks and Recreation Fund | (12,820) | (12,820) | (16,247) | (3,427) |
| Capital Projects | (40,510) | (40,510) | (39,849) | 661 |
| TOTAL INTERFUND TRANSFERS OUT | (645,590) | (645,590) | (510,385) | 135,205 |
| TOTAL OTHER FINANCING SOURCES | 394,380 | 394,380 | 2,029,585 | 1,635,205 |
| NET CHANGE IN FUND BALANCE | (1,205,890) | (1,205,890) | 1,419,981 | 2,625,871 |
| FUND BALANCE AT BEGINNING OF YEAR | 10,498,447 | 10,498,447 | 10,498,447 | - |
| FUND BALANCE AT END OF YEAR | \$ 9,292,557 | \$ 9,292,557 | \$ 11,918,428 | \$ 2,625,871 |

MONTGOMERY TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES--BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2017

| | Fire Protection Fund | | Park and Recreation Fund | |
|--|----------------------|------------|--------------------------|------------|
| | Budget | Actual | Budget | Actual |
| REVENUES | | | | |
| Taxes | | | | |
| Real estate | \$ 374,400 | \$ 373,695 | \$ 418,500 | \$ 417,660 |
| Earned income | 310,000 | 310,000 | - | - |
| Local services | 182,500 | 199,442 | - | - |
| TOTAL TAXES | 866,900 | 883,137 | 418,500 | 417,660 |
| Licenses and permits, tipping fees | 53,000 | 63,255 | - | - |
| Interest income, rents and royalties | 50 | 501 | 5,600 | 8,266 |
| Intergovernmental revenues | | | | |
| State | 13,000 | 16,631 | - | - |
| Federal | - | 22,756 | - | - |
| TOTAL INTERGOVERNMENTAL REVENUES | 13,000 | 39,387 | - | - |
| Charges for services | | | | |
| Fire department services | 10,400 | 15,915 | - | - |
| Recycling bins | - | - | - | - |
| TOTAL CHARGES FOR SERVICES | 10,400 | 15,915 | - | - |
| Contributions | - | - | - | - |
| TOTAL REVENUES | 943,350 | 1,002,195 | 424,100 | 425,926 |
| EXPENDITURES | | | | |
| General government, administration | - | - | - | - |
| Public safety, fire protection | 987,094 | 905,231 | - | - |
| Highways and streets | | | | |
| Public works | - | - | - | - |
| Street lighting | - | - | - | - |
| Repairs | - | - | - | - |
| TOTAL HIGHWAYS AND STREETS | - | - | - | - |
| Parks and recreation | - | - | 374,080 | 344,690 |
| TOTAL EXPENDITURES | 987,094 | 905,231 | 374,080 | 344,690 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (43,744) | 96,964 | 50,020 | 81,236 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | - | - | - | - |
| Interfund transfers in | | | | |
| General Fund | - | - | - | - |
| Capital Reserve Fund | 42,500 | 3,648 | 12,820 | 16,247 |
| TOTAL INTERFUND TRANSFERS IN | 42,500 | 3,648 | 12,820 | 16,247 |
| Interfund transfers out | | | | |
| Recreation Center Fund | - | - | - | - |
| Capital Reserve Fund | - | - | (62,840) | (62,840) |
| TOTAL INTERFUND TRANSFERS OUT | - | - | (62,840) | (62,840) |
| TOTAL OTHER FINANCING SOURCES (USES) | 42,500 | 3,648 | (50,020) | (46,593) |
| NET CHANGE IN FUND BALANCES | (1,244) | 100,612 | - | 34,643 |
| FUND BALANCES AT BEGINNING OF YEAR | 304,091 | 304,091 | 489,004 | 489,004 |
| FUND BALANCES AT END OF YEAR | \$ 302,847 | \$ 404,703 | \$ 489,004 | \$ 523,647 |

| Basin Maintenance Fund | | Street Lights Fund | | Liquid Fuels Fund | | Fire Relief Fund | | Environmental Fund | | Replacement Tree Fund | | Autumn Festival Fund | |
|------------------------|-----------|--------------------|------------|-------------------|------------|------------------|---------|--------------------|------------|-----------------------|------------|----------------------|-----------|
| Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual |
| \$ - | \$ - | \$ 133,000 | \$ 133,401 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | 133,000 | 133,401 | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1,000 | - | 5,900 | 6,642 | 20 | 962 | - | - | 6,400 | 6,754 | 6,000 | 6,523 | - | 56 |
| - | - | - | - | 674,000 | 688,757 | 250,000 | 226,104 | 40,000 | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | 674,000 | 688,757 | 250,000 | 226,104 | 40,000 | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | 170 | - | - | - | - |
| - | - | - | - | - | - | - | - | - | 170 | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | 45,600 | 119,907 | 21,500 | 26,826 |
| 1,000 | - | 138,900 | 140,043 | 674,020 | 689,719 | 250,000 | 226,104 | 46,400 | 6,924 | 51,600 | 126,430 | 21,500 | 26,882 |
| - | - | - | - | - | - | - | - | 43,150 | 32,841 | 16,500 | 8,176 | 27,800 | 29,162 |
| - | - | - | - | - | - | 250,000 | 226,104 | - | - | - | - | - | - |
| 74,200 | 61,848 | 46,300 | 48,538 | - | - | - | - | 3,250 | 1,028 | 33,058 | 20,333 | - | - |
| - | - | 105,800 | 106,656 | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | 469,175 | 477,735 | - | - | - | - | - | - | - | - |
| 74,200 | 61,848 | 152,100 | 155,194 | 469,175 | 477,735 | - | - | 3,250 | 1,028 | 33,058 | 20,333 | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | 700 | 19 |
| 74,200 | 61,848 | 152,100 | 155,194 | 469,175 | 477,735 | 250,000 | 226,104 | 46,400 | 33,869 | 49,558 | 28,509 | 28,500 | 29,181 |
| (73,200) | (61,848) | (13,200) | (15,151) | 204,845 | 211,984 | - | - | - | (26,945) | 2,042 | 97,921 | (7,000) | (2,299) |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | 7,000 | 7,000 |
| 73,200 | 73,200 | - | - | - | - | - | - | - | - | - | - | - | - |
| 73,200 | 73,200 | - | - | - | - | - | - | - | - | - | - | 7,000 | 7,000 |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 73,200 | 73,200 | - | - | - | - | - | - | - | - | - | - | 7,000 | 7,000 |
| - | 11,352 | (13,200) | (15,151) | 204,845 | 211,984 | - | - | - | (26,945) | 2,042 | 97,921 | - | 4,701 |
| 6,795 | 6,795 | 568,392 | 568,392 | 432,734 | 432,734 | - | - | 325,156 | 325,156 | 720,875 | 720,875 | 48,959 | 48,959 |
| \$ 6,795 | \$ 18,147 | \$ 555,192 | \$ 553,241 | \$ 637,579 | \$ 644,718 | \$ - | \$ - | \$ 325,156 | \$ 298,211 | \$ 722,917 | \$ 818,796 | \$ 48,959 | \$ 53,660 |

MONTGOMERY TOWNSHIP

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL NONMAJOR CAPITAL PROJECTS FUNDS YEAR ENDED DECEMBER 31, 2017

| | Park Development Fund | | Capital Projects Fund | | Restoration Fund | |
|--|-----------------------|------------|-----------------------|-----------|------------------|----------|
| | Budget | Actual | Budget | Actual | Budget | Actual |
| REVENUES | | | | | | |
| Interest income, rents and royalties | \$ 1,800 | \$ 1,944 | \$ - | \$ - | \$ - | \$ 11 |
| Contributions | 113,220 | 60,640 | 66,760 | 66,761 | - | - |
| TOTAL REVENUES | 115,020 | 62,584 | 66,760 | 66,761 | - | 11 |
| EXPENDITURES | | | | | | |
| General government | | | | | | |
| Administration | - | - | - | - | 9,880 | - |
| Public safety | | | | | | |
| Police | - | - | 40,510 | 76,341 | - | - |
| Fire protection | - | - | 66,760 | 137,599 | - | - |
| TOTAL PUBLIC SAFETY | - | - | 107,270 | 213,940 | - | - |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 115,020 | 62,584 | (40,510) | (147,179) | (9,880) | 11 |
| OTHER FINANCING USES | | | | | | |
| Interfund transfers in | | | | | | |
| Capital Reserve Fund | - | - | 40,510 | 39,849 | - | - |
| Interfund transfers out | | | | | | |
| Capital Reserve Fund | - | - | - | - | - | - |
| TOTAL OTHER FINANCING USES | - | - | 40,510 | 39,849 | - | - |
| NET CHANGE IN FUND BALANCES | 115,020 | 62,584 | - | (107,330) | (9,880) | 11 |
| FUND BALANCES AT BEGINNING OF YEAR | 59,191 | 59,191 | 107,273 | 107,273 | 9,883 | 9,883 |
| FUND BALANCES AT END OF YEAF | \$ 174,211 | \$ 121,775 | \$ 107,273 | \$ (57) | \$ 3 | \$ 9,894 |

MONTGOMERY TOWNSHIP**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE--BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2017**

| | Debt Service Fund | |
|--------------------------------------|-------------------|------------|
| | Budget | Actual |
| REVENUES | | |
| Interest income, rents and royalties | \$ 6,400 | \$ 5,212 |
| EXPENDITURES | | |
| General government, administration | 2,000 | 1,616 |
| EXCESS OF REVENUES OVER EXPENDITURES | 4,400 | 3,596 |
| OTHER FINANCING SOURCES (USES) | | |
| Interfund transfers out | | |
| Recreation Center Fund | (250,300) | (250,243) |
| TOTAL OTHER FINANCING SOURCES (USES) | (250,300) | (250,243) |
| NET CHANGE IN FUND BALANCE | (245,900) | (246,647) |
| FUND BALANCE AT BEGINNING OF YEAR | 545,847 | 545,847 |
| FUND BALANCE AT END OF YEAR | \$ 299,947 | \$ 299,200 |

MONTGOMERY TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

YEAR ENDED DECEMBER 31, 2017

| | Escrow Fund | | | |
|---------------------------|-------------------------------|-------------------|---------------------|---------------------------------|
| | Balance January 1, 2017 | Additions | Deletions | Balance December 31, 2017 |
| ASSETS | | | | |
| Cash | \$ <u>787,481</u> | \$ <u>811,611</u> | \$ <u>(759,204)</u> | \$ <u>839,888</u> |
| LIABILITIES | | | | |
| Escrow and other deposits | \$ <u>787,481</u> | \$ <u>811,611</u> | \$ <u>(759,204)</u> | \$ <u>839,888</u> |

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Montgomery Township comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Township's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Township's ability to generate its property and local enabling taxes.

Debt Capacity

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

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Township's financial activities take place and to help make comparisons over time and with other governments.

Operation Information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Township implemented GASB Statement No. 34 in 2004; schedules presenting government-wide information include information beginning in that year.

| Montgomery Township Net Position by Component Last Ten Fiscal Years (accrual basis of accounting) | | | | | | | | | | TABLE 1 |
|--|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2008 | 2009 | 2010 | 2011 (1) | 2012 (2) | 2013 (3) | 2014 | 2015 | 2016 | 2017 |
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 106,989,556 | \$ 106,928,471 | \$ 106,979,859 | \$ 108,143,857 | \$ 108,047,221 | \$ 110,550,367 | \$ 112,076,605 | \$ 113,106,973 | \$ 113,595,908 | \$ 113,030,543 |
| Restricted | - | - | - | 2,573,872 | 2,774,921 | 2,630,718 | 3,018,757 | 1,655,979 | 1,622,842 | 1,646,975 |
| Unrestricted | 17,449,139 | 18,916,409 | 18,843,099 | 16,053,270 | 16,105,263 | 17,778,825 | 17,420,811 | 12,618,239 | 13,895,248 | 15,542,690 |
| Total governmental activities net assets | 124,438,695 | 125,844,880 | 125,822,958 | 126,770,999 | 126,927,405 | 130,959,910 | 132,516,173 | 127,381,191 | 129,113,998 | 130,220,208 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | - | - | - | - | - | (1,054,718) | (871,148) | 2,967,520 | 2,817,631 | 2,500,698 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | - | - | - | - | - | (83,112) | (51,887) | 512,935 | 94,650 | 118,335 |
| Total business-type activities net assets | - | - | - | - | - | (1,137,830) | (923,035) | 3,480,455 | 2,912,281 | 2,619,033 |
| Primary government | | | | | | | | | | |
| Net investment in capital assets | 106,989,556 | 106,928,471 | 106,979,859 | 108,143,857 | 108,047,221 | 109,495,649 | 111,205,457 | 116,074,493 | 116,145,816 | 115,531,241 |
| Restricted | - | - | - | 2,573,872 | 2,774,921 | 2,630,718 | 3,018,757 | 1,655,979 | 1,622,842 | 1,646,975 |
| Unrestricted | 17,449,139 | 18,916,409 | 18,843,099 | 16,053,270 | 16,105,263 | 17,695,713 | 17,368,924 | 13,131,174 | 13,989,898 | 15,661,025 |
| Total primary government net position | \$ 124,438,695 | \$ 125,844,880 | \$ 125,822,958 | \$ 126,770,999 | \$ 126,927,405 | \$ 129,822,080 | \$ 131,593,138 | \$ 130,861,646 | \$ 131,758,556 | \$ 132,839,241 |
| Notes: | | | | | | | | | | |
| | (1) Montgomery Township applied GASB Statement No. 54 in fiscal year 2011, changing the way restricted versus unrestricted assets are reported. | | | | | | | | | |
| | (2) Montgomery Township applied GASB Statement No. 63 in fiscal year 2012. | | | | | | | | | |
| | (3) Montgomery Township added a proprietary fund during fiscal year 2013. | | | | | | | | | |
| Source: | Montgomery Township Records, Statement of Net Position. | | | | | | | | | |

| TABLE 2 | | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Montgomery Township | | | | | | | | | | |
| Changes in Net Position | | | | | | | | | | |
| Last Ten Fiscal Years | | | | | | | | | | |
| (modified accrual basis of accounting) | | | | | | | | | | |
| | 2008 | 2009 | 2010 (1) | 2011 | 2012 (2) | 2013 (3) | 2014 | 2015 | 2016 | 2017 |
| Expenditures | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| General Government | \$ 2,180,895 | \$ 2,268,985 | \$ 2,144,259 | \$ 2,020,878 | \$ 1,975,461 | \$ 1,977,589 | \$ 2,156,792 | \$ 2,196,876 | \$ 2,302,216 | \$ 2,403,329 |
| Public Safety | 6,829,457 | 6,700,787 | 7,168,920 | 7,337,227 | 7,837,879 | 8,172,869 | 7,994,539 | 8,543,152 | 8,834,138 | 8,810,371 |
| Highways and Streets | 2,644,118 | 1,974,513 | 2,938,385 | 3,051,214 | 3,250,223 | 2,954,258 | 2,863,824 | 3,080,080 | 2,930,010 | 3,065,656 |
| Parks and Recreation | 599,551 | 659,577 | 568,400 | 593,554 | 758,403 | 854,770 | 792,683 | 478,748 | 365,999 | 410,813 |
| Police and Employee Pension Costs | 549,772 | 616,193 | - | - | - | - | - | - | - | - |
| Interest on long-term debt | 69,723 | 60,857 | 44,694 | 35,704 | 51,755 | 226,143 | 22,851 | 12,610 | 3,896 | - |
| Depreciation, Unallocated | 745,437 | 820,828 | 776,908 | 819,214 | 877,568 | 871,406 | 859,765 | 901,584 | 946,421 | 920,457 |
| Amortization of bond issue cost and discounts, unallocated | 5,172 | 5,172 | 5,172 | 5,172 | 5,172 | 678 | 678 | 678 | 678 | - |
| Total governmental activities expenditures | 13,624,125 | 13,106,912 | 13,646,738 | 13,862,963 | 14,756,461 | 15,057,713 | 14,691,132 | 15,213,728 | 15,383,358 | 15,610,626 |
| Business-Type Activities | | | | | | | | | | |
| Recreation Center | - | - | - | - | - | 141,742 | 269,504 | 1,430,152 | 1,658,552 | 1,649,490 |
| Total business activities expenditures | - | - | - | - | - | 141,742 | 269,504 | 1,430,152 | 1,658,552 | 1,649,490 |
| Total primary government expenditures | 13,624,125 | 13,106,912 | 13,646,738 | 13,862,963 | 14,756,461 | 15,199,455 | 14,960,636 | 16,643,880 | 17,041,910 | 17,260,116 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General Government | | | | | | | | | | |
| Public Safety | 72,866 | 50,953 | 62,533 | 43,405 | 70,852 | 71,054 | 71,448 | 83,833 | 80,811 | 63,415 |
| Highways and Streets | 1,165,861 | 755,515 | 825,034 | 956,892 | 1,316,137 | 991,234 | 1,136,533 | 1,140,983 | 1,071,941 | 1,306,493 |
| Parks and Recreation | 6,375 | 6,376 | 6,375 | 225,034 | 12,750 | 6,900 | 6,900 | 6,750 | 6,900 | 6,900 |
| Operating Grants and Contributions | 212,088 | 199,817 | 182,870 | 225,034 | 238,540 | 256,560 | 249,833 | 1,845 | 961 | - |
| Capital Grants and Contributions | 1,399,797 | 1,267,648 | 949,586 | 1,512,844 | 1,079,469 | 1,351,862 | 1,494,079 | 1,064,528 | 1,304,769 | 1,228,154 |
| Total governmental activities program revenues | - | - | - | - | - | 1,770,813 | 163,211 | - | 267,723 | - |
| Business-Type Activities | | | | | | | | | | |
| Charges for services | 2,856,987 | 2,280,309 | 2,026,398 | 2,738,175 | 2,717,748 | 4,448,423 | 3,122,004 | 2,297,939 | 2,733,105 | 2,604,962 |
| Operating Grants and Contributions | - | - | - | - | - | - | - | - | - | - |
| Capital Grants and Contributions | - | - | - | - | - | - | - | - | - | - |
| Total business type activities program revenues | - | - | - | - | - | - | - | - | - | - |
| Total primary government program revenues | 2,856,987 | 2,280,309 | 2,026,398 | 2,738,175 | 2,717,748 | 4,448,423 | 3,122,004 | 2,909,645 | 3,275,486 | 3,336,777 |
| Net (expense)/revenue | (10,767,138) | (10,826,603) | (11,620,340) | (11,124,788) | (12,038,713) | (10,609,290) | (11,569,128) | (12,915,789) | (12,650,253) | (13,005,664) |
| Governmental Activities | - | - | - | - | - | (141,742) | (269,504) | (818,446) | (1,116,171) | (917,675) |
| Business-Type Activities | \$ (10,767,138) | \$ (10,826,603) | \$ (11,620,340) | \$ (11,124,788) | \$ (12,038,713) | \$ (10,751,032) | \$ (11,838,632) | \$ (13,734,235) | \$ (13,766,424) | \$ (13,923,339) |

| TABLE 2 | | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Montgomery Township | | | | | | | | | | |
| Changes in Net Position | | | | | | | | | | |
| Last Ten Fiscal Years | | | | | | | | | | |
| (modified accrual basis of accounting) | | | | | | | | | | |
| | 2008 | 2009 | 2010 (1) | 2011 | 2012 (2) | 2013 (3) | 2014 | 2015 | 2016 | 2017 |
| Government Activities | | | | | | | | | | |
| Taxes | \$ 11,501,265 | \$ 10,645,490 | \$ 10,485,766 | \$ 11,486,880 | \$ 11,583,722 | \$ 12,970,889 | \$ 12,958,193 | \$ 13,414,506 | \$ 13,733,814 | \$ 13,810,780 |
| Cable TV Franchise Fees | 368,662 | 396,874 | 439,003 | 483,769 | 502,002 | 536,820 | 572,530 | 588,476 | 612,010 | 610,646 |
| Investment Income | 540,064 | 311,340 | 120,328 | 83,569 | 88,555 | 97,683 | 89,292 | 152,425 | 150,541 | 174,875 |
| Gain (loss) on sale of capital assets | 12,135 | 879,084 | 553,321 | 18,611 | 20,840 | 36,403 | (17,730) | 98,169 | 334,692 | - |
| Refund of Prior Year Expenditures | 127,577 | - | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | 1,000,000 | (476,894) | (5,121,497) | (447,997) | (484,427) |
| Total Government Activities | 12,549,703 | 12,232,788 | 11,598,418 | 12,072,829 | 12,195,119 | 14,641,795 | 13,125,391 | 9,132,079 | 14,383,060 | 14,111,874 |
| Business-Type Activities | | | | | | | | | | |
| Taxes | - | - | - | - | - | - | - | 100,000 | 100,000 | 140,000 |
| Investment Income | - | - | - | - | - | 3,912 | 7,405 | 439 | - | - |
| Gain (loss) on sale of capital assets | - | - | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | (1,000,000) | 476,894 | 5,121,497 | 447,997 | 484,427 |
| Total Business-Type Activities | - | - | - | - | - | (996,088) | 484,299 | 5,221,936 | 547,997 | 624,427 |
| Total primary government | 12,549,703 | 12,232,788 | 11,598,418 | 12,072,829 | 12,195,119 | 13,645,707 | 13,609,690 | 14,354,015 | 14,931,057 | 14,736,301 |
| Change in Net Position | | | | | | | | | | |
| Government Activities | 1,782,565 | 1,406,185 | (21,922) | 948,041 | 156,406 | 4,032,505 | 1,556,263 | (3,783,710) | 1,732,807 | 1,106,210 |
| Business-Type Activities | - | - | - | - | - | (1,137,830) | 214,795 | 4,403,490 | (568,174) | (293,248) |
| Total primary government | \$ 1,782,565 | \$ 1,406,185 | \$ (21,922) | \$ 948,041 | \$ 156,406 | \$ 2,894,675 | \$ 1,771,058 | \$ 619,780 | \$ 1,164,633 | \$ 812,962 |
| Notes: | | | | | | | | | | |
| (1) Police and Employee Pension Costs are distributed amongst the appropriate functions beginning 2010. | | | | | | | | | | |
| (2) Montgomery Township applied GASB Statement No. 63 in fiscal year 2012 and as a result is reporting Net Position. | | | | | | | | | | |
| (3) Montgomery Township added a proprietary fund during fiscal year 2013. The fund had no program revenue in 2013. | | | | | | | | | | |
| Source: Montgomery Township Records, Statement of Activities. | | | | | | | | | | |

| Montgomery Township Fund Balances Of Governmental Funds Last Ten Fiscal Years (modified accrual basis of accounting) | | | | | | | | | | | TABLE 3 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|---------|
| | 2008 | 2009 | 2010 | 2011 (1) | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | |
| General Fund | | | | | | | | | | | |
| Reserved | 3,200 | 3,200 | 3,200 | - | - | - | - | - | - | - | |
| Unreserved | 2,196,009 | 2,294,563 | 2,538,375 | - | - | - | - | - | - | - | |
| Non-Spendable | - | - | - | 3,200 | 3,200 | - | - | - | - | - | |
| Unassigned | - | - | - | 2,789,761 | 3,215,108 | 3,006,135 | 3,267,459 | 3,015,068 | 2,988,933 | 3,033,855 | |
| Total General Fund | 2,199,209 | 2,297,763 | 2,541,575 | 2,792,961 | 3,218,308 | 3,006,135 | 3,267,459 | 3,015,068 | 2,988,933 | 3,033,855 | |
| All other governmental funds | | | | | | | | | | | |
| Reserved | 1,896,329 | 2,056,389 | 1,599,140 | - | - | - | - | - | - | - | |
| Unreserved, reported in | | | | | | | | | | | |
| Special revenue funds | 2,412,356 | 2,373,591 | 2,605,488 | - | - | - | - | - | - | - | |
| Capital projects funds | 10,311,022 | 11,823,426 | 11,923,918 | - | - | - | - | - | - | - | |
| Restricted | | | | | | | | | | | |
| Street Light Fund | - | - | - | 610,834 | 594,459 | 593,217 | 570,741 | 562,300 | 568,392 | 553,241 | |
| Debt Service Fund | - | - | - | 704,870 | 700,876 | 712,798 | 1,101,320 | 814,752 | 545,847 | 299,200 | |
| Basin Maintenance Fund | - | - | - | 261,327 | 188,611 | 115,353 | 55,339 | 28,485 | 6,795 | 18,147 | |
| Park Development Fund | - | - | - | 171,518 | 289,544 | 300,932 | 333,663 | 605 | 59,191 | 121,775 | |
| Liquid Fuels Fund | - | - | - | 152,279 | 227,574 | 117,476 | 181,728 | 239,954 | 432,734 | 644,718 | |
| Environmental Fund | - | - | - | 649,527 | 741,885 | 703,110 | - | - | - | - | |
| Restoration Fund | - | - | - | 23,517 | 23,610 | 23,615 | 9,880 | 9,883 | 9,883 | 9,894 | |
| 300th Anniversary | - | - | - | - | 8,362 | 64,217 | 49 | - | - | - | |
| Committed | | | | | | | | | | | |
| Replacement Tree Fund | - | - | - | 635,572 | 586,667 | 603,955 | 925,650 | 689,954 | 720,875 | 818,796 | |
| Fire Services Fund | - | - | - | 213,550 | 247,054 | 247,521 | 290,060 | 209,452 | 304,091 | 404,703 | |
| Capital Reserve Fund | - | - | - | 11,800,878 | 11,970,441 | 13,568,257 | 12,522,769 | 9,225,410 | 9,201,982 | 11,918,428 | |
| Environmental Fund | - | - | - | - | - | - | 766,037 | 307,579 | 325,156 | 298,211 | |
| Assigned | | | | | | | | | | | |
| Park and Recreation Fund | - | - | - | 577,156 | 595,845 | 605,902 | 576,539 | 573,210 | 489,004 | 523,647 | |
| Capital Projects Fund | - | - | - | - | - | - | - | - | 107,273 | - | |
| Autumn Festival Fund | - | - | - | 26,464 | 36,503 | 43,941 | 50,125 | 44,717 | 48,959 | 53,660 | |
| Unassigned | - | - | - | - | (2,757) | - | - | - | 1,296,465 | (57) | |
| Total all other governmental funds | 14,619,707 | 16,253,406 | 16,128,546 | 15,825,148 | 16,208,674 | 17,700,294 | 17,383,900 | 12,706,301 | 14,116,647 | 15,664,363 | |
| Total all Governmental funds | 16,818,916 | 18,551,169 | 18,670,121 | 18,618,109 | 19,426,982 | 20,706,429 | 20,651,359 | 15,721,369 | 17,105,580 | 18,698,218 | |
| Notes: | | | | | | | | | | | |
| (1) Montgomery Township first applied GASB Statement No. 54 in the fiscal year ending December 31, 2011. Therefore, the fund balance designations for prior years differ. | | | | | | | | | | | |
| Source : Montgomery Township Records, Balance Sheet Governmental Funds. | | | | | | | | | | | |

| Montgomery Township | | | | | | | | | | | Table 4 |
|---|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|-------------------|-------------------|---------|
| Changes in Fund Balances of Governmental Funds | | | | | | | | | | | |
| Last Ten Fiscal Years (Unaudited) | | | | | | | | | | | |
| Fiscal Year | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | |
| Revenues | | | | | | | | | | | |
| Taxes | \$ 11,387,431 | \$ 10,658,866 | \$ 10,558,172 | \$ 11,479,869 | \$ 11,992,652 | \$ 12,580,357 | \$ 12,739,806 | \$ 13,184,101 | \$ 13,600,315 | \$ 13,776,766 | |
| Licenses and Permits | 1,356,901 | 998,662 | 1,105,903 | 1,222,484 | 1,619,506 | 1,311,440 | 1,515,140 | 1,530,037 | 1,404,032 | 1,577,695 | |
| Fines and Forfeitures | 158,616 | 129,191 | 135,190 | 179,842 | 179,435 | 178,452 | 173,774 | 186,404 | 175,253 | 202,604 | |
| Interest Income, Rents and Royalties | 549,919 | 312,678 | 131,528 | 84,595 | 89,635 | 99,388 | 90,977 | 154,279 | 151,502 | 174,875 | |
| Intergovernmental Revenues | 1,285,989 | 1,239,390 | 1,234,924 | 1,691,974 | 1,296,844 | 1,346,835 | 1,462,211 | 1,385,772 | 1,677,626 | 1,537,790 | |
| Charges for Services | 302,815 | 280,344 | 263,522 | 305,748 | 340,260 | 370,971 | 346,637 | 103,601 | 125,616 | 140,394 | |
| Contributions | 131,473 | 28,258 | 73,729 | 437,351 | 158,117 | 440,075 | 477,226 | 106,127 | 192,614 | 280,186 | |
| Total Revenues | 15,153,144 | 13,647,389 | 13,502,968 | 15,401,863 | 15,676,449 | 16,327,518 | 16,805,771 | 16,650,321 | 17,326,958 | 17,690,310 | |
| Expenditures | | | | | | | | | | | |
| Current | | | | | | | | | | | |
| General Government | 2,305,366 | 2,346,523 | 2,147,085 | 3,079,371 | 3,859,155 | 2,025,324 | 3,952,497 | 2,545,286 | 2,340,169 | 2,522,623 | |
| Public Safety | 8,853,157 | 6,720,338 | 7,030,217 | 7,447,466 | 7,460,701 | 7,776,548 | 7,640,697 | 8,658,550 | 8,310,595 | 9,358,207 | |
| Highways and Streets | 3,129,374 | 2,383,845 | 3,212,200 | 3,263,340 | 3,469,225 | 3,065,869 | 2,868,323 | 3,344,278 | 3,192,619 | 3,252,408 | |
| Parks and Recreation | 704,322 | 686,519 | 568,400 | 643,990 | 803,448 | 849,671 | 889,622 | 419,689 | 503,847 | 480,007 | |
| Other Employee Benefits not allocated | 549,772 | 616,193 | 607,784 | 663,646 | 707,378 | 888,672 | 882,524 | 928,923 | 1,023,766 | - | |
| Debt Service | | | | | | | | | | | |
| Principal | 379,446 | 318,914 | 340,510 | 349,200 | 451,262 | 1,283,917 | 132,515 | 654,452 | 453,509 | - | |
| Interest and other charges | 68,704 | 59,888 | 43,792 | 29,662 | 51,613 | 226,727 | 23,529 | 13,288 | 4,937 | - | |
| Total Expenditures | 15,990,141 | 13,132,220 | 13,949,988 | 15,476,675 | 16,802,782 | 16,116,728 | 16,389,707 | 16,564,466 | 15,829,442 | 15,613,245 | |
| Excess (deficiency) of revenues over expenditures | (836,997) | 515,169 | (447,020) | (74,812) | (1,126,333) | 210,790 | 416,064 | 85,855 | 1,497,516 | 2,077,065 | |
| Other Financing Sources (Uses) | | | | | | | | | | | |
| Proceeds from sale of capital assets | 23,880 | 1,217,084 | 565,972 | 22,800 | 20,840 | 68,657 | 5,760 | 105,652 | 334,692 | - | |
| Proceeds from loan issuance | - | - | - | - | 1,914,366 | - | - | - | - | - | |
| Proceeds from county infrastructure loan | - | - | - | - | - | - | - | - | - | - | |
| Refund of prior years' expenditures | 127,577 | - | - | - | - | - | - | - | - | - | |
| Interfund transfers in | 5,023,072 | 1,359,760 | 747,891 | 2,133,806 | 1,800,109 | 3,378,900 | 1,954,419 | 3,050,732 | 2,487,377 | 3,028,371 | |
| Interfund transfers out | (5,023,072) | (1,359,760) | (747,891) | (2,133,806) | (1,800,109) | (2,378,900) | (2,431,313) | (8,172,229) | (2,935,374) | (3,512,798) | |
| Total Other Financing Sources (Uses) | 151,457 | 1,217,084 | 565,972 | 22,800 | 1,935,206 | 1,088,657 | (471,134) | (5,015,845) | (113,305) | (484,427) | |
| Net change in fund balance | (685,540) | 1,732,253 | 118,952 | (52,012) | 808,873 | 1,279,447 | (55,070) | (4,929,990) | 1,384,211 | 1,592,638 | |
| Fund balance at beginning of year | 17,504,456 | 16,818,916 | 18,551,169 | 18,670,121 | 18,618,109 | 19,426,982 | 20,706,429 | 20,651,359 | 15,721,369 | 17,105,580 | |
| Fund balance at end of year | 16,818,916 | 18,551,169 | 18,670,121 | 18,618,109 | 19,426,982 | 20,706,429 | 20,651,359 | 15,721,369 | 17,105,580 | 18,688,218 | |
| Debt Service as a percentage of non-capital expenditures | 2.88% | 3.05% | 2.87% | 2.74% | 3.45% | 10.87% | 1.11% | 4.37% | 3.03% | 0.00% | |
| Source: Montgomery Township Statement of Revenues, Expenditures & Changes in Fund Balances Governmental Funds. | | | | | | | | | | | |

| <div> <div>Table 5</div> <div> <div>Montgomery Township</div> <div>General Government Tax Revenues by Source</div> <div>Last Ten Years (Unaudited)</div> </div> </div> | | | | | | | |
|--|------------------------|-------------------------|---------------------------|-------------------------------|-------|------------|--|
| Year Ended 31-Dec | Real Estate Tax (1) | Earned Income Tax | Realty Transfer Tax | Business Gross Receipts | Total | | |
| 2008 | \$ 2,965,285 | \$ 4,244,016 | \$ 881,517 | \$ 3,296,613 | \$ | 11,387,431 | |
| 2009 | 2,902,742 | 4,147,313 | 607,113 | 3,001,698 | | 10,658,866 | |
| 2010 | 2,850,219 | 4,209,528 | 564,737 | 2,933,688 | | 10,558,172 | |
| 2011 | 2,898,651 | 4,285,766 | 759,294 | 3,536,158 | | 11,479,869 | |
| 2012 | 2,896,039 | 4,777,242 | 693,084 | 3,626,287 | | 11,992,652 | |
| 2013 | 3,029,689 | 5,033,800 | 1,060,556 | 3,456,312 | | 12,580,357 | |
| 2014 | 3,020,420 | 5,307,108 | 710,519 | 3,701,759 | | 12,739,806 | |
| 2015 | 3,027,953 | 5,672,401 | 919,752 | 3,563,995 | | 13,184,101 | |
| 2016 | 3,061,984 | 5,693,633 | 923,419 | 3,921,279 | | 13,600,315 | |
| 2017 | \$ 3,077,801 | \$ 5,613,342 | \$ 1,088,442 | \$ 3,997,181 | \$ | 13,776,766 | |
| Notes: (1) Includes General, Fire, Park and Recreation and Debt Service Funds. | | | | | | | |
| Source : Montgomery Township Records, DCED Annual Audit and Financial Report. | | | | | | | |

Table 6

Montgomery Township
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (Unaudited)

| Fiscal Year Ended 31-Dec | Total Assessed Value (1) | Less: Tax-Exempt Property | Total Taxable Assessed Value | Estimated Actual Value (2) | Ratio of total Assessed value to Estimated Actual Value | Total Township Tax Rate (3) |
|--------------------------|--------------------------|---------------------------|------------------------------|----------------------------|---|-----------------------------|
| 2008 | \$ 2,138,247,666 | \$ 51,847,055 | \$ 2,086,400,611 | \$ 3,959,717,900 | .540 | 1.49 |
| 2009 | 2,146,023,354 | 52,035,596 | 2,093,987,758 | 3,974,117,322 | .540 | 1.49 |
| 2010 | 2,152,471,548 | 52,249,920 | 2,100,221,628 | 3,776,265,874 | .570 | 1.49 |
| 2011 | 2,150,673,626 | 52,330,288 | 2,098,343,338 | 3,826,821,399 | .562 | 1.49 |
| 2012 | 2,178,848,188 | 57,458,860 | 2,121,389,328 | 3,876,954,071 | .562 | 1.49 |
| 2013 | 2,183,821,944 | 58,036,790 | 2,125,785,154 | 3,449,955,678 | .633 | 1.49 |
| 2014 | 2,237,449,614 | 58,259,560 | 2,179,190,054 | 3,891,216,720 | .575 | 1.49 |
| 2015 | 2,256,413,614 | 62,417,400 | 2,193,996,614 | 4,014,970,843 | .562 | 1.49 |
| 2016 | 2,264,629,254 | 62,924,970 | 2,201,704,284 | 4,036,772,289 | .561 | 1.49 |
| 2017 | \$ 2,277,164,074 | \$ 68,256,890 | \$ 2,208,907,184 | \$ 4,209,175,738 | .541 | 1.49 |

Notes:

- (1) Includes tax-exempt properties.
 (2) Estimated actual value is calculated by dividing assessed value by Common Level Ratio provided by State Equalization Board.
 (3) Tax rates are per \$1,000 of assessed value.

Source: Montgomery County Board of Assessments.

Table 7

Montgomery Township
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

| Fiscal Year | Montgomery Township | | | | | Overlapping Rates | | | | |
|----------------|---------------------|-----------------------|-----------------------|--------------------|---------------------|-------------------|---------|---------|---------|---------|
| | General | Park and | Fire | Debt | Total | Total | County | School | Total | |
| | Fund Millage | Recreation Millage | Protection Millage | Service Millage | Township Millage | County Millage | Millage | Millage | Millage | Millage |
| 2008 | 0.89 | 0.19 | 0.17 | 0.24 | 1.49 | 2.6950 | 20.5399 | 24.7249 | | |
| 2009 | 0.89 | 0.19 | 0.17 | 0.24 | 1.49 | 2.6950 | 21.3396 | 25.5246 | | |
| 2010 | 0.89 | 0.19 | 0.17 | 0.24 | 1.49 | 2.6950 | 21.9564 | 26.1414 | | |
| 2011 | 0.89 | 0.19 | 0.17 | 0.24 | 1.49 | 2.6950 | 21.9564 | 26.1414 | | |
| 2012 | 0.89 | 0.19 | 0.17 | 0.24 | 1.49 | 3.1520 | 22.3256 | 26.9676 | | |
| 2013 | 0.89 | 0.19 | 0.17 | 0.24 | 1.49 | 3.1520 | 22.7049 | 27.3469 | | |
| 2014 | 0.89 | 0.19 | 0.17 | 0.24 | 1.49 | 3.1520 | 23.1819 | 27.8239 | | |
| 2015 | 0.89 | 0.19 | 0.17 | 0.24 | 1.49 | 3.1520 | 23.6223 | 28.2643 | | |
| 2016 | 0.89 | 0.19 | 0.17 | 0.24 | 1.49 | 3.4590 | 24.1890 | 29.1380 | | |
| 2017 | 1.13 | 0.19 | 0.17 | 0 | 1.49 | 3.8490 | 24.6704 | 30.0094 | | |

Source: Pennsylvania DCED Municipal Statistics.

| <div> <div>Table 8</div> <div> Montgomery Township Principal Property Taxpayers Current and Nine Years Ago (Unaudited) </div> </div> | | | | | | | |
|--|---------------------|----------------|------|-----------------------|----------------|------|-----------------------|
| Taxpayer | Type of Business | <u>2017</u> | | | <u>2008</u> | | |
| | | Assessed Value | Rank | % of Total Assessment | Assessed Value | Rank | % of Total Assessment |
| Montgomeryville Associates, Inc. | Shopping Mall | \$ 90,971,026 | 1 | 4.02% | \$ 102,858,090 | 1 | 5.02% |
| Kir Montgomeryville | Shopping Mall | 35,960,000 | 2 | 1.59% | 22,376,090 | 5 | 1.09% |
| Private Individual | Industrial Building | 30,567,300 | 3 | 1.35% | 30,813,320 | 2 | 1.50% |
| Nappen & Associates | Industrial Building | 28,483,050 | 4 | 1.26% | 26,179,680 | 3 | 1.28% |
| Avenel Realty Co. Inc. | Apartment Building | 28,213,000 | 5 | 1.25% | 18,896,160 | 7 | 0.92% |
| Gateway DC Properties, Inc. | Shopping Mall | 20,350,290 | 6 | 0.90% | 23,999,270 | 4 | 1.17% |
| Water Tower Square Associates | Apartment Building | 19,229,000 | 7 | 0.85% | 19,229,000 | 6 | 0.94% |
| Village of Neshaminy Falls | Rental Lots | 14,832,130 | 8 | 0.65% | 14,794,330 | 8 | 0.72% |
| SBS of Montgomeryville, Inc. | Hotel | 13,956,830 | 9 | 0.62% | | | |
| 213-36 Montgomery Holdings | Shopping Mall | 12,595,840 | 10 | 0.56% | | | |
| Lowe's Home Center | Retail Store | | | | 11,247,440 | 9 | 0.55% |
| Montgomery Department Investors | Shopping Mall | | | | 9,956,880 | 10 | 0.49% |
| TOTAL | | \$ 295,158,466 | | 13.03% | \$ 280,350,260 | | 13.68% |
| Source: Montgomery County Tax Assessment Duplicate. | | | | | | | |

TABLE 9

**Montgomery Township
Property Tax Levies and Collections
Last Ten Fiscal Years (Unaudited)**

| Fiscal Year Ended | Total Tax Levy for Fiscal Year (1) | Collected within the Fiscal Year of the Levy | | Delinquent Tax Collections | | Total Collections to Date | |
|----------------------|--|---|--------------------|-------------------------------|--|---------------------------|--------------------|
| | | Amount (2) | Percentage of Levy | Amount | | Amount | Percentage of Levy |
| 31-Dec | | | | | | | |
| 2008 | 2,844,902 | 2,797,743 | 98.3% | 47,145 | | 2,844,888 | 100.00% |
| 2009 | 2,811,938 | 2,746,015 | 97.7% | 65,916 | | 2,811,931 | 100.00% |
| 2010 | 2,821,764 | 2,744,438 | 97.3% | 77,326 | | 2,821,764 | 100.00% |
| 2011 | 2,808,794 | 2,731,699 | 97.3% | 77,108 | | 2,808,807 | 100.00% |
| 2012 | 2,840,066 | 2,760,624 | 97.2% | 79,378 | | 2,840,002 | 100.00% |
| 2013 | 2,846,605 | 2,811,419 | 98.8% | 33,696 | | 2,845,115 | 99.95% |
| 2014 | 2,927,294 | 2,912,770 | 99.5% | 14,525 | | 2,927,295 | 100.00% |
| 2015 | 2,946,166 | 2,927,048 | 99.4% | 19,170 | | 2,946,218 | 100.00% |
| 2016 | 2,959,941 | 2,944,287 | 99.5% | 11,373 | | 2,955,660 | 99.86% |
| 2017 | 2,965,292 | 2,952,471 | 99.6% | 0 | | 2,952,471 | 99.57% |

Notes:

(1) The Township implemented a Homestead Exclusion starting in 2003 reducing assessments for single family owner occupied dwelling by \$10,000. The exclusion was increased to \$15,000 in 2007, \$20,000 in 2005, \$25,000 in 2006 and \$30,000 in 2009 and forward.

(2) Taxpayers are entitled to a 2% discount for payment of taxes by April 30th. Historically, 88-90% of taxpayers take advantage of this discount.

| <p style="text-align: center;">Montgomery Township Business Privilege and Mercantile Tax Revenue Base and Collections Last 10 Years (Unaudited)</p> | | | | | |
|--|------------------|----------------|------------------|-------------|-------------|
| Year Ended | Number of | Taxable | Taxes | Tax | |
| 31-Dec | Returns | Sales | Collected | Rate | Rate |
| 2008 | 1,422 | 1,943,085,333 | 2,914,628 | 1.5 Mills | |
| 2009 | 1,391 | 1,770,841,333 | 2,656,262 | 1.5 Mills | |
| 2010 | 1,437 | 1,727,391,333 | 2,591,087 | 1.5 Mills | |
| 2011 | 1,461 | 1,862,376,000 | 2,793,564 | 1.5 Mills | |
| 2012 | 1,488 | 1,868,025,333 | 2,802,038 | 1.5 Mills | |
| 2013 | 1,418 | 1,805,094,667 | 2,707,642 | 1.5 Mills | |
| 2014 | 1,399 | 1,947,312,000 | 2,920,968 | 1.5 Mills | |
| 2015 | 1,229 | 1,966,163,333 | 2,949,245 | 1.5 Mills | |
| 2016 | 1,255 | 2,081,536,000 | 3,122,304 | 1.5 Mills | |
| 2017 | 1,406 | 2,112,738,000 | 3,169,107 | 1.5 Mills | |
| Source: Montgomery Township Business/Mercantile Tax Collection Records. | | | | | |

Table 11

**Montgomery Township
Principal Business Tax Remitters
Current and Nine Years Ago (Unaudited)**

| Description | <u>2017</u> | | <u>2008</u> | |
|--|-------------|---------------|-------------|---------------|
| | Rank | % of Total | Rank | % of Total |
| Retail Store | 1 | 6.38% | 1 | 7.07% |
| Retail Store | 2 | 3.63% | - | - |
| Retail Store - Auto | 3 | 2.89% | - | - |
| Retail Store - Auto | 4 | 2.45% | 5 | 2.08% |
| Retail Store | 5 | 2.44% | 6 | 1.81% |
| Retail Store | 6 | 2.32% | 2 | 2.71% |
| Retail Store | 7 | 2.12% | 4 | 2.16% |
| Retail Store - Auto | 8 | 2.07% | - | - |
| Retail Store - Auto | 9 | 1.91% | - | - |
| Retail Store | 10 | 1.74% | - | - |
| Retail Store | - | - | 3 | 2.32% |
| Retail Store | - | - | 7 | 1.73% |
| Department Store | - | - | 8 | 1.67% |
| Retail Store | - | - | 9 | 1.38% |
| Department Store | - | - | 10 | 1.27% |
| Percentage of Total Gross Collections | | <u>27.95%</u> | | <u>24.20%</u> |

Note: Due to the confidential nature of tax returns and on the advice of legal counsel, Montgomery Township does not disclose the proper name nor specific tax paid for any individual taxpayer. In lieu of that information, we have provided the top ten taxpayers by the nature of the business and the taxpayer's individual share of total tax collected.

Source: Montgomery Township Business Tax Records

Table 12

Montgomery Township
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | General Obligation Bonds (1) | | General Obligation Notes | | General Obligation Bonds Business-type Activities | Total Outstanding Debt | Percentage of Personal Income (2) | Population(3) | Debt Per Capita | |
|----------------|------------------------------------|---------|--------------------------------|-----------|---|------------------------------|---|---------------|-----------------------|-----|
| | Governmental Activities | | | | | | | | | |
| | | | | | | | | | | |
| 2008 | \$ | 815,000 | \$ | 1,254,915 | - | \$ | 2,069,915 | 0.20% | 23,504 | 88 |
| 2009 | | 665,000 | | 1,086,000 | - | | 1,751,000 | 0.17% | 23,504 | 74 |
| 2010 | | 505,000 | | 905,490 | - | | 1,410,490 | 0.14% | 24,790 | 57 |
| 2011 | | 345,000 | | 716,290 | - | | 1,061,290 | 0.10% | 24,790 | 43 |
| 2012 | | 175,000 | | 2,349,392 | - | | 2,524,392 | 0.26% | 24,601 | 103 |
| 2013 | - | - | | 1,240,476 | 8,990,889 | | 10,231,365 | 0.96% | 25,121 | 407 |
| 2014 | - | - | | 1,107,961 | 8,782,554 | | 9,890,515 | 0.87% | 25,386 | 390 |
| 2015 | - | - | | 453,509 | 8,574,219 | | 9,027,728 | 0.79% | 26,025 | 347 |
| 2016 | - | - | | - | 8,721,375 | | 8,721,375 | 0.76% | 26,025 | 335 |
| 2017 | - | - | | - | 8,716,293 | | 8,716,293 | 0.73% | 26,143 | 333 |

Notes:

(1) Details regarding the Township's outstanding debt can be found in the notes to the financial statements.

(2) Personal Income taken from United States Census Bureau.

(3) Population taken from United States Census Bureau.

| <p style="text-align: center;">Montgomery Township Computation of Direct and Overlapping Debt December 31, 2017 (Unaudited)</p> | | | | TABLE 14 |
|---|----|----------------------------|-------------------------------------|------------|
| Direct Debt of the Township and Related Entities | | | | |
| | | Net Debt Outstanding | Debt Applicable to Montgomery | |
| Montgomery Township | \$ | - | \$ | - |
| Overlapping Debt | | | | |
| County of Montgomery | \$ | 380,871,495 (1) | \$ | 13,025,279 |
| North Penn School District | \$ | 104,439,428 (2) | \$ | 33,087,464 |
| Total Overlapping Debt | \$ | 485,310,923 | \$ | 46,112,743 |
| Total Direct and Overlapping Debt | \$ | 485,310,923 | \$ | 46,112,743 |
| Notes: | | | | |
| (1) Percentage of total Montgomery County debt as of December 31, 2017, based on the ratio of Montgomery Twp Assessed valuation to Montgomery County 2017 Assessed Value. | | | | |
| (2) Percentage of total North Penn School District debt as of June 30, 2017, based on the ratio of Montgomery Twp Assessed valuation to North Penn School District 2017 Assessed Value. | | | | |
| Sources: Montgomery Township Annual Financial Statements, County of Montgomery Annual Financial Statements and North Penn School District Annual Financial Statements. | | | | |

| TABLE 15 | |
|--|---------------|
| Montgomery Township | |
| Computation of Legal Debt Margin | |
| December 31, 2017 (Unaudited) | |
| Borrowing base revenues (1): | |
| 2015 | \$ 16,650,321 |
| 2016 | 17,326,958 |
| 2017 | 17,690,310 |
| Total Revenues | \$ 51,667,589 |
| Debt limit for General Obligation Bonds: | |
| Average borrowing base revenues | \$ 17,222,530 |
| Debt limit percent | 250% |
| Debt limit | \$ 43,056,324 |
| Total amount of debt applicable to debt limit | - |
| Legal debt margin | \$ 43,056,324 |
| Debt limit for General Obligation bonds and lease rental debt: | |
| Average borrowing base revenues | \$ 17,222,530 |
| Debt limit percent | 350% |
| Debt limit | \$ 60,278,854 |
| Total amount of debt applicable to debt limit | - |
| Legal debt margin | \$ 60,278,854 |
| Notes: Borrowing base represents total revenues per Act 177 of 1996 recodified Unit Debt Act. | |
| Source: Montgomery Township Annual Financial Statements. | |

| <p>Table 16</p> <p>Montgomery Township</p> <p>Legal Debt Margin Information</p> <p>Last Ten Years (Unaudited)</p> | | | | | | |
|---|--------------|-------------------|---------------|----------------------------|-------------|----------------------|
| Year Ended | Debt | Gross | Legal | Total Gross General | | |
| 31-Dec | Limit | Obligation | Debt | Obligation Debt | as a | Percentage of |
| | | Debt | Margin | | | Debt Limit |
| 2008 | 38,944,129 | 2,069,915 | 36,874,214 | | 5.32% | |
| 2009 | 37,105,083 | 1,751,000 | 35,354,083 | | 4.72% | |
| 2010 | 35,282,084 | 1,410,490 | 33,871,594 | | 4.00% | |
| 2011 | 33,211,068 | 1,061,290 | 32,149,778 | | 3.20% | |
| 2012 | 37,151,067 | 2,524,392 | 34,626,675 | | 6.79% | |
| 2013 | 39,169,754 | 2,242,844 | 36,926,910 | | 5.73% | |
| 2014 | 40,339,682 | 2,243,621 | 38,096,061 | | 5.56% | |
| 2015 | 41,151,242 | 4,548,448 | 36,602,794 | | 11.05% | |
| 2016 | 42,319,213 | 4,216,122 | 38,103,091 | | 9.96% | |
| 2017 | 43,056,324 | 2,547,313 | 40,509,011 | | 5.92% | |
| Source: Montgomery Township Annual Financial Statements. | | | | | | |

| <p style="text-align: center;">Table 17 Montgomery Township Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures Last Ten Years (Unaudited)</p> | | | | | | |
|--|------------------|-----------------|----------------------|----------------------|---------------------|---------------------|
| Year Ended | Principal | Interest | Debt Services | Total General | Ratio of | |
| 31-Dec | | | | Governmental | Debt Service | to Total |
| | | | | Expenditures | to Total | General |
| | | | | Expenditures | | Governmental |
| | | | | | | Expenditures |
| 2008 | 379,446 | 68,704 | 448,150 | 15,990,141 | | 2.80% |
| 2009 | 318,914 | 59,888 | 378,802 | 13,132,220 | | 2.88% |
| 2010 | 340,510 | 43,792 | 384,302 | 13,949,988 | | 2.75% |
| 2011 | 349,200 | 29,661 | 378,861 | 15,476,675 | | 2.45% |
| 2012 | 451,262 | 51,613 | 502,875 | 16,802,782 | | 2.99% |
| 2013 | 1,283,917 | 226,727 | 1,510,644 | 16,116,728 | | 9.37% |
| 2014 | 132,515 | 23,529 | 156,044 | 16,389,707 | | 0.95% |
| 2015 | 654,452 | 13,288 | 667,740 | 16,643,880 | | 4.01% |
| 2016 | 453,509 | 4,937 | 458,446 | 15,829,442 | | 2.90% |
| 2017 | 0 | 0 | 0 | 15,613,245 | | 0.00% |
| Source: Montgomery Township Annual Financial Statements. | | | | | | |

| <div> <div>Table 18</div> <div> Montgomery Township Demographic and Economic Statistics Last Ten Years (Unaudited) </div> </div> | | | | | |
|--|-----------------------------|----------------|----------------------------------|--------------------------|--|
| Year Ended 31-Dec | Per Capita Income (1) | Population (1) | Per Capita Personal Income | Unemployment Rate (2) | |
| 2008 | 44,142 | 23,504 | 1,037,513,568 | 4.3 | |
| 2009 | 44,142 | 23,504 | 1,037,513,568 | 6.7 | |
| 2010 | 41,095 | 24,790 | 1,018,745,050 | 6.8 | |
| 2011 | 40,891 | 24,790 | 1,013,687,890 | 7.0 | |
| 2012 | 42,539 | 25,121 | 1,068,622,219 | 4.3 | |
| 2013 | 42,539 | 25,121 | 1,068,622,219 | 4.5 | |
| 2014 | 44,629 | 25,386 | 1,132,951,794 | 4.5 | |
| 2015 | 43,880 | 26,025 | 1,141,977,000 | 3.0 | |
| 2016 | 44,130 | 26,025 | 1,148,483,250 | 3.6 | |
| 2017 | 45,702 | 26,143 | 1,194,787,386 | 3.4 | |
| Source: (1) United States Census Bureau | | | | | |
| (2) U.S. Dept. of Labor Statistics for Montgomery County, Montgomery Twp | | | | | |

Table 19

**Montgomery Township
Principal Employers
Current and Nine Years Ago (Unaudited)**

| Employer | Description | <u>2017</u> | | | <u>2008</u> | | |
|-------------------------------|----------------------|--------------|------|--------------------------------------|--------------|------|--------------------------------------|
| | | Employees | Rank | % of Total Township Employment | Employees | Rank | % of Total Township Employment |
| Teva Pharmaceutical | Pharmaceutical | 699 | 1 | 3.16% | 751 | 2 | 3.06% |
| Cobham Advanced Electronics | Manufacturing | 457 | 2 | 2.07% | - | - | - |
| Wegmans Food Markets | Grocery Store | 415 | 3 | 1.88% | - | - | - |
| Harriet Carter Gifts | Catalog/Online Sales | 402 | 4 | 1.82% | 727 | 3 | 2.96% |
| Gemalto, Inc. | Manufacturing | 369 | 5 | 1.67% | 355 | 8 | 1.45% |
| Costco | Retail Store | 343 | 6 | 1.55% | - | - | - |
| Target | Retail Store | 321 | 7 | 1.45% | 414 | 6 | 1.69% |
| McCallion Temps, Inc. | Employment Agency | 271 | 8 | 1.23% | 1,050 | 1 | 4.28% |
| Home Depot USA, Inc. | Retail Store | 255 | 9 | 1.15% | - | - | - |
| Heartland Employment Services | Employment Agency | 198 | 10 | 0.90% | - | - | - |
| Macy's | Department Store | - | - | - | 577 | 4 | 2.35% |
| American Pool Management | Manufacturing | - | - | - | 416 | 5 | 1.70% |
| BAE Systems | Manufacturing | - | - | - | 396 | 7 | 1.61% |
| Giant Food Stores | Grocery Store | - | - | - | 347 | 9 | 1.41% |
| Sears | Department Store | - | - | - | 309 | 10 | 1.26% |
| TOTAL | | 4,281 | | 19.37% | 5,342 | | 19.11% |

Notes:

Total Number of individuals employed in the Township in 2017: 22,019

Total Number of individuals employed in the Township in 2008: 24,526

Source: 2008 Township Occupational Privilege/Local Services Tax Records and 2017 Berkheimer, Inc. Records.

| <p style="text-align: center;">Montgomery Township Full Time Equivalent Township Government Employees by Function Last Ten Fiscal Years (Unaudited)</p> | | | | | | | | | | | Table 20 |
|--|------|------|------|------|------|------|------|------|-------|-------|----------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | |
| General Government | 8.4 | 8.0 | 8.0 | 8.0 | 7.5 | 7.5 | 7.5 | 7.7 | 7.0 | 7.6 | |
| Finance and Tax Collection | 7.5 | 7.5 | 7.5 | 6.5 | 6.5 | 6.5 | 6.5 | 7.5 | 8.0 | 7.5 | |
| Public Safety | | | | | | | | | | | |
| Officers | 35.0 | 35.0 | 35.0 | 36.0 | 36.0 | 36.0 | 36.0 | 35.0 | 36.0 | 35.0 | |
| Civilians | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 8.0 | 9.0 | 9.0 | |
| Fire Safety | | | | | | | | | | | |
| Officers | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 | 6.8 | 6.1 | 6.3 | 6.4 | |
| Clerical | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.7 | |
| Code Enforcement, Building & Zoning | 6.3 | 6.3 | 6.3 | 6.3 | 5.0 | 5.0 | 5.4 | 5.5 | 5.5 | 5.1 | |
| Public Works | | | | | | | | | | | |
| Highway, Storm Sewers, Street Lights, Traffic Signals, Facilities and Parks | 21.3 | 21.3 | 21.3 | 23.3 | 22.3 | 21.3 | 21.3 | 19.2 | 20.1 | 19.2 | |
| Culture and Recreation | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 9.9 | 13.0 | 14.1 | |
| Totals: | 95.7 | 95.3 | 95.3 | 97.4 | 94.6 | 93.6 | 95.0 | 99.5 | 105.5 | 104.6 | |
| Source: Montgomery Township, Montgomery County, Pennsylvania Records. | | | | | | | | | | | |

| Montgomery Township Operating Indicators by Function Last Ten Fiscal Years (Unaudited) | | | | | | | | | | Table 21 |
|--|---|--------|--------|--------|--------|--------|--------|--------|--------|----------|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Police | | | | | | | | | | |
| Part I Crimes | 540 | 561 | 479 | 531 | 443 | 418 | 465 | 397 | 425 | 409 |
| Part II Crimes | 1,212 | 1,127 | 1,226 | 1,113 | 1,028 | 1,142 | 1,085 | 1,117 | 1,104 | 773 |
| Total Calls for Service | 26,092 | 26,028 | 26,607 | 29,306 | 26,250 | 28,966 | 29,841 | 31,980 | 30,976 | 32,510 |
| Fire Safety | | | | | | | | | | |
| Total Responses | 700 | 570 | 572 | 599 | 588 | 565 | 639 | 615 | 585 | 562 |
| Code Enforcement & Zoning | | | | | | | | | | |
| Total Permits | 940 | 928 | 1,160 | 1,374 | 1,349 | 1,314 | 1,345 | 1,388 | 1,441 | 1,298 |
| Land Development Submittals | 7 | 7 | 3 | 1 | 10 | 9 | 8 | 10 | 7 | 6 |
| Zoning Hearing Board Applications | 15 | 19 | 14 | 15 | 15 | 17 | 18 | 11 | 18 | 12 |
| Rezoning Requests | 0 | 0 | 0 | 0 | 0 | 1 | 2 | 0 | 1 | 1 |
| Conditional Use Applications | 0 | 1 | 0 | 2 | 2 | 2 | 1 | 2 | 1 | 1 |
| Highway and Streets | | | | | | | | | | |
| Streets Resurfaced (miles) | 5.7 | 0 (1) | 4.34 | 5.02 | 5.47 | 5.43 | 2.71 | 2.84 | 3.01 | 3.38 |
| Notes: | (1) Due to favorable conditions of streets, the Township opted to defer annual street resurfacing work in 2009 but continued funding of 14-Year Road Program reserve. | | | | | | | | | |
| Source: | Montgomery Township, Montgomery County, Pennsylvania Records | | | | | | | | | |

| <div> <div>Table 22</div> <div> <div>Montgomery Township</div> <div>Capital Asset Statistics by Function</div> <div>Last Ten Fiscal Years (Unaudited)</div> </div> </div> | | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|------|------|
| Function | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| General Government | | | | | | | | | | |
| Municipal Building | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Works Building | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Recreation Center Building | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Public Safety | | | | | | | | | | |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Vehicle Units | 20 | 20 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| Fire | | | | | | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Apparatus | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 4 | 4 | 4 |
| Highway and Streets | | | | | | | | | | |
| Street Miles | 73 | 73 | 73 | 73 | 73 | 73 | 73 | 73 | 73 | 74 |
| Traffic Signals | 43 | 43 | 42 | 41 | 48 | 48 | 48 | 49 | 50 | 50 |
| Stormwater Detention Basins | 61 | 63 | 63 | 63 | 63 | 63 | 63 | 63 | 63 | 63 |
| Culture and Recreation | | | | | | | | | | |
| Park Sites | 11 | 11 | 11 | 11 | 13 | 13 | 14 | 14 | 14 | 14 |
| Acres | 306 | 306 | 306 | 314 | 326 | 326 | 376 | 376 | 376 | 376 |
| Playgrounds | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Soccer Fields | 10 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Baseball Fields | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 | 14 |
| Tennis Courts | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Basketball Courts | 6 | 7 | 9 | 9 | 9 | 9 | 8.5 | 8.5 | 8.5 | 9 |
| Street Hockey | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Disc Golf Course | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Volleyball Courts | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Dog Park | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Source: Montgomery Township, Montgomery County, Pennsylvania Records. | | | | | | | | | | |

Table 23

SCHEDULE OF INSURANCE COVERAGES 12/31/2017

PROPERTY COVERAGE

| | | | |
|---|--|-----------------|----------------------------------|
| 1 | Limit of Liability | | |
| | The following Limit of Liability applies: | | |
| | All Coverages Combined Including Real and Personal Property | \$1,000,000,000 | Each Occurrence |
| 2 | Sublimits of Liability | | |
| | The following Sublimits of Liability apply. These are part of and not in addition to the Limit of Liability: | | |
| | a. Extra Expense | \$50,000,000 | Each Interruption |
| | b. Miscellaneous Unnamed Locations (excluding flood coverage for locations in Flood Zones A, AE, V and all other 100 year floodplains) | \$25,000,000 | Each Occurrence |
| | c. Automatic Acquisitions for Ninety (90) Days (excluding flood coverage for locations in Flood Zones A, AE, V and all other 100 year floodplains) | \$100,000,000 | Each Occurrence |
| | d. Automatic Acquisitions After Ninety (90) Days (excluding flood coverage for locations in Flood Zones A, AE, V and all other 100 year floodplains) | \$25,000,000 | Each Occurrence |
| | e. Errors and Omissions | \$50,000,000 | Each Occurrence |
| | f. Course of Construction (Builders Risk), if values reported | \$25,000,000 | Each Occurrence, Each Project |
| | g. Course of Construction (Builders Risk), if values not reported | \$25,000,000 | Each Occurrence, Each Project |
| | h. Increased Cost of Construction Due to Ordinance or Law (no sublimit for Demolition Costs) | \$25,000,000 | Each Occurrence |
| | i. Transit | \$25,000,000 | Each Occurrence |
| | j. Unscheduled Animals (not to exceed \$50,000 per Animal) | \$2,500,000 | Each Occurrence |
| | k. Expediting Expense | \$50,000,000 | Each Occurrence |
| | l. Valuable Papers and Records | \$25,000,000 | Each Occurrence |
| | m. Accounts Receivable | \$25,000,000 | Each Occurrence |
| | n. Unscheduled Landscaping, Tees, Sand Traps, Greens and Athletic Fields with sublimits per item per form | \$1,000,000 | Each Occurrence |
| | o. Scheduled Landscaping, Tees, Sand Traps, Greens and Athletic Fields with sublimits per item per form | \$5,000,000 | Each Occurrence |

| | | | |
|---|--|---------------|---|
| p. Unscheduled Fine Arts | | \$2,500,000 | Each Occurrence |
| q. Furs, Jewelry, Precious Metals and Stones | | \$500,000 | Each Occurrence, Each Participant |
| r. Unscheduled Watercraft (under twenty-seven feet in length, unless scheduled) | | \$2,500,000 | Each Occurrence |
| s. Off Premises Service Interruption including Extra Expense Resulting from a Covered Peril at Non-Owned/Operated Locations | | \$25,000,000 | Each Interruption |
| t. Business Interruption, including Rental Income, Tuition and Related Fees Income and Tax Interruption, if values have been reported | | \$100,000,000 | Each Interruption for All Participants Combined |
| u. Extended Period of Indemnity | | 180 | Days |
| v. Business Interruption, including Rental Income, Tuition and Related Fees Income and Tax Interruption, if values have not been reported | | \$500,000 | Each Interruption for All Participants Combined |
| w. Contingent Business Interruption (including Rental Income, Tuition and Fees Income, Tax Interruption) Resulting from a Covered Peril at Direct Supplier or Direct Customer Locations | | \$3,000,000 | Each Interruption for All Participants Combined |
| x. Contingent Extra Expense Resulting from a Covered Peril at Direct Supplier or Direct Customer Locations | | \$3,000,000 | Each Interruption for All Participants Combined |
| y. Leasehold Interest | | \$500,000 | Each Occurrence |
| z. Claims Preparation Expense | | \$1,000,000 | Each Occurrence |
| aa. Accidental Contamination of Land | | \$250,000 | Each Occurrence for All Participants Combined |
| bb. Accidental Contamination of Land | | \$250,000 | Annual Aggregate for All Participants Combined |
| cc. Earthquake Shock | | \$50,000,000 | Annual Aggregate for All Participants Combined |
| dd. Flood | | \$100,000,000 | Annual Aggregate for All Participants Combined |
| ee. Flood - Zones A, AE, V and all other 100 year Floodplains | | \$50,000,000 | Annual Aggregate for All Participants Combined * |
| ff. Terrorism ** | | \$25,000,000 | Annual Aggregate for All Participants Combined |

* Included within above \$100,000,000 annual aggregate limit for all flood loss.

** This terrorism coverage applies excess of any terrorism coverage available through the Trust's property reinsurance underwritten by Alliant Insurance Services' Public Entity Property Insurance Program (PEPIP USA). Per occurrence and aggregate limits of the PEPIP USA program for terrorism are shared by Delaware Valley Insurance Trust and other public entity group self-insurance pools and public entity insureds throughout the United States. This \$25,000,000 terrorism limit applies on a stand-alone basis and is dedicated to Delaware Valley Insurance Trust membership only and is not shared with other public entities covered by the PEPIP USA program.

| | | | | |
|----|--|----------|--|---|
| 3 | Deductibles | | | |
| a. | All Coverages Combined - Property Perils | \$1,000 | | Each Occurrence |
| b. | Flood (Other Than Zone A, AE or V locations, water or sewer plant locations, pump stations, water or sewer lines or wells) | \$25,000 | | Each Occurrence |
| c. | Flood (Zone A, AE or V locations, water or sewer plant locations, pump stations, water or sewer lines or wells) | \$50,000 | | Each Occurrence |
| d. | Service Interruption (Property Damage and Time Element) | 24 Hours | | Waiting Period |
| e. | Tax Interruption | 2.5% | | Annual Tax Values, Each Location, Each Occurrence |

BOILER COVER

| | | |
|---|--|------------------|
| 1 | Limit of Liability | |
| | The following Limit of Liability applies: | |
| | All Coverages Combined (Property Damage and Business | |
| | Interruption and Extra Expense) | Each Accident |
| 2 | Sublimits of Liability | |
| | The following Sublimits of Liability apply. These are part of and not in addition to the Limit of Liability: | |
| | a. Expediting Expense | Each Accident |
| | b. Errors and Omissions | Each Accident |
| | c. Hazardous Substances | Each Accident |
| | d. Water Damage | Each Accident |
| | e. Consequential Damage | Each Accident |
| | f. Ordinance or Law - Value of Undamaged Portion of Building, | Each Accident |
| | Demolition and Increased Cost of Construction Due to Ordinance or Law | |
| | g. EDP Media | Each Accident |
| | h. Earthquake Resultant Damage | Annual Aggregate |
| | i. Utility Interruption for Utilities Owned by Others and For | Each Accident |
| | Covered Objects and Covered Perils | |
| | j. Automatic Acquisitions | Each Accident |
| 3 | Deductibles | |
| | a. Property Damage | Each Accident |
| | b. Business Interruption and Extra Expense | Waiting Period |
| | c. Off Premises Service Interruption (Property Damage and Time Element) | Waiting Period |

CRIME COVERAGE

| | | | | |
|---|---------------------|---|-------------|-----------------|
| 1 | Limits of Liability | | | |
| | a. | Public Employee Dishonesty Coverage with Faithful Performance of Duty Sublimit | \$2,000,000 | Each Occurrence |
| | b. | Forgery or Alteration Coverage | \$100,000 | Each Occurrence |
| | c. | Theft, Disappearance and Destruction Coverage (Inside and Outside for Money and Securities excluding checks) | \$2,000,000 | Each Occurrence |
| | d. | Theft, Disappearance and Destruction Coverage (Inside and Outside for Money and Securities - Checks) | \$250,000 | Each Occurrence |
| | e. | Computer Fraud Coverage | \$1,000,000 | Each Occurrence |
| | f. | Wire Transfer Communication Fraud Coverage | \$2,000,000 | Each Occurrence |
| | g. | Money Orders and Counterfeit Currency Coverage | \$2,000,000 | Each Occurrence |
| | h. | Investigative Expense Coverage Sublimit | \$25,000 | Each Occurrence |
| | Deductibles | | | |
| 2 | a. | Public Employee Dishonesty Coverage | \$1,000 | Each Loss |
| | b. | Faithful Performance of Duty | \$1,000 | Each Loss |
| | c. | Forgery or Alteration Coverage | \$0 | Each Loss |
| | d. | Theft, Disappearance and Destruction Coverage (Inside and Outside for Money and Securities) | \$1,000 | Each Loss |
| | e. | Computer Fraud Coverage | \$1,000 | Each Loss |
| | f. | Wire Transfer Communication Fraud Coverage | \$1,000 | Each Loss |
| | g. | Money Orders and Counterfeit Currency Coverage | \$1,000 | Each Loss |
| | h. | Investigative Expense Coverage | \$1,000 | Each Loss |

LIABILITY COVERAGE

| | | | | |
|----|---|-------------------------------------|--|--|
| 1 | Limits of Liability | | | |
| a. | Primary General Liability including Police Professional Liability arising out of Law Enforcement Activities | \$2,000,000 | | Each Occurrence |
| | Fire Damage Liability | \$250,000 | | Each Occurrence |
| | Limited Pollution Liability - Covered Volunteer Fire Companies | \$1,000,000 | | Each Occurrence |
| | Limited Pollution Liability - Covered Volunteer Fire Companies | \$1,000,000 | | Annual Aggregate |
| | Terrorism | \$2,000,000 | | Annual Aggregate for All Participants Combined |
| | Fungi and Bacteria | \$1,000,000 | | Annual Aggregate for All Participants Combined |
| b. | Primary Business Auto Liability | \$2,000,000 | | Each Accident |
| c. | Uninsured Motorists | \$15,000 | | Each Person |
| d. | Uninsured Motorists | \$30,000 | | Each Accident |
| e. | Basic First Party Benefits: | | | |
| | Medical Expense | \$10,000 | | Each Accident |
| | Work Loss Expense | \$5,000 | | Each Accident |
| | Work Loss Expense | \$1,000 | | Each Month |
| | Funeral Expense | \$1,500 | | Each Accident |
| f. | Garagekeepers Legal Liability | \$250,000 | | Each Loss |
| g. | Auto Physical Damage: | | | |
| | Fire, Rescue and Ambulance Autos Valued on a Replacement Cost Basis | Limit Per Unit As Reported to Trust | | |
| | All Other Autos | Actual Cash Value | | |
| h. | Primary Public Officials and Employees Liability | \$2,000,000 | | Each Claim |
| i. | Primary Public Officials and Employees Liability | \$2,000,000 | | Annual Aggregate |
| j. | Excess General Liability including Police Professional Liability arising out of Law Enforcement Activities | \$8,000,000 | | Each Occurrence |
| k. | Excess Business Auto Liability | \$8,000,000 | | Each Accident |
| l. | Excess Public Officials and Employees Liability | \$8,000,000 | | Each Claim |
| m. | Excess Public Officials and Employees Liability | \$8,000,000 | | Annual Aggregate |
| n. | Employee Benefit Plan Fiduciary Liability | \$1,000,000 | | Annual Aggregate |
| o. | Heart and Lung Act Liability | \$100,000 | | Annual Aggregate |

| | | | |
|---|--|---|------------------|
| 2 | p. Privacy Liability (effective May 1, 2009) | | |
| | Deductibles | \$100,000 | Annual Aggregate |
| | a. General Liability | | |
| | General Liability arising out of Skateboarding or Rollerblading | | |
| | General Liability arising out of Backup of Sewage | \$0 | Each Occurrence |
| | General Liability arising out of Backup of Sewage | \$2,500 | Each Occurrence |
| | General Liability arising out of Backup of Sewage | n/a | Each Claim |
| | General Liability arising out of Backup of Sewage | n/a | Each Occurrence |
| | General Liability arising out of Backup of Sewage | n/a | Annual Aggregate |
| | b. Police Professional Liability arising out of Law Enforcement Activities | \$3,500 | Each Occurrence |
| | c. Auto Liability, Uninsured Motorists and Basic First Party Benefits | \$0 | Each Accident |
| | d. Auto Physical Damage and Garagekeepers Legal Liability - Collision or Other Than Collision (Passenger Vehicles, Motorcycles and Light Trucks) | \$500 | Each Accident |
| | e. Auto Physical Damage and Garagekeepers Legal Liability - Collision or Other Than Collision (All Other Autos) | \$1,000 | Each Accident |
| | f. Public Officials and Employees Liability | \$2,500 | Each Claim |
| 3 | g. Employee Benefit Plan Fiduciary Liability | \$2,500 | Each Loss |
| | h. Privacy Liability | \$2,500 | Each Claim |
| 4 | Retroactive Date for Public Officials and Employees Liability: | None | |
| | Retroactive Date for Privacy Liability: | May 1, 2009 or the effective date upon which the participant became a member of the Trust, whichever is later | |

WORKERS COMPENSATION COVERAGE

| | | |
|--|-------------|-------------------------|
| Statutory Workers Compensation Employers Liability | \$1,000,000 | Each Accident |
| | \$1,000,000 | Each Employee - Disease |
| | \$1,000,000 | Disease |

SCHEDULE OF PREMIUMS CONTRIBUTIONS PAID IN 2017

DELAWARE VALLEY INSURANCE TRUST

| | |
|--|-------------------------|
| Property | \$53,168 |
| Crime | \$2,113 |
| Auto Liability | \$34,865 |
| Auto Physical Damage | \$31,707 |
| General Liability | \$75,770 |
| Law Enforcement Liability | \$79,688 |
| Public Officials Liability | \$40,941 |
| Heart and Lung Act Liability | \$7,342 |
| Sub Total | <u>\$325,594</u> |
| Less 5% Multi-trust Discount | <u>(\$15,913)</u> |
| <i>(does not apply to Heart and Lung Act Liability Contribution)</i> | |
| Less Rate Stabilization Contribution | <u>(\$29,174)</u> |
| Less Prior Year Dividend | <u>(\$46,455)</u> |
| Net Contribution | <u><u>\$234,052</u></u> |

DELAWARE VALLEY WORKERS COMPENSATION TRUST

| | |
|--------------------------------------|-------------------------|
| Annual contribution | \$262,831 |
| Less 3% Multi-trust Discount | (\$7,885) |
| Less Rate Stabilization Contribution | (\$39,879) |
| Less Prior Year Dividend | (\$31,291) |
| Net Contribution | <u><u>\$183,776</u></u> |

Source: Montgomery Township Insurance Records

| <p style="text-align: center;">Montgomery Township Selected Data - Police Pension Plan Last Ten Years (Unaudited)</p> | | | | | | | |
|--|---------------------|---------|---------------|---------|----------------------|-------------|--|
| Year Ended 31-Dec | Number of Active | | Contributions | | Number of Retired | | |
| | Members | Members | Township | State | Total | Members (1) | |
| 2008 | 34 | 134,828 | 98,121 | 227,136 | 460,085 | 5 | |
| 2009 | 32 | 143,224 | 151,359 | 225,935 | 520,518 | 7 | |
| 2010 | 32 | 135,123 | 142,441 | 229,440 | 507,004 | 11 | |
| 2011 | 32 | 134,351 | 22,489 | 410,011 | 566,851 | 13 | |
| 2012 | 33 | 122,216 | 259,417 | 204,643 | 586,276 | 14 | |
| 2013 | 33 | 148,340 | 386,423 | 240,147 | 774,910 | 16 | |
| 2014 | 33 | 150,850 | 355,422 | 255,596 | 761,868 | 18 | |
| 2015 | 32 | 158,990 | 508,209 | 243,040 | 910,239 | 17 | |
| 2016 | 31 | 164,706 | 482,032 | 279,277 | 926,015 | 17 | |
| 2017 | 34 | 174,855 | 486,249 | 284,472 | 945,576 | 18 | |
| Notes: (1) Includes officers participating in DROP. | | | | | | | |
| Source: Montgomery Township, Montgomery County, Pennsylvania Records. | | | | | | | |

| Table 25 | | | | | |
|---|------------------|---------|----------------|--|--------------|
| Montgomery Township Employee Pension Plans Annual Contributions by Township Last Ten Years (Unaudited) | | | | | |
| Year Ended 31-Dec | Primary Plan (1) | | Secondary Plan | | Total All |
| | Non Uniform | Police | Non Uniform | | |
| 2008 | 71,512 | 98,121 | 20,455 | | 190,088 |
| 2009 | 88,615 | 151,359 | 22,752 | | 262,726 |
| 2010 | 62,550 | 142,441 | 21,028 | | 226,019 |
| 2011 | 13,683 | 22,489 | 17,466 | | 53,638 |
| 2012 | 48,201 | 259,417 | 21,050 | | 328,668 |
| 2013 | 45,769 | 386,423 | 20,150 | | 452,342 |
| 2014 | 58,054 | 355,422 | 23,000 | | 436,476 |
| 2015 | 73,096 | 508,209 | 23,689 | | 604,994 |
| 2016 | 60,159 | 482,032 | 15,338 | | 557,529 |
| 2017 | 49,387 | 486,249 | 15,012 | | 550,648 |
| Notes: | | | | | |
| (1) Contributions Net of State Aid. | | | | | |
| Source: Montgomery Township, Montgomery County, Pennsylvania Records. | | | | | |

| <div> <div>Table 26</div> <div> Montgomery Township Salaries of Elected Officials December 31, 2017 (Unaudited) </div> </div> | |
|--|---------------|
| Official/Title | Annual Salary |
| Supervisor, Chairman | \$4,250 |
| Supervisor, Vice-Chairman | \$4,250 |
| Supervisor | \$4,250 |
| Supervisor | \$4,250 |
| Supervisor | \$4,250 |
| Tax Collector | \$10,000 |
| Source: Montgomery Township, Montgomery County Pennsylvania Records. | |

**Montgomery Township
Miscellaneous Statistics
December 31, 2017 (Unaudited)**

| | |
|--------------------------------------|--|
| <u>Date Founded</u> | Incorporated 1714 |
| <u>Form of Government</u> | 2nd Class Township Governed by 5 Member Board of Supervisors Elected at Large |
| <u>Area</u> | 10.82 Square Miles |
| <u>Miles of Road</u> | 73.92 Maintained by the Township |
| <u>Fire Protection</u> | Combination Department with 5 Career and over 50 Volunteer Fire Fighters manning two (2) stations with four (4) apparatus |
| <u>Police Protection</u> | 34 Officers Including Chief of Police. 9 Civilian Support/Dispatch Staff. |
| <u>Recreation</u> | 14 Park sites and over 375 acres of park space. 40,000+ square foot Community & Recreation Center opened in October of 2015. |
| <u>Libraries</u> | Montgomery County Public Library System |
| <u>Transportation:</u> | |
| <u>Bus</u> | SEPTA Bus Service on Routes 94, 96, 132 and 134 |
| <u>Railway</u> | SEPTA Regional Rail Line R-5 with access at the Colmar, Link Belt, Fortuna and Lansdale Rail Stations |
| <u>Highway</u> | Township is located at the crossroads of Rt 309, Rt 202 business and the Rt 202 Parkway. |
| <u>Education:</u> | |
| <u>Number of Schools (Fall 2017)</u> | |
| <u>Elementary</u> | Public 2 Nonpublic 1 |
| <u>Middle</u> | 0 0 |
| <u>Secondary</u> | 0 0 |

Hospitals:

The following hospitals serve the greater North Penn area:
Lansdale Hospital of the Abington Health System.
Grandview Hospital, Sellersville
Abington Hospital, Abington

Township Employees:

2017
Full Time 95
Part Time 50
Seasonal 56

Population:

2017 2008
26,143 24,289

Age Group Comparisons:

| | Township | | State | | US | |
|----------------|----------|-------|-------|-------|-------|-------|
| | 2017 | 2008 | 2017 | 2008 | 2017 | 2008 |
| % Under 18 | 29.6% | 26.1% | 26.5% | 22.4% | 29.0% | 24.4% |
| % 18-64 | 56.3% | 60.6% | 56.1% | 62.3% | 55.8% | 62.9% |
| % Over 65 | 14.1% | 13.3% | 17.4% | 15.3% | 15.2% | 12.7% |
| Median (years) | 40.6 | 40.9 | 40.5 | 39.8 | 37.6 | 36.9 |

Average Household Size (persons):

| | <u>2017</u> | <u>2008</u> |
|---------------------|-------------|-------------|
| Montgomery Township | 2.78 | 2.74 |
| U.S. | 2.64 | 2.58 |

Number of Married couple families as a percentage of all households:

| | <u>2017</u> | <u>2008</u> |
|---------------------|-------------|-------------|
| Montgomery Township | 63.5% | 67.3% |
| U.S. | 48.3% | 48.4% |

Married couple families by presence of children under 18:

| | <u>2017</u> | <u>2008</u> |
|---------------------------|-------------|-------------|
| With children | 3,314 | 3,441 |
| Without children under 18 | 5,766 | 5,406 |
| Difference | 2,452 | 1,964 |

Source: United States Bureau of the Census - 2002/2011-2015 Data and Montgomery Township, Montgomery County, Pennsylvania records.