

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended December 31, 2015



Montgomery Township, Pennsylvania

Community, Recreation...



...the benefits are endless!

Prepared by the Montgomery Township Finance Department

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Montgomery Township, Pennsylvania

Fiscal Year Ended December 31, 2015

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INTRODUCTORY SECTION

MONTGOMERY TOWNSHIP
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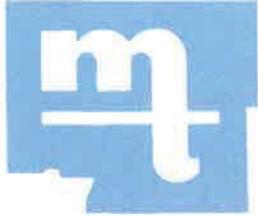
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**MONTGOMERY TOWNSHIP
BOARD OF SUPERVISORS**

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MONTGOMERYVILLE, PA 18936-9605

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CANDYCE FLUEHR CHIMERA
MICHAEL J. FOX
JEFFREY W. McDONNELL
JOSEPH P. WALSH**

**LAWRENCE J. GREGAN
TOWNSHIP MANAGER**

June 15, 2016

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, 2015. 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 unqualified ("clean") opinion on Montgomery Township's financial statements for the year ended December 31, 2015. 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 30 years, more than quadrupling its population from 5,718 in 1980 to 25,946 in 2015. 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 newly opened 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 2015:

- The Community and Recreation Center – In 2012, the Township initiated a study on the feasibility of constructing a Recreation/Community Center for the Township. The study was completed, presented to the public and in 2013, the Board of Supervisors voted to move forward with the project. Ground-breaking for the Center occurred in 2014, and the underground infrastructure of water, gas, electric and cable lines were run, the steel frame was resurrected and walls began to shape the 44,000+ square foot facility. The construction was completed in 2015, and the Montgomery Township Community & Recreation Center, including an adjacent handicapped accessible playground and spray park, celebrated its Dedication Ceremony and Grand Opening in October.
- In 2015, after a multi-year proposal and evaluation period, the Township completed the purchase and implementation of an Enterprise Resource Planning software solution with BS&A Software Systems. The system integrates the administration of township processes throughout all departments and optimizes financial records including General Ledger Accounting, Payroll and HR functions, Business Tax Collection, administration

and record keeping of building and zoning permitting and code enforcement, a work order module for public works, escrow processing, fixed asset accounting and business analytics. This system minimizes manual processing, reduces support costs, and increases data processing capabilities, allowing Directors to analyze trends and create more efficient workflows.

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 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 35% of total revenues, with a steady growth rate of greater than 3% 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 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 upgraded the Township's credit rating to 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 25% 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, with the exception of the pension trust funds, are included in the annual appropriation budget. 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's 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, 2014. 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. Gregan
Township Manager


Ami Tarburton
Finance Director



Government Finance Officers Association

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

Presented to

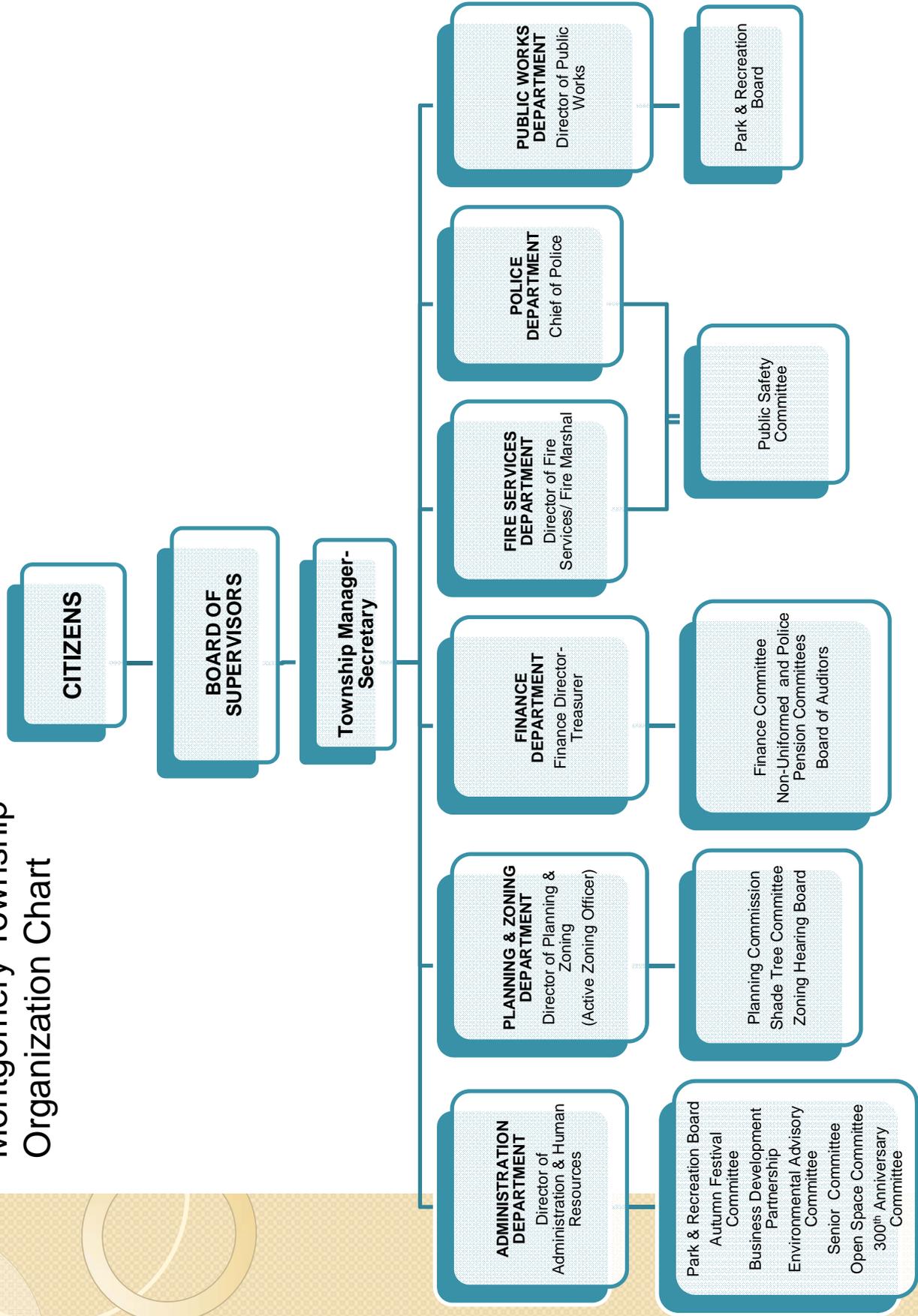
**Montgomery Township
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

Montgomery Township Organization Chart



PRINCIPAL OFFICIALS

AS OF DECEMBER 31, 2015
MONTGOMERY TOWNSHIP, PENNSYLVANIA

BOARD OF SUPERVISORS

Michael J. Fox, Chairman
Candyce Fluehr Chimera, Vice Chairman
Robert J. Birch
Jeffrey W. McDonnell
Joseph P. Walsh

APPOINTED OFFICIALS

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

OTHER MANAGEMENT OFFICIALS

J. Scott Bendig, Chief of Police
Kevin Costello, Director of Public Works
Shannon Drosnock, Finance Director
Gerald Dougherty, Police Lieutenant
William Peoples, Police Lieutenant
Richard Lesniak, Director of Fire Services
Ann M. Shade, Director of Administration & Human Resources
Bruce Shoupe, Director, Planning and Code Enforcement
Brian Forman, Director of Recreation and Community Center

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
Hladik, Onorato & Pearlstine, Special Counsel
Robert Ahead, 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, 2015, 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 99.1%, 98.9% and 95.4%, 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, 2015, 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

Emphasis of Matter

For the year ended December 31, 2015, Montgomery Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 16 through 28, budgetary comparison information on pages 71 and 72, pension plan information on pages 73 through 75, postemployment benefits other than pension funding progress on page 76 and trend data on infrastructure condition on pages 77 and 78 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.



Oaks, Pennsylvania
June 15, 2016

MONTGOMERY TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

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, 2015.

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 2015 by \$127,381,191 (net position), a decrease of \$5,134,982 as compared to 2014. This decrease is due to the transfer of funds from Governmental Activities to Business-Type Activities, beginning in 2013, and approved by the Board of Supervisors in conjunction with planning for the Montgomery Township Community & Recreation Center, which celebrated its Dedication Ceremony & Grand Opening in October of 2015.
- The Township's Governmental Funds (Fund Financial Statements) reported combined ending balances for all funds of \$15,721,369, a decrease of \$4,929,990 from 2014. In accordance with GASB 54, the General Fund ending unassigned balance of \$3,015,068 is unassigned and available for use according to the Township's fiscal policies. This balance represents 24% of total budgeted General Fund expenses for 2015. The remainder of the combined ending balances has been classified in accordance with the GASB 54 designations.
- The Township's Governmental Funds Debt increased by \$2,304,827, due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pension – An Amendment of GASB Statement No. 27, while the Business-Type Debt decreased by \$208,335 during 2015. Further information on these increases and 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, 2015

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 decreased by \$5.1M from 2014 to 2015. This decrease is primarily a result of shifting fund balance from Governmental Activities to Business-Type Activities to support the newly opened Community & Recreation Center, along with the impact of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pension – An Amendment of GASB Statement No. 27 which required the reporting of net pension liability.

MONTGOMERY TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

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, 2014 and 2015

	Governmental Activities	
	<u>2014</u>	<u>2015</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Cash and equivalents	\$ 8,686,610	\$ 3,101,498
Other assets	13,517,009	14,625,677
Capital assets	<u>113,184,566</u>	<u>113,560,482</u>
TOTAL ASSETS	<u>135,388,185</u>	<u>131,287,657</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	-	-
Deferred outflows related to pensions	-	<u>1,660,414</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>1,660,414</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 135,388,185</u>	<u>\$ 132,948,071</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
Other liabilities	\$ 628,391	\$ 851,532
Long-term debt outstanding	<u>2,243,621</u>	<u>4,548,448</u>
TOTAL LIABILITIES	<u>2,872,012</u>	<u>5,399,980</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	<u>-</u>	<u>166,900</u>
NET POSITION		
Net investment in capital assets	112,076,605	113,106,973
Restricted	2,252,720	1,655,979
Unrestricted	<u>18,186,848</u>	<u>12,618,239</u>
TOTAL NET POSITION	<u>132,516,173</u>	<u>127,381,191</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 135,388,185</u>	<u>\$ 132,948,071</u>

Business-Type Activities		Component Units		Totals	
2014	2015	2014	2015	2014	2015
\$ 3,614,803	\$ 747,206	\$ 4,672,896	\$ 4,563,451	\$ 16,974,309	\$ 8,412,155
-	398,300	9,716,891	7,757,535	23,233,900	22,781,512
<u>4,296,603</u>	<u>11,541,739</u>	<u>33,488,352</u>	<u>35,376,762</u>	<u>150,969,521</u>	<u>160,478,983</u>
<u>7,911,406</u>	<u>12,687,245</u>	<u>47,878,139</u>	<u>47,697,748</u>	<u>191,177,730</u>	<u>191,672,650</u>
-	-	331,313	276,094	331,313	276,094
-	-	-	-	-	1,660,414
-	-	<u>331,313</u>	<u>276,094</u>	<u>331,313</u>	<u>1,936,508</u>
<u>\$ 7,911,406</u>	<u>\$ 12,687,245</u>	<u>\$ 48,209,452</u>	<u>\$ 47,973,842</u>	<u>\$ 191,509,043</u>	<u>\$ 193,609,158</u>
\$ 51,887	\$ 632,571	\$ 1,685,327	\$ 1,700,877	\$ 2,365,605	\$ 3,184,980
<u>8,782,554</u>	<u>8,574,219</u>	<u>4,859,643</u>	<u>4,231,284</u>	<u>15,885,818</u>	<u>17,353,951</u>
<u>8,834,441</u>	<u>9,206,790</u>	<u>6,544,970</u>	<u>5,932,161</u>	<u>18,251,423</u>	<u>20,538,931</u>
-	-	-	-	-	166,900
(871,148)	2,967,520	28,671,865	30,970,168	139,877,322	147,044,661
-	-	-	-	2,252,720	1,655,979
<u>(51,887)</u>	<u>512,935</u>	<u>12,992,617</u>	<u>11,071,513</u>	<u>31,127,578</u>	<u>24,202,687</u>
<u>(923,035)</u>	<u>3,480,455</u>	<u>41,664,482</u>	<u>42,041,681</u>	<u>173,257,620</u>	<u>172,903,327</u>
<u>\$ 7,911,406</u>	<u>\$ 12,687,245</u>	<u>\$ 48,209,452</u>	<u>\$ 47,973,842</u>	<u>\$ 191,509,043</u>	<u>\$ 193,609,158</u>

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

Cash and investments represent 15.3% of the Total Governmental Assets and 45.7% of total business-type assets. Of the governmental cash and investments amount, \$10,432,395 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, 88.8% reflects the Township's investment in capital assets (e.g., land, buildings, streets, equipment) less any related debt used to acquire those assets that is still outstanding. 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 2015, total expenses (including transfers) exceeded total revenues by 23% for all Governmental Activities resulting in the decrease in net position over the prior year. This decrease in net position from 2014 to 2015 was a result of the transfer of designated funds from Governmental Activities to Business-Type Activities to support the newly constructed Community & Recreation Center.

MONTGOMERY TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Table 2
Changes in Net Position
Years Ended December 31, 2014 and 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
REVENUES		
Program revenues		
Charges for services	\$ 1,464,714	\$ -
Operating grants and contributions	1,494,079	-
Capital grants and contributions	163,211	-
General revenues		
Taxes	12,958,193	-
Cable TV franchise fees	572,530	-
Investment income	89,292	7,405
Gain on sale of capital assets	-	-
	<u>16,742,019</u>	<u>7,405</u>
TOTAL REVENUES		
EXPENSES		
Operating		
General government	2,174,522	-
Public safety	7,994,539	-
Highways and streets	2,863,824	-
Parks and recreation	792,683	-
Sewer Authority	-	-
Fire Department	-	-
Recreation center	-	1,012
Other employee benefits not allocated	-	-
Interest on long-term debt	23,529	268,492
Bond issuance costs	-	-
Depreciation, unallocated	859,765	-
	<u>14,708,862</u>	<u>269,504</u>
TOTAL EXPENSES		
	2,033,157	(262,099)
CHANGE IN NET POSITION BEFORE TRANSFERS		
TRANSFERS	<u>(476,894)</u>	<u>476,894</u>
CHANGE IN NET POSITION		
	1,556,263	214,795
NET POSITION, BEGINNING, restated		
	<u>130,959,910</u>	<u>(1,137,830)</u>
NET POSITION, ENDING		
	<u>\$ 132,516,173</u>	<u>\$ (923,035)</u>

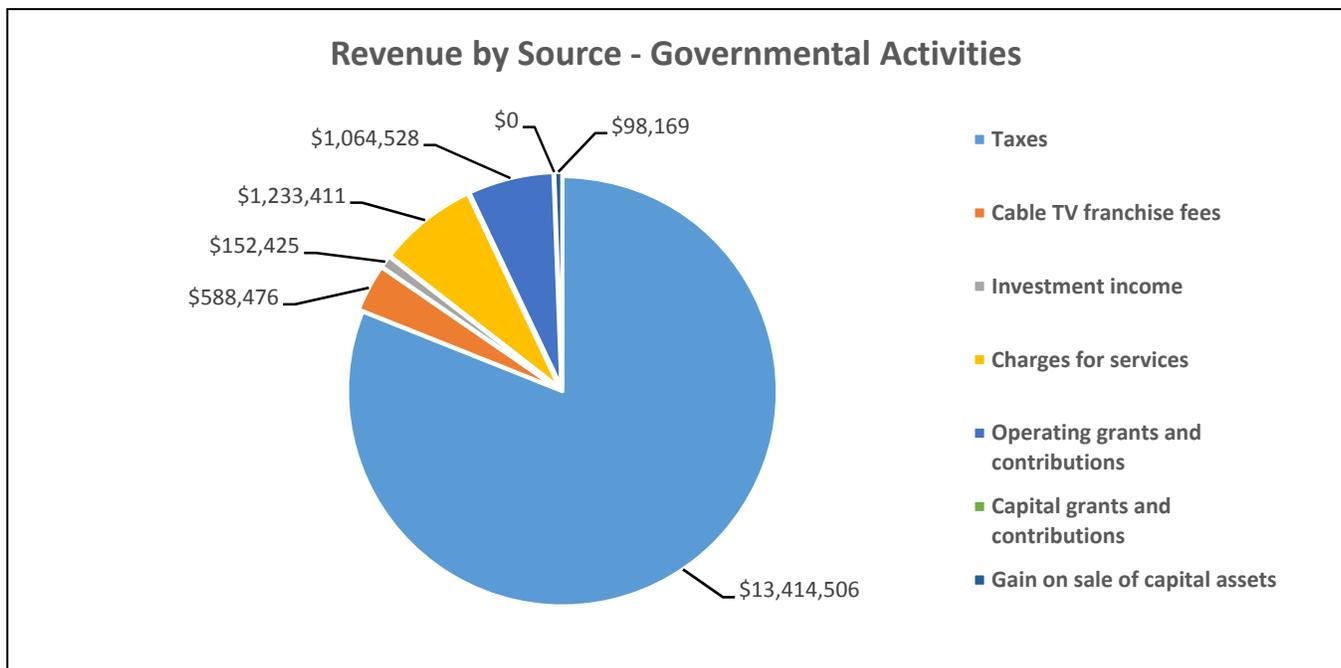
2014		2015			
Component Units	Totals	Governmental Activities	Business-Type Activities	Component Units	Totals
\$ 6,508,721	\$ 7,973,435	\$ 1,233,411	\$ 348,626	\$ 6,179,720	\$ 7,761,757
104,099	1,598,178	1,064,528	263,080	300,181	1,627,789
-	163,211	-	-	-	-
-	12,958,193	13,414,506	100,000	-	13,514,506
-	572,530	588,476	-	-	588,476
27,684	124,381	152,425	439	38,049	190,913
-	-	98,169	-	45,150	143,319
<u>6,640,504</u>	<u>23,389,928</u>	<u>16,551,515</u>	<u>712,145</u>	<u>6,563,100</u>	<u>23,826,760</u>
-	2,174,522	2,196,876	-	-	2,196,876
-	7,994,539	8,543,152	-	-	8,543,152
-	2,863,824	3,080,080	-	-	3,080,080
-	792,683	478,748	1,430,152	-	1,908,900
6,005,595	6,005,595	-	-	6,082,930	6,082,930
66,768	66,768	-	-	102,971	102,971
-	1,012	-	-	-	-
-	-	-	-	-	-
-	292,021	13,288	-	-	13,288
-	-	-	-	-	-
-	859,765	901,584	-	-	901,584
<u>6,072,363</u>	<u>21,050,729</u>	<u>15,213,728</u>	<u>1,430,152</u>	<u>6,185,901</u>	<u>22,829,781</u>
568,141	2,339,199	1,337,787	(718,007)	377,199	996,979
-	-	(5,121,497)	5,121,497	-	-
568,141	2,339,199	(3,783,710)	4,403,490	377,199	996,979
<u>41,096,341</u>	<u>170,918,421</u>	<u>131,164,901</u>	<u>(923,035)</u>	<u>41,664,482</u>	<u>171,906,348</u>
<u>\$ 41,664,482</u>	<u>\$ 173,257,620</u>	<u>\$ 127,381,191</u>	<u>\$ 3,480,455</u>	<u>\$ 42,041,681</u>	<u>\$ 172,903,327</u>

MONTGOMERY TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Governmental Activities

The Township generates revenues from a variety of sources. Total revenues for Governmental Activities for fiscal year 2015 were \$16,551,515 compared to \$16,742,019 in 2014, a decrease of \$190,504. The Township realized an increase in Taxes, Cable TV Franchise Fees, and Investment Income. A decrease was realized in Charges for Services and both Operating and Capital grants and contributions. This decrease stems mainly from the opening of the Community & Recreation Center, with the associated Parks and Recreation revenue and Grants and Contributions revenue being shifted to Business-Type Activities. Revenues by source were as follows:

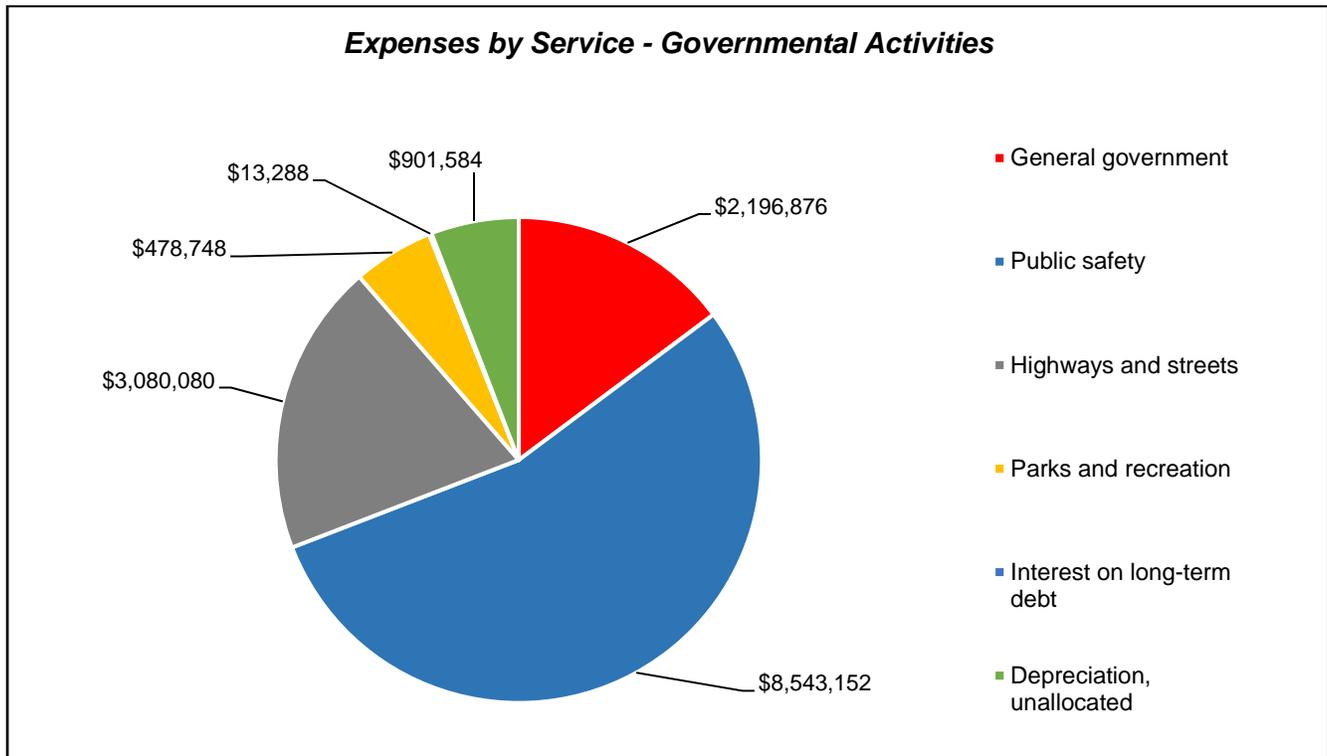
Governmental Activities Revenues From Statement of Activities				
Revenue	2014		2015	
	Amount	% of Total	Amount	% of Total
Taxes	\$ 12,958,193	77.40%	\$ 13,414,506	81.05%
Cable TV franchise fees	572,530	3.42%	588,476	3.56%
Investment income	89,292	0.53%	152,425	0.92%
Gain on sale of capital assets	-	0.00%	98,169	0.59%
Charges for services	1,464,714	8.75%	1,233,411	7.45%
Operating grants and contributions	1,494,079	8.92%	1,064,528	6.43%
Capital grants and contributions	163,211	0.97%	-	0.00%
	<u>\$ 16,742,019</u>	<u>100.00%</u>	<u>\$ 16,551,515</u>	<u>100.00%</u>



MONTGOMERY TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

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 2015 were \$15,115,559 compared to \$14,708,862 in expenses in 2014, an increase of \$406,697. This increase is primarily attributable to increased expenses in Public Safety and Highways and Streets. Details are shown in the Table below.

Expenses	2014		2015	
	Amount	% of Total	Amount	% of Total
General government	\$ 2,174,522	14.78%	\$ 2,196,876	14.44%
Public safety	7,994,539	54.35%	8,543,152	56.15%
Highways and streets	2,863,824	19.47%	3,080,080	20.25%
Parks and recreation	792,683	5.39%	478,748	3.15%
Other employee benefits not allocated	-	0.00%	-	0.00%
Interest on long-term debt	23,529	0.16%	13,288	0.09%
Depreciation, unallocated	859,765	5.85%	901,584	5.92%
	<u>\$ 14,708,862</u>	<u>100.00%</u>	<u>\$ 15,213,728</u>	<u>100.00%</u>



MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

GENERAL FUND BUDGETARY HIGHLIGHTS

The Township's approved General Fund Budget for 2015 included total revenues of \$13M, including transfers in of approximately \$580K, and total expenditures of \$13M. These budgeted amounts include budget amendments made throughout the fiscal year in accordance with the Second Class Township Code.

The 2015 General Fund budget, including transfers, was balanced. However, actual revenues, in particular Earned Income Tax and Transfer Tax receipts which exceeded budget estimates by 14% (\$792K), when netted against actual expenses below budget by 2.5% (\$319K), resulted in an initial surplus of \$1.4M. At year-end, the Board of Supervisors elected to transfer \$1.7M of surplus and fund balance to the Capital Fund for future designated capital projects and to the Debt Service Fund to retire debt. This resulted in an ending General Fund balance of \$3,243,910 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 2015 was positive when compared to budget. Actual revenues, excluding transfers in, were \$13.5 million for 2015. While Real Estate Tax, Amusement Tax, and Other State Grants were slightly below budget, all other revenue categories exceeded budget. Total taxes exceeded budget by \$773K, led primarily by the Earned Income Tax. License and Permits exceeded budget by \$282K and Fines and Forfeits exceeded budget by \$5.8K. Each of these revenue categories contributed to the \$1.1M surplus (excluding transfers in) in General Fund revenues. This surplus was then reduced by \$1.7M shown in Other Financing Uses which was the result of a Board approved transfer of surplus funds and fund balance into the Capital Fund for future designated capital projects and into the Debt Service Fund to reduce principal balances. The net of the surplus and the transfer of surplus to the Capital Fund led to the General Fund ending Fund Balance of \$3.2M for fiscal year 2015.

Actual expenditures, excluding Interfund Transfers were \$12.35M for 2015. While expenditures were above the 2014 actual expenditures, they were \$319K less than the 2015 budgeted expenditures. This savings was achieved by practicing strict cost containment measures across all departments. The two primary departments contributing to the savings were General Government Expenditures which were below budget by \$62K and total Public Safety which were below budget by \$204K. The detail of this can be seen in the Schedule of Functional Expenditures by Activity and Other Financing Uses in this report.

The implementation of ACT 32 in 2012 by the Pennsylvania Legislature has ensured proper collections and distribution of the Earned Income Tax. This, combined with an overall rebound in the local economy, has had a profound positive impact on the health of the Township revenues. Overall, the Township outperformed the budget, ending the year with a surplus of \$1.45M before the Board authorized transfer of \$1.7M into Capital Reserves. As a result, the Board of Supervisors was able to adopt a 2016 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, 2015, totaled \$113,560,482 (net of accumulated depreciation), an increase of \$375,916 from 2014. This increase was the result of new Capital Assets acquired in 2015, comprised mostly of newly purchased Machinery and Equipment.

MONTGOMERY TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

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 73.09 lane miles of local roads, 767,170 linear feet of curbs and 3,047,509 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, 2014 and 2015

	2014			Totals
	Governmental Activities	Business-Type Activities	Component Units	
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 8,198,548	\$ -	\$ 673,095	\$ 8,871,643
Infrastructure, as restated	95,686,704	-	-	95,686,704
Construction in progress	-	4,296,603	718,807	5,015,410
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>103,885,252</u>	<u>4,296,603</u>	<u>1,391,902</u>	<u>109,573,757</u>
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and improvements	10,553,403	-	36,364,551	46,917,954
Land improvements	103,720	-	-	103,720
Infrastructure	3,073,163	-	18,995,839	22,069,002
Machinery and equipment	<u>6,245,252</u>	<u>-</u>	<u>1,950,630</u>	<u>8,195,882</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	19,975,538	-	57,311,020	77,286,558
Accumulated depreciation	<u>(10,676,224)</u>	<u>-</u>	<u>(25,214,570)</u>	<u>(35,890,794)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>9,299,314</u>	<u>-</u>	<u>32,096,450</u>	<u>41,395,764</u>
TOTAL CAPITAL ASSETS, net	<u>\$ 113,184,566</u>	<u>\$ 4,296,603</u>	<u>\$ 33,488,352</u>	<u>\$ 150,969,521</u>

2015			
Governmental Activities	Business-Type Activities	Component Units	Totals
\$ 8,224,386	\$ 267,723	\$ 673,095	\$ 9,165,204
95,686,704	-	-	95,686,704
-	-	3,336,072	3,336,072
<u>103,911,090</u>	<u>267,723</u>	<u>4,009,167</u>	<u>108,187,980</u>
10,553,403	10,438,912	36,364,551	57,356,866
103,720	-	-	103,720
3,073,163	-	19,721,401	22,794,564
<u>7,341,127</u>	<u>1,170,693</u>	<u>2,170,102</u>	<u>10,681,922</u>
21,071,413	11,609,605	58,256,054	90,937,072
<u>(11,422,021)</u>	<u>(335,589)</u>	<u>(26,888,459)</u>	<u>(38,646,069)</u>
<u>9,649,392</u>	<u>11,274,016</u>	<u>31,367,595</u>	<u>52,291,003</u>
<u>\$ 113,560,482</u>	<u>\$ 11,541,739</u>	<u>\$ 35,376,762</u>	<u>\$ 160,478,983</u>

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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 2015.

As of the close of the 2015 fiscal year, the Township reported combined ending balances for all Governmental Funds of \$15,721,369 a decrease of \$4,929,990 from 2014 resulting primarily from the shifting of committed Governmental Activities Fund balance to the Business-Type Activity in support of the newly opened Community & Recreation Center. Of this ending balance amount, \$10,432,395 or 66% 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 19%, 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 2015 were \$1.5M, including \$576K for a new firetruck. Revenues for 2015 were \$924K and net transfers in were \$491K. The fund posted a deficit of \$80,608 for the year and ended the year with a positive fund balance of \$209K.

Park and Recreation Fund - 05. Expenditures for the Park and Recreation Fund for 2015 were \$390K, Revenues were \$419K and net transfers out were \$32K. The fund posted a deficit of \$3,329 for the year and ended the year with a positive fund balance of \$573K.

Basin Maintenance Fund - 06. Expenditures for the Basin Maintenance Fund for 2015 were \$63K and Revenues were \$1,073. The fund posted a loss of \$62K for the year but ended the year with a positive fund balance of \$28K.

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 2015 were \$148K and Revenues were \$139K. The fund posted a deficit of \$8.5K for the year and ended the year with a positive fund balance of \$562K.

Capital Projects Fund - 19. There were no expenses nor revenues for the Capital Projects Fund for 2015, and there is no fund balance for this fund as it is used to manage individual capital projects.

Debt Service Fund - 23. Expenditures for the Debt Service Fund for 2015 were \$668K and Revenues were \$527K. The fund posted a deficit of \$146K and ended the year with a positive fund balance of \$815K. 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, 2015

Capital Reserve Fund - 30. Expenditures for the Capital Reserve Fund for 2015 were \$612K for budgeted capital construction projects and capital equipment purchases plus the net interfund transfers out of \$2.8M 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 \$150K including contributions from developers committed for traffic improvements. The fund balance in this fund is comprised of assigned and committed funds totaling \$9.2M. The major expense from the fund was for approved, planned transfers to the Business-Type Activity for the completion of the Community & Recreation Center.

Park Development Fund - 31. There were no expenditures for the Park Development Fund for 2015, however transfers out to support the construction of the Community & Recreation Center totaled \$374K. Revenues to this fund were \$41K from developer contributions during 2015. The fund posted a deficit of \$333K for the year, and ended the year with a positive fund balance of \$600.

Liquid Fuels Fund - 35. Expenditures from the Liquid Fuels Fund for 2015 were \$506K and Revenues for 2015 were \$564K. The fund posted a surplus of \$58K for the year and ended with a positive fund balance of \$240K. The fund balance has increased based on lower than budgeted cost of road paving materials.

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.

300th Anniversary Fund - 45. This fund was established to record the fund-raising efforts and expenses associated with the recognition and celebration of the Township's 300th Anniversary in 2014. The fund had minimal activity in 2015, has been closed out, and will be eliminated from the 2016 financial statements.

Fire Relief Fund - 50. Expenditures for the Fire Relief Fund for 2015 were \$250K and Revenues were \$250K 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 Fire 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 2015 were \$38K and Revenues were \$80K consisting of interest earnings on the fund balance and payments for the Recycling Performance Grants. Expenses from the fund in 2015 were for the Township's recycling collection costs including the costs for the bi-annual curbside leaf collection program. After transfers out in support of the Community & Recreation Center of \$500K, the fund posted a deficit of \$458K for the year and ended the year with a positive fund balance of \$308K.

Replacement Tree Fund - 94. Expenditures for the Replacement Tree Fund for 2015 were \$29K and Revenues were \$19K. Funding for the Replacement Tree Fund comes from contributions from developers under "fee in lieu of" provisions of the Land Development Ordinance. After transfers out of \$226K to the Community & Recreation Center, the fund posted a deficit of \$236K for the year and ended the year with a positive fund balance of \$690K.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

Autumn Festival Fund - 95. Expenditures for the Autumn Festival Fund for 2015 were \$16K and revenues were \$11K. Expenditures from this fund pay for the expenses of the annual Autumn Festival held each year in October. Due to inclement weather, the festival had to be canceled in 2015. Revenues consist of voluntary community contributions, a township contribution and fees collected at the event. The fund posted a deficit of \$5K for the year and ended the year with a positive fund balance of \$45K.

Restoration Fund - 96. There were no expenditures for the Restoration Fund for 2015 and there was only minimal interest income of \$3. 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 \$453,509 outstanding non-electoral debt for governmental activities and \$8,345,000 outstanding debt for business-type activities for the new Community & Recreation Center. This debt is secured by the full faith and credit of the Township's taxing authority. The Township also serves as guarantor for debt totaling \$4,197,072 for the Municipal Sewer Authority with the Township's full faith and credit pledge providing the ultimate bond security on this issue.

The current debt obligation of the Township is approximately 22.5% of the Township's available legal borrowing capacity which was calculated using year ending December 31, 2015, data. This again evidences the Township's fiscally responsible approach to funding Capital Improvement projects.

Table 4
Outstanding Debt at Year-End

	<u>2014</u>	<u>2015</u>
GOVERNMENTAL ACTIVITIES		
1999 Series Note	\$ 217,082	\$ 107,843
2012 Series Note	<u>890,879</u>	<u>345,666</u>
	<u>\$ 1,107,961</u>	<u>\$ 453,509</u>
BUSINESS-TYPE ACTIVITIES		
2013 Series Bond	<u>\$ 8,545,000</u>	<u>\$ 8,345,000</u>
COMPONENT UNITS		
2011 Series	<u>\$ 4,816,487</u>	<u>\$ 4,197,072</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, 2015

NEXT YEAR'S BUDGET

In 2015, 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, 2011 through 2015. Diverse streams of revenues such as Earned Income, Business Tax, and Permits and Licenses 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 \$1.2M (2011), \$1.3M (2012), \$2M (2013), \$1.1M (2014), and \$1.7M (2015) of surplus/fund balance to the Capital Reserve Fund which the Board has committed for future capital projects.

Entering 2016, the Township has not increased its real estate tax millage rate for the thirteenth year in a row while continuing to provide excellent levels of services to our residents and business community. Montgomery Township currently has nearly \$18M in net assets not invested in capital, which represents about 150% of its annual general operating budget.

During fiscal year 2013, the Township issued a General Obligation Series 2013 bond in the amount of \$8,745,000 to fund the construction of a 44,000+ square foot Community & Recreation Center (CRC). The design of the Center was completed in 2013 and the construction of the CRC began in 2014. In addition to the bond proceeds, the CRC has been financed through a combination of Capital Reserve funds that have been committed for Recreation, Open Space, Landscaping and Environmental Initiatives. The Montgomery Township Community & Recreation Center celebrated its Dedication Ceremony and Grand Opening in October of 2015. The Board of Supervisors continues to commit that the operations of the CRC will be conducted in a manner consistent with the conservative fiscal policies of the Township.

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, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Sewer Authority	Fire Department
ASSETS					
Cash and cash equivalents	\$ 3,101,498	\$ 747,206	\$ 3,848,704	\$ 4,325,017	\$ 238,434
Investments	12,281,718	398,300	12,680,018	7,057,684	-
Taxes receivable	1,323,300	-	1,323,300	-	-
Accounts receivable	1,020,659	-	1,020,659	696,412	3,439
Capital assets					
Property, plant and equipment, Sewer Authority	-	-	-	35,167,240	-
Depreciable capital assets	9,649,392	11,274,016	20,923,408	-	209,522
Nondepreciable capital assets	103,911,090	267,723	104,178,813	-	-
TOTAL ASSETS	131,287,657	12,687,245	143,974,902	47,246,353	451,395
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refunding	-	-	-	276,094	-
Deferred outflows related to pensions	1,660,414	-	1,660,414	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,660,414	-	1,660,414	276,094	-
LIABILITIES					
Accounts payable and accrued expenses	409,464	596,543	1,006,007	1,258,561	-
Accrued payroll	442,068	13,078	455,146	-	-
Accrued interest	-	22,950	22,950	19,802	-
Developers' escrow deposits payable	-	-	-	422,514	-
Long-term liabilities					
Portion due or payable within one year					
Notes payable	158,023	-	158,023	-	-
Bonds payable	-	205,000	205,000	630,000	-
Portion due or payable after one year					
Notes payable	295,486	-	295,486	-	-
Bonds payable	-	8,140,000	8,140,000	3,567,072	-
Premium on bonds payable	-	229,219	229,219	-	-
Compensated absences	-	-	-	34,212	-
Net pension liability	2,817,344	-	2,817,344	-	-
Net OPEB obligation	1,277,595	-	1,277,595	-	-
TOTAL LIABILITIES	5,399,980	9,206,790	14,606,770	5,932,161	-
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	166,900	-	166,900	-	-
NET POSITION					
Net investment in capital assets	113,106,973	2,967,520	116,074,493	30,970,168	-
Restricted					
Providing and maintaining street lights	562,300	-	562,300	-	-
Debt service	814,752	-	814,752	-	-
Basin maintenance	28,485	-	28,485	-	-
Park development projects	605	-	605	-	-
Highway and street projects	239,954	-	239,954	-	-
Knapp Farm house	9,883	-	9,883	-	-
Unrestricted	12,618,239	512,935	13,131,174	10,620,118	451,395
TOTAL NET POSITION	\$ 127,381,191	\$ 3,480,455	\$ 130,861,646	\$ 41,590,286	\$ 451,395

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 2,196,876	\$ 83,833	\$ 41,612	\$ -
Public safety	8,543,152	1,140,983	365,577	-
Highways and streets	3,080,080	6,750	617,961	-
Parks and recreation	478,748	1,845	39,378	-
Interest on long-term debt	13,288	-	-	-
Depreciation, unallocated	901,584	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	15,213,728	1,233,411	1,064,528	-
BUSINESS-TYPE ACTIVITIES				
Recreation center	1,430,152	348,626	263,080	-
TOTAL PRIMARY GOVERNMENT	\$ 16,643,880	\$ 1,582,037	\$ 1,327,608	\$ -
COMPONENT UNITS				
Sewer Authority	\$ 6,082,930	\$ 6,179,720	\$ -	\$ -
Fire Department	102,971	-	300,181	-
TOTAL COMPONENT UNITS	\$ 6,185,901	\$ 6,179,720	\$ 300,181	\$ -
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				
Gain on sale of capital assets				
TRANSFERS				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR, restated				
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
\$ (2,071,431)	\$ -	\$ (2,071,431)	\$ -	\$ -
(7,036,592)	-	(7,036,592)	-	-
(2,455,369)	-	(2,455,369)	-	-
(437,525)	-	(437,525)	-	-
(13,288)	-	(13,288)	-	-
<u>(901,584)</u>	<u>-</u>	<u>(901,584)</u>	<u>-</u>	<u>-</u>
(12,915,789)	-	(12,915,789)	-	-
<u>-</u>	<u>(818,446)</u>	<u>(818,446)</u>	<u>-</u>	<u>-</u>
<u>(12,915,789)</u>	<u>(818,446)</u>	<u>(13,734,235)</u>	<u>-</u>	<u>-</u>
			96,790	-
			<u>-</u>	<u>197,210</u>
			<u>96,790</u>	<u>197,210</u>
5,752,208	100,000	5,852,208	-	-
3,018,345	-	3,018,345	-	-
919,752	-	919,752	-	-
2,862,472	-	2,862,472	-	-
861,729	-	861,729	-	-
588,476	-	588,476	-	-
152,425	439	152,864	38,049	-
98,169	-	98,169	45,150	-
<u>(5,121,497)</u>	<u>5,121,497</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>9,132,079</u>	<u>5,221,936</u>	<u>14,354,015</u>	<u>83,199</u>	<u>-</u>
(3,783,710)	4,403,490	619,780	179,989	197,210
<u>131,164,901</u>	<u>(923,035)</u>	<u>130,241,866</u>	<u>41,410,297</u>	<u>254,185</u>
\$ <u>127,381,191</u>	\$ <u>3,480,455</u>	\$ <u>130,861,646</u>	\$ <u>41,590,286</u>	\$ <u>451,395</u>

MONTGOMERY TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 534,522	\$ 1,857,938	\$ 709,038	\$ 3,101,498
Investments	2,115,115	7,358,797	2,807,806	12,281,718
Taxes receivable	1,303,902	-	19,398	1,323,300
Accounts receivable	965,995	21,096	33,568	1,020,659
	<u>4,919,534</u>	<u>9,237,831</u>	<u>3,569,810</u>	<u>17,727,175</u>
TOTAL ASSETS				
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 358,662	\$ 12,421	\$ 38,381	\$ 409,464
Accrued payroll	407,521	-	34,547	442,068
	<u>766,183</u>	<u>12,421</u>	<u>72,928</u>	<u>851,532</u>
TOTAL LIABILITIES				
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Property taxes	23,717	-	15,991	39,708
Income taxes	1,114,566	-	-	1,114,566
	<u>1,138,283</u>	<u>-</u>	<u>15,991</u>	<u>1,154,274</u>
TOTAL DEFERRED INFLOWS OF RESOURCES				
FUND BALANCES				
Restricted				
Providing and maintaining street lights	-	-	562,300	562,300
Debt service	-	-	814,752	814,752
Basin maintenance	-	-	28,485	28,485
Park development projects	-	-	605	605
Highway and street projects	-	-	239,954	239,954
Knapp Farm house	-	-	9,883	9,883
Committed to				
Arbor Day and shade tree commission	-	-	689,954	689,954
Fire protection capital purchases and/or infrastructure projects	-	-	209,452	209,452
Environmental	-	-	307,579	307,579
Equipment plans	-	3,237,373	-	3,237,373
Highway and street projects	-	2,109,456	-	2,109,456
Building improvements	-	418,000	-	418,000
Storm water projects	-	474,703	-	474,703
Traffic engineering	-	431,364	-	431,364
Open space acquisition and improvement	-	1,443,257	-	1,443,257
Parks and recreation projects	-	100,000	-	100,000
Operating reserve fund	-	1,011,257	-	1,011,257
Assigned				
Park and recreation projects	-	-	573,210	573,210
Annual autumn fest	-	-	44,717	44,717
Unassigned	3,015,068	-	-	3,015,068
	<u>3,015,068</u>	<u>9,225,410</u>	<u>3,480,891</u>	<u>15,721,369</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	<u>\$ 4,919,534</u>	<u>\$ 9,237,831</u>	<u>\$ 3,569,810</u>	<u>\$ 17,727,175</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 15,721,369
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	8,224,386
Buildings and building improvements	10,553,403
Land improvements	103,720
Infrastructure	98,759,867
Machinery and equipment	7,341,127
Accumulated depreciation	(11,422,021)
<p>Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Deferred inflows and outflows related to pension activities	1,493,514
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Notes payable	(453,509)
Net pension liability	(2,817,344)
Net OPEB obligation	(1,277,595)
<p>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.</p>	
	<u>1,154,274</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 127,381,191</u></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, 2015

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 11,254,028	\$ -	\$ 1,930,073	\$ 13,184,101
Licenses and permits	1,484,949	-	45,088	1,530,037
Fines and forfeits	186,404	-	-	186,404
Interest income, rents and royalties	24,072	95,287	34,920	154,279
Intergovernmental revenues	482,822	14,285	888,665	1,385,772
Charges for services	91,196	-	12,405	103,601
Contributions	2,370	39,995	63,762	106,127
	<u>13,525,841</u>	<u>149,567</u>	<u>2,974,913</u>	<u>16,650,321</u>
EXPENDITURES				
Current				
General government	2,396,045	87,592	61,649	2,545,286
Public safety	6,891,139	38,639	1,728,772	8,658,550
Highways and streets	2,149,264	475,132	719,882	3,344,278
Parks and recreation	-	10,631	409,058	419,689
Other, employee benefits not allocated	912,363	-	16,560	928,923
Debt service				
Principal retirement	-	-	654,452	654,452
Interest	-	-	13,288	13,288
	<u>12,348,811</u>	<u>611,994</u>	<u>3,603,661</u>	<u>16,564,466</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>1,177,030</u>	<u>(462,427)</u>	<u>(628,748)</u>	<u>85,855</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	7,152	93,100	5,400	105,652
Interfund transfers in	634,427	1,431,350	984,955	3,050,732
Interfund transfers out	<u>(2,071,000)</u>	<u>(4,359,382)</u>	<u>(1,741,847)</u>	<u>(8,172,229)</u>
	<u>(1,429,421)</u>	<u>(2,834,932)</u>	<u>(751,492)</u>	<u>(5,015,845)</u>
NET CHANGE IN FUND BALANCES				
	(252,391)	(3,297,359)	(1,380,240)	(4,929,990)
FUND BALANCES AT BEGINNING OF YEAR				
	<u>3,267,459</u>	<u>12,522,769</u>	<u>4,861,131</u>	<u>20,651,359</u>
FUND BALANCES AT END OF YEAR				
	<u>\$ 3,015,068</u>	<u>\$ 9,225,410</u>	<u>\$ 3,480,891</u>	<u>\$ 15,721,369</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, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (4,929,990)
<p>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 capital outlays (\$1,284,992) exceed depreciation (\$901,584) in the current period.</p>	383,408
<p>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.</p>	230,405
<p>Repayment of principal on long-term debt is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.</p>	654,452
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds.</p>	
Pension plan expense	27,442
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.</p>	(7,492)
<p>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.</p>	<u>(141,935)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (3,783,710)</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2015

	<u>Recreation Center Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 747,206
Investments	<u>398,300</u>
TOTAL CURRENT ASSETS	<u>1,145,506</u>
NONCURRENT ASSETS	
Land	267,723
Building and building improvements	10,438,912
Machinery and equipment	1,170,693
Less accumulated depreciation	<u>(335,589)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>11,541,739</u>
TOTAL ASSETS	<u>12,687,245</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	596,543
Accrued payroll	13,078
Accrued interest payable	22,950
Bonds payable, current	<u>205,000</u>
TOTAL CURRENT LIABILITIES	<u>837,571</u>
NONCURRENT LIABILITIES	
Bonds payable	8,140,000
Premium on bonds payable	<u>229,219</u>
TOTAL NONCURRENT LIABILITIES	<u>8,369,219</u>
TOTAL LIABILITIES	<u>9,206,790</u>
NET POSITION	
Net investment in capital assets	2,967,520
Unrestricted	<u>512,935</u>
TOTAL NET POSITION	<u>\$ 3,480,455</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2015

	<u>Recreation Center Fund</u>
OPERATING REVENUES	
Taxes	\$ 100,000
Charges for services	348,626
TOTAL OPERATING REVENUES	<u>448,626</u>
OPERATING EXPENSES	
Contractual and professional services	223,197
Other supplies and expenses	603,848
Depreciation	335,589
TOTAL OPERATING EXPENSES	<u>1,162,634</u>
OPERATING (LOSS)	<u>(714,008)</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	263,080
Interest earned	439
Interest expense	(267,518)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(3,999)</u>
LOSS BEFORE OTHER SOURCES (USES)	(718,007)
OTHER SOURCES	
Operating transfers in	<u>5,121,497</u>
CHANGE IN NET POSITION	4,403,490
NET POSITION AT BEGINNING OF YEAR	<u>(923,035)</u>
NET POSITION AT END OF YEAR	<u>\$ 3,480,455</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2015

	<u>Recreation Center Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 448,626
Payments to employees for services	(248,131)
Payments to suppliers for goods and services	<u>1,861</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>202,356</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interfund revenues	<u>5,121,497</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from grants	263,080
Acquisition and construction of capital assets	(7,580,725)
Principal paid on debt	(200,000)
Interest paid on debt	<u>(275,944)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(7,793,589)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(398,300)
Interest received	<u>439</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(397,861)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,867,597)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,614,803</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>747,206</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (714,008)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	335,589
Increase in	
Accounts payable	567,697
Accrued payroll	<u>13,078</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>202,356</u></u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash	\$ 2,150,595	\$ 926,882
Investments		
Stocks	4,359,845	-
Mutual funds	14,239,297	-
Accounts Receivable	<u>125,208</u>	<u>-</u>
TOTAL ASSETS	20,874,945	<u>\$ 926,882</u>
LIABILITIES		
Accounts payable	555,140	\$ -
Escrow and other deposits	<u>-</u>	<u>926,882</u>
TOTAL LIABILITIES		<u>\$ 926,882</u>
NET POSITION		
Net position restricted for pensions	<u>\$ 20,319,805</u>	

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2015

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Plan member contributions	\$ 290,836
Employer contributions	557,215
Other contributions, Commonwealth of Pennsylvania	443,055
TOTAL CONTRIBUTIONS	<u>1,291,106</u>
Investment earnings	
Interest income	555,337
Loss on investments	(634,052)
Investment expenses	(35,536)
INVESTMENT EARNINGS, net	<u>(114,251)</u>
TOTAL ADDITIONS	1,176,855
DEDUCTIONS	
Employee benefit payments	663,529
Administrative expenses	12,440
TOTAL DEDUCTIONS	<u>675,969</u>
CHANGE IN NET POSITION	500,886
NET POSITION AT BEGINNING OF YEAR	<u>19,818,919</u>
NET POSITION AT END OF YEAR	<u>\$ 20,319,805</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township has guaranteed the debt issued by the Sewer Authority in the event the Sewer Authority would not be able to meet its obligations to service the debt. In lieu of sewer charges to the Township facilities, the Township provides office space to the Sewer Authority at no charge.

The Sewer Authority is presented as a Proprietary Fund Type, and its 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 is presented as a Proprietary Fund Type, and its 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, 2015

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, 300th Anniversary 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 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, 2015

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.

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, 2015

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, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments, Township

The Second Class Township Code authorizes the Township to invest in obligations of the U.S. Treasury, short-term obligations of the U.S. Government or its agencies or instrumentalities, obligations of the United States of America, the Commonwealth of Pennsylvania, or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision and insured certificates of deposit.

Investments authorized for pension plans include any investment purchased or retained in the exercise of that degree of judgment and care, which men of prudence exercise in the management of their own affairs. Investments held for the Police and Non-Uniform Employee Pension Trusts consist of investments in mutual funds and common stock.

The Township's investments are stated at fair value, determined by quoted market values.

Deposits and Investments, Sewer Authority

Under Section 7.1 of the Municipality Authorities Act and related laws, as amended, the Sewer Authority is permitted to invest funds in the following types of investments:

Obligations of (1) the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, (2) the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or (3) any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.

Deposits in savings accounts or time deposits of institutions insured by the Federal Deposit Insurance Corporation to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that the deposits are collateralized on a pooled or individual basis in accordance with Act 72 of the Commonwealth of Pennsylvania.

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 are recorded at estimated fair market value at the date of the donation.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015.

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, 2014. 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 and the net difference between projected and actual earnings on pension plan investments. The deferred charge on refunding is reported in the government-wide statement 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, 2015

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 one item that qualifies for reporting in this category. 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.

Unavailable Revenue

The Township reports unavailable revenue on its balance sheet. Unavailable revenue arises when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unavailable revenue also arises when resources are received by the Township before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the Township has a legal claim to the resources, the liability for unavailable revenue is removed from the balance sheet and revenue is recognized.

Revenues from payments made to the Sewer Authority by developers to reserve future capacity in the collection system are deferred until the agreements are executed. Revenue is recognized when the agreements are executed.

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.

Governmental Funds’ Bond Discounts - Township

Bond discounts are deferred and amortized over the life of the related bonds using the straight-line method. The unamortized portion of the discounts is presented as an asset in the government-wide financial statements.

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.

Unamortized Bond Discount - Sewer Authority

Bond discounts are deferred and amortized over the life of the related bonds using the interest method. For financial reporting purposes, the bond discount is netted against the bonds payable.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 liened 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.

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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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.

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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2015, \$7,331,535 of the Township's bank balance of \$7,831,535 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>3,283,013</u>
Township proprietary activities	\$ <u>790,936</u>
Pension Trust Funds	\$ <u>2,276,458</u>
Escrow	\$ <u>981,128</u>

As of December 31, 2015, the following amounts of the component units were exposed to custodial credit risk.

Sewer Authority - At December 31, 2015, \$4,070,392 of the Sewer Authority's bank balance of \$4,348,879 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>4,070,392</u>
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Fire Department - At December 31, 2015, the bank deposits of the Fire Department were fully insured and not exposed to custodial credit risk.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2015, the Township had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>One Year or Less</u>	<u>2 to 5 Years</u>
GOVERNMENTAL ACTIVITIES			
Certificate of deposit	\$ 11,797,407	\$ 3,758,123	\$ 8,039,284
Federal Home Loan Bank	242,122	-	242,122
Federal Farm Credit Bank	242,189	-	242,189
	<u>\$ 12,281,718</u>	<u>\$ 3,758,123</u>	<u>\$ 8,523,595</u>
BUSINESS-TYPE ACTIVITIES			
Certificate of deposit	\$ 382,593	\$ 121,877	\$ 260,716
Federal Home Loan Bank	7,853	-	7,853
Federal Farm Credit Bank	7,854	-	7,854
	<u>\$ 398,300</u>	<u>\$ 121,877</u>	<u>\$ 276,423</u>
PENSION ACTIVITIES			
Common stocks	\$ 4,359,845	\$ 4,359,845	\$ -
Domestic mutual funds	10,100,549	10,100,549	-
Closed-end mutual funds	4,138,748	4,138,748	-
	<u>\$ 18,599,142</u>	<u>\$ 18,599,142</u>	<u>\$ -</u>

As of December 31, 2015, the Sewer Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>
		<u>One Year or Less</u>
Certificates of deposit	<u>\$ 7,057,684</u>	<u>\$ 7,057,684</u>

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

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, common stocks, domestic mutual funds and closed-end mutual funds. These investments are 40%, 14%, 33% and 13%, respectively, of the Township's and component units' total investments.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 8,198,548	\$ 25,838	\$ -	\$ 8,224,386
Infrastructure	95,686,704	-	-	95,686,704
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>103,885,252</u>	<u>25,838</u>	<u>-</u>	<u>103,911,090</u>
Capital assets being depreciated				
Buildings and building improvements	10,553,403	-	-	10,553,403
Land improvements	103,720	-	-	103,720
Infrastructure	3,073,163	-	-	3,073,163
Machinery and equipment	6,245,252	1,259,154	(163,279)	7,341,127
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>19,975,538</u>	<u>1,259,154</u>	<u>(163,279)</u>	<u>21,071,413</u>
Accumulated depreciation				
Buildings and building improvements	(4,475,118)	(317,557)	-	(4,792,675)
Land improvements	(73,749)	(3,715)	-	(77,464)
Infrastructure	(1,929,954)	(102,348)	-	(2,032,302)
Machinery and equipment	(4,197,403)	(477,964)	155,787	(4,519,580)
TOTAL ACCUMULATED DEPRECIATION	<u>(10,676,224)</u>	<u>(901,584)</u>	<u>155,787</u>	<u>(11,422,021)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>9,299,314</u>	<u>357,570</u>	<u>(7,492)</u>	<u>9,649,392</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 113,184,566</u>	<u>\$ 383,408</u>	<u>\$ (7,492)</u>	<u>\$ 113,560,482</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ -	\$ 267,723	\$ -	\$ 267,723
Construction in progress	4,296,603	-	(4,296,603)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>4,296,603</u>	<u>267,723</u>	<u>(4,296,603)</u>	<u>267,723</u>
Capital assets being depreciated				
Buildings and building improvements	-	10,438,912	-	10,438,912
Machinery and equipment	-	1,170,693	-	1,170,693
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>-</u>	<u>11,609,605</u>	<u>-</u>	<u>11,609,605</u>
Accumulated depreciation				
Buildings and building improvements	-	(260,973)	-	(260,973)
Machinery and equipment	-	(74,616)	-	(74,616)
TOTAL ACCUMULATED DEPRECIATION	<u>-</u>	<u>(335,589)</u>	<u>-</u>	<u>(335,589)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>-</u>	<u>11,274,016</u>	<u>-</u>	<u>11,274,016</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>\$ 4,296,603</u>	<u>\$ 11,541,739</u>	<u>\$ (4,296,603)</u>	<u>\$ 11,541,739</u>

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE C - CAPITAL ASSETS (Continued)

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
COMPONENT UNIT, SEWER AUTHORITY				
Capital assets not being depreciated				
Land	\$ 673,095	\$ -	\$ -	\$ 673,095
Construction in progress	<u>718,807</u>	<u>3,342,828</u>	<u>(725,563)</u>	<u>3,336,072</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>1,391,902</u>	<u>3,342,828</u>	<u>(725,563)</u>	<u>4,009,167</u>
Capital assets being depreciated				
Wastewater treatment and collection systems				
Hatfield Waste Water Treatment Plant	13,644,363	-	-	13,644,363
Eureka Treatment Plant	22,685,912	-	-	22,685,912
Other sewer system improvements	5,211,889	725,563	-	5,937,452
Developer dedications	<u>13,818,225</u>	<u>-</u>	<u>-</u>	<u>13,818,225</u>
TOTAL WASTEWATER TREATMENT AND COLLECTION SYSTEMS	55,360,389	725,563	-	56,085,952
Equipment	<u>1,950,631</u>	<u>60,861</u>	<u>(74,192)</u>	<u>1,937,300</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>57,311,020</u>	<u>786,424</u>	<u>(74,192)</u>	<u>58,023,252</u>
Accumulated depreciation				
Wastewater treatment and collection systems				
Hatfield Waste Water Treatment Plant	(10,665,879)	(279,056)	-	(10,944,935)
Eureka Treatment Plant	(6,603,817)	(613,127)	-	(7,216,944)
Other sewer system improvements	(2,383,025)	(254,350)	-	(2,637,375)
Developer dedications	<u>(4,538,480)</u>	<u>(434,370)</u>	<u>-</u>	<u>(4,972,850)</u>
TOTAL WASTEWATER TREATMENT AND COLLECTION SYSTEMS ACCUMULATED DEPRECIATION	(24,191,201)	(1,580,903)	-	(25,772,104)
Equipment	<u>(1,023,369)</u>	<u>(127,854)</u>	<u>58,148</u>	<u>(1,093,075)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(25,214,570)</u>	<u>(1,708,757)</u>	<u>58,148</u>	<u>(26,865,179)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>32,096,450</u>	<u>(922,333)</u>	<u>(16,044)</u>	<u>31,158,073</u>
COMPONENT UNIT, SEWER AUTHORITY CAPITAL ASSETS, net				
	<u>\$ 33,488,352</u>	<u>\$ 2,420,495</u>	<u>\$ (741,607)</u>	<u>\$ 35,167,240</u>
COMPONENT UNIT, FIRE DEPARTMENT				
Equipment	\$ -	\$ 232,802	\$ -	\$ 232,802
Accumulated depreciation	<u>-</u>	<u>(23,280)</u>	<u>-</u>	<u>(23,280)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>\$ -</u>	<u>\$ 209,522</u>	<u>\$ -</u>	<u>\$ 209,522</u>

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015:

	<u>Original Principal</u>
GOVERNMENTAL ACTIVITIES	
General Obligation Notes	
General Obligation Note, Series of 1999	\$ 1,500,000
General Obligation Note, Series of 2012	5,500,000
TOTAL NOTES	<u>7,000,000</u>
Net pension liability	-
Net OPEB obligation	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>7,000,000</u>
BUSINESS-TYPE ACTIVITIES	
General Obligation Bonds, Series of 2013	8,745,000
Premium on 2013 Series Bonds	250,057
TOTAL BUSINESS-TYPE ACTIVITIES	<u>8,995,057</u>
TOTAL LONG-TERM LIABILITIES	<u><u>\$ 15,995,057</u></u>

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

1999 Series Note

In December 1999, the Township obtained a \$1,500,000 loan for the purpose of park improvements. The loan bears interest at a fixed rate equal to 1.6625% per annum and may be adjusted from time to time in accordance with the agreement. Originally, the loan was payable semiannually in 40 equal consecutive installments of \$54,665, including interest. Due to various refinancings and advance payments, a final payment of \$107,843, including interest, is payable in 2016.

2012 Series Note

In April 2012, the Township obtained a \$5,000,000 24-month draw down loan for the purpose of open space and recreation land acquisition. The loan bears interest at a fixed rate equal to 2.55% per annual period and may be adjusted from time to time in accordance with the agreement. The loan is payable in 24 monthly payments of interest only during the draw down period, followed by 60 consecutive monthly principal and interest payments decreasing from \$10,225 to \$8,497, followed by 180 consecutive monthly principal and interest payments of \$10,550.

Balance Outstanding January 1, 2015	Proceeds from New Obligations	Retired During Year	Balance Outstanding December 31, 2015	Due Within One Year
\$ 217,082	\$ -	\$ (109,239)	\$ 107,843	\$ 107,843
890,879	-	(545,213)	345,666	50,180
<u>1,107,961</u>	<u>-</u>	<u>(654,452)</u>	<u>453,509</u>	<u>158,023</u>
1,351,272	1,466,072	-	2,817,344	-
1,135,660	141,935	-	1,277,595	-
<u>3,594,893</u>	<u>1,608,007</u>	<u>(654,452)</u>	<u>4,548,448</u>	<u>158,023</u>
8,545,000	-	(200,000)	8,345,000	205,000
237,554	-	(8,335)	229,219	8,335
<u>8,782,554</u>	<u>-</u>	<u>(208,335)</u>	<u>8,574,219</u>	<u>213,335</u>
\$ <u>12,377,447</u>	\$ <u>1,608,007</u>	\$ <u>(862,787)</u>	\$ <u>13,122,667</u>	\$ <u>371,358</u>

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - LONG-TERM DEBT (Continued)

2013 Series Bonds

In March 2013, the Township issued \$8,745,000 in general obligation bonds for the purpose of building a recreation center. The bonds bear varying rates of interest from .40% to 4.0% and have varying maturities from June 1, 2014 to June 1, 2043.

The bonds and loans have varying maturities from December 2003 to June 2043, with interest being paid semiannually on June 1 and December 1 at rates ranging from 2.00% to 5.50%.

Future annual principal and interest requirements to retire the general obligation bonds and notes are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 363,023	\$ 282,600	\$ 645,623
2017	256,475	279,255	535,730
2018	262,803	275,589	538,392
2019	264,165	271,340	535,505
2020	270,562	266,218	536,780
2021 to 2025	1,231,482	1,249,582	2,481,064
2026 to 2030	1,305,000	1,090,862	2,395,862
2031 to 2035	1,570,000	817,000	2,387,000
2036 to 2040	1,925,000	468,500	2,393,500
2041 to 2043	1,350,000	82,600	1,432,600
	<u>\$ 8,798,509</u>	<u>\$ 5,083,546</u>	<u>\$ 13,882,055</u>

Montgomery Township Municipal Sewer Authority

In 2011, the Authority issued \$6,765,000 of Guaranteed Sewer Revenue Bonds, Series of 2011, dated February 17, 2011, to currently refund the Sewer Authority's outstanding Guaranteed Sewer Revenue Bonds, Series of 2005, in the amount of \$6,710,000.

The 2011 Series Bonds were issued in denominations of \$5,000 and have varying maturities from May 15, 2011 through November 15, 2021, with interest being paid semiannually on May 15 and November 15. Interest rates range from .75% to 4.00%.

The Township has guaranteed all principal and interest payments on the 2011 Series Bonds in the event the Sewer Authority does not meet its obligations.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - LONG-TERM DEBT (Continued)

A summary of changes in long-term debt for the Sewer Authority for the year ended December 31, 2015, is as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015	Due Within One Year
SEWER AUTHORITY					
Bonds					
2011 Series Bonds	\$ 4,730,000	\$ -	\$ (605,000)	\$ 4,125,000	\$ 630,000
Deferred amounts, 2011 issuance premium	86,487	-	(14,415)	72,072	-
TOTAL BONDS	4,816,487	-	(619,415)	4,197,072	630,000
Compensated absences	43,156	-	(8,944)	34,212	-
TOTAL LONG-TERM LIABILITIES	\$ 4,859,643	\$ -	\$ (628,359)	\$ 4,231,284	\$ 630,000

Future principal maturities and scheduled interest payments of the 2011 Series Bonds outstanding are as follows:

Year Ending December 31,	Principal	Interest	Totals
2016	\$ 630,000	\$ 122,716	\$ 752,716
2017	660,000	99,660	759,660
2018	680,000	78,590	758,590
2019	690,000	58,720	748,720
2020	720,000	36,850	756,850
2021	745,000	12,665	757,665
	\$ 4,125,000	\$ 409,201	\$ 4,534,201

NOTE E - 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, 2015

NOTE E - 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, 2015, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	17
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>31</u>
	<u><u>49</u></u>

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, 2015

NOTE E - 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 \$751,249 to the plan for the year 2015. The Township's actual contributions for the plan year 2015 were \$751,249.

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, 2015:

<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 stocks and mutual funds. These investments are 23% and 77%, respectively, of the plan's total investments.

Rate of Return - For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -0.54%. 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, 2015

NOTE E - 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, 2015, were as follows:

Total pension liability	\$ 17,892,774
Plan fiduciary net position	<u>(15,075,430)</u>
NET PENSION LIABILITY	<u>\$ 2,817,344</u>

Plan fiduciary net position as a percentage of the total pension liability	<u>84.25%</u>
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, 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 RP-2000 Healthy Annuitant Mortality Table.

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, 2015 (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	7.0%
International equity	6.0%
Fixed income	2.5%
Real estate	7.0%
Cash	0.0%

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - 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)
	<u> </u>	<u> </u>	<u> </u>
Balances at December 31, 2014	\$ 16,163,593	\$ 14,812,321	\$ 1,351,272
Service cost	450,803	-	450,803
Interest	1,232,916	-	1,232,916
Changes for experience	(187,763)	-	(187,763)
Changes of assumptions	742,193	-	742,193
Contributions			
Employer	-	751,249	(751,249)
Member	-	161,806	(161,806)
Net investment income	-	(128,538)	128,538
Benefit payments	(508,968)	(508,968)	-
Administrative expense	-	(12,440)	12,440
Net Changes	<u>1,729,181</u>	<u>263,109</u>	<u>1,466,072</u>
Balances at December 31, 2015	<u>\$ 17,892,774</u>	<u>\$ 15,075,430</u>	<u>\$ 2,817,344</u>

Changes in Assumptions - In the 2015 actuarial valuation, the assumed investment rate of return and the assumed discount rate were both adjusted to 7.50%. In prior years, the assumption was that both of those rates were 8.00%. In the 2015 actuarial valuation, the assumed annual salary increase was adjusted from 6.0% to 5.5%.

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%)	Discount Rate (7.50%)	1% Increase (8.50%)
	<u> </u>	<u> </u>	<u> </u>
Net pension liability	\$ 4,856,806	\$ 2,817,344	\$ 1,080,842

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - 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, 2015, the Township recognized pension expense of \$723,807. At December 31, 2015, 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	\$ -	\$ 166,900
Changes in assumptions	659,727	-
Difference between projected and actual investment earnings	<u>1,000,687</u>	<u>-</u>
	<u>\$ 1,660,414</u>	<u>\$ 166,900</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>	
2016	\$ 311,775
2017	311,775
2018	311,775
2019	311,775
2020	61,603
Thereafter	184,811

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - 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.

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 \$249,021, of which \$183,770 was funded by state-shared revenues and \$65,251 was funded by the Township. Employee contributions to the Plan were \$129,030.

At December 31, 2015, 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 G - 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 1% to 7% of compensation to the Township Manager's and Department Heads' accounts based on completed years of service. 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
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - DEFERRED COMPENSATION PLANS (Continued)

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.

NOTE H - 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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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	\$ 123,094
Amortization of unfunded actuarial accrued liability	136,709
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>259,803</u>
Interest on net OPEB obligation	51,105
Adjustment to ARC	<u>(69,720)</u>
ANNUAL OPEB EXPENSE	241,188
Estimated pay-as-you-go contributions	<u>(99,253)</u>
INCREASE IN NET OPEB OBLIGATION	141,935
Net OPEB obligation at beginning of year	<u>1,135,660</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 1,277,595</u></u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 245,676	42.80%	\$ 1,002,368
2014	243,373	45.23%	1,135,660
2015	241,188	41.15%	1,277,595

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,226,846 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 \$3,188,430, and the ratio of the UAAL to the covered payroll was 69.84%.

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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

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, 2013 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 7.0%, reduced by decrements of .5% to an ultimate rate of 5.5% in 2016. The healthcare cost trend rate is 7.0% in 2013, decreasing by .5% per year to 5.5% in 2016, followed by a decrease from 5.3% in 2017 to 4.2% in 2089 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, 2014, was 28 years.

NOTE I - 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, 2015, sewer revenues exceeded sewer expenditures, and the Township has not been required to make the above-noted rental payments to the Sewer Authority. Additionally, the Sewer Authority's consulting engineer has estimated that the net revenues to be received from the sewer system will be sufficient to pay the debt service requirements on the bonds when due.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - LEASE (Continued)

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 J - 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 K - 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. The 2015 expenses were \$840,535. In addition, the Sewer Authority pays a Semi-Annual Lease Rental Charge representing its pro rata share of Hatfield's annual debt service on bonds issued and attributable to Hatfield's 1970 project to increase the Sewer Authority's reserve capacity.

A dispute has arisen between the Hatfield Township Municipal Authority ("HTMA") and the Montgomery Township Municipal Sewer Authority ("MTMSA") regarding billings received by MTMSA from HTMA for treatment costs at the Hatfield Township Municipal Authority Wastewater Treatment Plant. The parties have not been able to resolve the dispute and HTMA has evoked the arbitration provision in the operating agreement. Arbitration is pending. In HTMA's Statement of Claim, they request damages in excess of \$500,000. MTMSA has disputed any amounts due and intends to vigorously defend this claim. Included in accounts payable and accrued expenses of \$632,470 are amounts invoiced to the MTMSA by HTMA that are in dispute. While the Authority does not feel these charges are valid, generally accepted accounting principles require the amounts to be recorded until such a time a final determination can be made as to the appropriateness of such charges.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE L - 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 Intergovernmental 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.

There have been no significant reductions in insurance coverage during the year ended December 31, 2015, 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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE M - 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 N - COMBINING STATEMENTS OF FIDUCIARY FUNDS

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

	<u>Police Pension Fund</u>	<u>Non-Uniform Employee Pension Fund</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash	\$ 2,150,595	\$ -	\$ 2,150,595
Investments			
Stocks	4,359,845	-	4,359,845
Mutual funds	8,994,922	5,244,375	14,239,297
Accounts receivable	<u>125,208</u>	<u>-</u>	<u>125,208</u>
TOTAL ASSETS	15,630,570	5,244,375	20,874,945
LIABILITIES			
Accounts payable	<u>555,140</u>	<u>-</u>	<u>555,140</u>
NET POSITION			
Net position restricted for pensions	<u>\$ 15,075,430</u>	<u>\$ 5,244,375</u>	<u>\$ 20,319,805</u>

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE N - COMBINING STATEMENTS OF FIDUCIARY FUNDS (Continued)

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

	<u>Police Pension Fund</u>	<u>Non-Uniform Employee Pension Fund</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions			
Plan member contributions	\$ 161,806	\$ 129,030	\$ 290,836
Employer contributions	491,964	65,251	557,215
Other contributions			
Commonwealth of Pennsylvania	259,285	183,770	443,055
TOTAL CONTRIBUTIONS	<u>913,055</u>	<u>378,051</u>	<u>1,291,106</u>
Investment earnings			
Interest income	292,025	263,312	555,337
Loss on investments	(386,227)	(247,825)	(634,052)
Investment expenses	(34,336)	(1,200)	(35,536)
INVESTMENT EARNINGS, net	<u>(128,538)</u>	<u>14,287</u>	<u>(114,251)</u>
TOTAL ADDITIONS	<u>784,517</u>	<u>392,338</u>	<u>1,176,855</u>
DEDUCTIONS			
Employee benefit payments	508,968	154,561	663,529
Administrative expenses	12,440	-	12,440
TOTAL DEDUCTIONS	<u>521,408</u>	<u>154,561</u>	<u>675,969</u>
CHANGE IN NET POSITION	263,109	237,777	500,886
NET POSITION AT BEGINNING OF YEAR	<u>14,812,321</u>	<u>5,006,598</u>	<u>19,818,919</u>
NET POSITION AT END OF YEAR	<u>\$ 15,075,430</u>	<u>\$ 5,244,375</u>	<u>\$ 20,319,805</u>

NOTE O - PRIOR PERIOD ADJUSTMENT

The Township implemented GASB Statement No. 68, Accounting and Financial Reporting for Pension – An Amendment of GASB Statement No. 27, effective January 1, 2015

The objective of GASB Statement No. 68 is to improve accounting and financial reporting of state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record any unfunded liability of their pension plans.

For the government-wide governmental activities, the Township has treated beginning of year net pension liability of \$1,351,272 as having been recognized in the period incurred. The Township has adjusted beginning net position for the governmental activities from \$132,516,173 to \$131,164,901.

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 10,481,100	\$ 10,481,100	\$ 11,254,028	\$ 772,928
Licenses and permits	1,202,750	1,202,750	1,484,949	282,199
Fines and forfeits	175,000	175,000	186,404	11,404
Interest income, rents and royalties	18,300	18,300	24,072	5,772
Intergovernmental revenues	503,000	503,000	482,822	(20,178)
Charges for services	75,750	75,750	91,196	15,446
Contributions	-	-	2,370	2,370
TOTAL REVENUES	12,455,900	12,455,900	13,525,841	1,069,941
EXPENDITURES				
General government	2,458,150	2,458,150	2,396,045	62,105
Public safety	7,095,165	7,095,165	6,891,139	204,026
Highways and streets	2,107,535	2,107,535	2,149,264	(41,729)
Other, employee benefits not allocated	1,006,850	1,006,850	912,363	94,487
TOTAL EXPENDITURES	12,667,700	12,667,700	12,348,811	318,889
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(211,800)	(211,800)	1,177,030	1,388,830
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	10,000	7,152	(2,848)
Interfund transfers in	579,800	579,800	634,427	54,627
Interfund transfers out	(378,000)	(378,000)	(2,071,000)	(1,693,000)
TOTAL OTHER FINANCING SOURCES (USES)	211,800	211,800	(1,429,421)	(1,641,221)
NET CHANGE IN FUND BALANCE	-	-	(252,391)	(252,391)
FUND BALANCE AT BEGINNING OF YEAR	3,267,459	3,267,459	3,267,459	-
FUND BALANCE AT END OF YEAR	\$ 3,267,459	\$ 3,267,459	\$ 3,015,068	\$ (252,391)

See accompanying note to budgetary comparison schedule.

MONTGOMERY TOWNSHIP

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2015

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 TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 450,803	\$ 397,260
Interest	1,232,916	1,213,236
Changes for experience	(187,763)	-
Changes of assumptions	742,193	-
Benefit payments	<u>(508,968)</u>	<u>(748,577)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,729,181	861,919
Total pension liability, beginning	<u>16,163,593</u>	<u>15,301,674</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 17,892,774</u>	<u>\$ 16,163,593</u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 751,249	\$ 611,018
Member	161,806	153,337
DROP	-	275,238
Net investment income	(128,538)	894,128
Benefit payments, including refunds of member contributions	(508,968)	(748,577)
Administrative expense	<u>(12,440)</u>	<u>(15,905)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	263,109	1,169,239
Plan fiduciary net position, beginning	<u>14,812,321</u>	<u>13,643,082</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 15,075,430</u>	<u>\$ 14,812,321</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 2,817,344</u>	<u>\$ 1,351,272</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>84.25%</u>	<u>91.64%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 3,103,825</u>	<u>\$ 3,080,805</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>90.77%</u>	<u>43.86%</u>

NOTES TO SCHEDULE

Changes of assumptions: 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%.

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

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 751,249	\$ 611,018
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>751,249</u>	<u>611,018</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 3,103,825</u>	<u>\$ 3,080,805</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>24.20%</u>	<u>19.83%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2013

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	8 years
Asset valuation method	Market value
Inflation	3%
Salary increases	6% annual increase
Investment rate of return	8.0%
Retirement age	Normal retirement age
Mortality	RP-2000 Healthy Annuitant Mortality Table

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

	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-0.54%</u>	<u>6.64%</u>

MONTGOMERY TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2015

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)
2006	\$ -	\$ 2,139,647	\$ 2,139,647	0%	\$ 2,383,163	89.8%
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%

MONTGOMERY TOWNSHIP
TREND DATA ON INFRASTRUCTURE CONDITION
YEAR ENDED DECEMBER 31, 2015

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 70.73 lane miles of local roads, 765,956 linear feet of curbs and 3,042,651 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, 2015:

Condition	% of Streets		
	2014	2010	2007
Excellent/Good - Rating of III - V	94%	93%	100%
Fair/Poor - Rating of II	6%	7%	0%
Very Poor/Failed - Rating of I	0%	0%	0%

MONTGOMERY TOWNSHIP
TREND DATA ON INFRASTRUCTURE CONDITION
YEAR ENDED DECEMBER 31, 2015

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>
2015	\$ 975,950	\$ 753,135
2014	735,875	721,810
2013	1,612,165	1,032,408
2012	1,672,900	1,245,015
2011	1,165,730	1,094,272

SUPPLEMENTARY INFORMATION SECTION

MONTGOMERY TOWNSHIP
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Over (Under) Budget
	Original	Final		
REVENUES				
Taxes				
Real estate	\$ 1,626,100	\$ 1,626,100	\$ 1,593,414	\$ (32,686)
Earned income	4,790,000	4,790,000	5,362,401	572,401
Transfer	700,000	700,000	919,752	219,752
Mercantile	1,980,000	1,980,000	2,066,367	86,367
Emergency municipal services	548,000	548,000	504,215	(43,785)
Amusement	77,000	77,000	67,260	(9,740)
Business privilege	760,000	760,000	740,619	(19,381)
TOTAL TAXES	10,481,100	10,481,100	11,254,028	772,928
Licenses and permits				
Building	315,000	315,000	433,172	118,172
Zoning	20,000	20,000	26,979	6,979
Electrical	35,000	35,000	56,024	21,024
Plumbing	15,000	15,000	20,186	5,186
Street	20,000	20,000	15,960	(4,040)
Fence	5,000	5,000	7,780	2,780
Use and occupancy	20,000	20,000	23,750	3,750
Roofing and siding	50,000	50,000	16,265	(33,735)
Grading	1,000	1,000	1,800	800
Demolition	8,000	8,000	10,952	2,952
Heat, vent and air conditioning	80,000	80,000	147,013	67,013
Sign	10,000	10,000	26,702	16,702
Licenses	83,750	83,750	109,890	26,140
Cable television franchise fees	540,000	540,000	588,476	48,476
TOTAL LICENSES AND PERMITS	1,202,750	1,202,750	1,484,949	282,199
Fines and forfeits, police	175,000	175,000	186,404	11,404
Interest income, rents and royalties	18,300	18,300	24,072	5,772
Intergovernmental revenues				
Public utility realty tax	15,000	15,000	14,765	(235)
State pension aid	435,000	435,000	427,371	(7,629)
Other state grants	53,000	53,000	38,223	(14,777)
County	-	-	2,463	2,463
TOTAL INTERGOVERNMENTAL REVENUES	503,000	503,000	482,822	(20,178)
Charges for services				
Administrative	25,000	25,000	46,295	21,295
Finance, street lights	6,750	6,750	6,750	-
Police services	44,000	44,000	38,151	(5,849)
TOTAL CHARGES FOR SERVICES	75,750	75,750	91,196	15,446
Contributions	-	-	2,370	2,370
TOTAL REVENUES	12,455,900	12,455,900	13,525,841	1,069,941
OTHER FINANCING SOURCES				
Proceeds from sale of fixed assets	10,000	10,000	7,152	(2,848)
Interfund transfers in				
Capital Reserve Fund	579,800	579,800	634,427	54,627
TOTAL OTHER FINANCING SOURCES	589,800	589,800	641,579	51,779
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 13,045,700	\$ 13,045,700	\$ 14,167,420	\$ 1,121,720

MONTGOMERY TOWNSHIP
SCHEDULE OF FUNCTIONAL EXPENDITURES BY
ACTIVITY AND OTHER FINANCING USES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Over (Under) Budget
	Original	Final		
EXPENDITURES				
General government				
Administration	\$ 1,342,250	\$ 1,342,250	\$ 1,283,105	\$ (59,145)
Tax collection	231,300	231,300	204,994	(26,306)
Finance	884,600	884,600	907,946	23,346
TOTAL GENERAL GOVERNMENT	<u>2,458,150</u>	<u>2,458,150</u>	<u>2,396,045</u>	<u>(62,105)</u>
Public safety				
Police	5,981,250	5,981,250	5,843,142	(138,108)
Police vehicles	258,900	258,900	213,289	(45,611)
Fire protection	85,140	85,140	88,687	3,547
Planning and zoning	757,325	757,325	740,068	(17,257)
Emergency management	12,550	12,550	5,953	(6,597)
TOTAL PUBLIC SAFETY	<u>7,095,165</u>	<u>7,095,165</u>	<u>6,891,139</u>	<u>(204,026)</u>
Highways and streets				
Public works	1,874,385	1,874,385	1,905,772	31,387
Snow removal	101,100	101,100	119,448	18,348
Traffic lights	82,550	82,550	77,447	(5,103)
Street lighting	19,500	19,500	17,290	(2,210)
Repairs	30,000	30,000	29,307	(693)
TOTAL HIGHWAYS AND STREETS	<u>2,107,535</u>	<u>2,107,535</u>	<u>2,149,264</u>	<u>41,729</u>
Other, employee benefits not allocated				
Police pension	751,250	751,250	751,249	(1)
Non-uniform pension	233,200	233,200	144,863	(88,337)
Deferred compensation	22,400	22,400	16,251	(6,149)
TOTAL OTHER, EMPLOYEE BENEFITS NOT ALLOCATED	<u>1,006,850</u>	<u>1,006,850</u>	<u>912,363</u>	<u>(94,487)</u>
TOTAL EXPENDITURES	<u>12,667,700</u>	<u>12,667,700</u>	<u>12,348,811</u>	<u>(318,889)</u>
OTHER FINANCING USES				
Interfund transfers out				
Capital Reserve Fund	371,000	371,000	1,271,000	900,000
Recreation Center Fund	-	-	470,000	470,000
Debt Service Fund	-	-	330,000	330,000
Autumn Festival Fund	7,000	7,000	-	(7,000)
TOTAL OTHER FINANCING USES	<u>378,000</u>	<u>378,000</u>	<u>2,071,000</u>	<u>1,693,000</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 13,045,700</u>	<u>\$ 13,045,700</u>	<u>\$ 14,419,811</u>	<u>\$ 1,374,111</u>

MONTGOMERY TOWNSHIP
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	Special Revenue				
	Fire Protection Fund	Park and Recreation Fund	Basin Maintenance Fund	Street Lights Fund	Liquid Fuels Fund
ASSETS					
Cash and cash equivalents	\$ 49,397	\$ 115,196	\$ 6,207	\$ 114,158	\$ 48,371
Investments	195,648	455,749	24,585	452,151	191,583
Taxes receivable	5,496	6,143	-	-	-
Accounts receivable	14,998	8,954	245	3,152	-
TOTAL ASSETS	\$ 265,539	\$ 586,042	\$ 31,037	\$ 569,461	\$ 239,954
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 21,487	\$ 5,174	\$ 1,465	\$ 6,363	\$ -
Accrued payroll	30,070	2,592	1,087	798	-
TOTAL LIABILITIES	51,557	7,766	2,552	7,161	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues, property taxes	4,530	5,066	-	-	-
FUND BALANCES					
Restricted					
Providing and maintaining street lights	-	-	-	562,300	-
Debt service	-	-	-	-	-
Basin maintenance	-	-	28,485	-	-
Park development projects	-	-	-	-	-
Highway and street projects	-	-	-	-	239,954
Knapp Farm house	-	-	-	-	-
Committed to					
Arbor Day and shade tree commission	-	-	-	-	-
Environmental	-	-	-	-	-
Fire protection capital purchases and/or infrastructure projects	209,452	-	-	-	-
Assigned					
Park and recreation projects	-	573,210	-	-	-
Annual autumn fest	-	-	-	-	-
TOTAL FUND BALANCES	209,452	573,210	28,485	562,300	239,954
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 265,539	\$ 586,042	\$ 31,037	\$ 569,461	\$ 239,954

Funds				Capital Projects Funds		Debt Service Fund	Total Other Governmental Funds
Environmental Fund	Replacement Tree Fund	300th Anniversary Fund	Autumn Festival Fund	Park Development Fund	Restoration Fund		
\$ 61,710	\$ 139,606	\$ -	\$ 9,014	\$ 38	\$ 1,992	\$ 163,349	\$ 709,038
244,417	552,944	-	35,703	151	7,891	646,984	2,807,806
-	-	-	-	-	-	7,759	19,398
1,452	1,296	-	-	416	-	3,055	33,568
<u>\$ 307,579</u>	<u>\$ 693,846</u>	<u>\$ -</u>	<u>\$ 44,717</u>	<u>\$ 605</u>	<u>\$ 9,883</u>	<u>\$ 821,147</u>	<u>\$ 3,569,810</u>
\$ -	\$ 3,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,381
-	-	-	-	-	-	-	34,547
-	3,892	-	-	-	-	-	72,928
-	-	-	-	-	-	6,395	15,991
-	-	-	-	-	-	-	562,300
-	-	-	-	-	-	814,752	814,752
-	-	-	-	-	-	-	28,485
-	-	-	-	605	-	-	605
-	-	-	-	-	-	-	239,954
-	-	-	-	-	9,883	-	9,883
-	689,954	-	-	-	-	-	689,954
307,579	-	-	-	-	-	-	307,579
-	-	-	-	-	-	-	209,452
-	-	-	-	-	-	-	573,210
-	-	-	44,717	-	-	-	44,717
<u>307,579</u>	<u>689,954</u>	<u>-</u>	<u>44,717</u>	<u>605</u>	<u>9,883</u>	<u>814,752</u>	<u>3,480,891</u>
<u>\$ 307,579</u>	<u>\$ 693,846</u>	<u>\$ -</u>	<u>\$ 44,717</u>	<u>\$ 605</u>	<u>\$ 9,883</u>	<u>\$ 821,147</u>	<u>\$ 3,569,810</u>

MONTGOMERY TOWNSHIP
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	Special Revenue Funds					
	Fire Protection Fund	Park and Recreation Fund	Basin Maintenance Fund	Street Lights Fund	Liquid Fuels Fund	Fire Relief Fund
REVENUES						
Taxes	\$ 864,269	\$ 412,116	\$ -	\$ 133,120	\$ -	\$ -
Licenses and permits	45,088	-	-	-	-	-
Interest income, rents and royalties	131	6,618	1,073	6,085	150	-
Intergovernmental revenues	2,090	-	-	-	563,681	249,544
Charges for services	12,245	-	-	-	-	-
Contributions	-	210	-	-	-	-
TOTAL REVENUES	923,823	418,944	1,073	139,205	563,831	249,544
EXPENDITURES						
Current						
General government	-	-	-	-	-	-
Public safety	1,479,228	-	-	-	-	249,544
Highways and streets	-	-	62,927	147,646	505,605	-
Parks and recreation	-	390,468	-	-	-	-
Other, employee benefits not allocated	16,560	-	-	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
TOTAL EXPENDITURES	1,495,788	390,468	62,927	147,646	505,605	249,544
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(571,965)	28,476	(61,854)	(8,441)	58,226	-
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of capital assets	5,400	-	-	-	-	-
Interfund transfers in	592,957	26,998	35,000	-	-	-
Interfund transfers out	(107,000)	(58,803)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	491,357	(31,805)	35,000	-	-	-
NET CHANGE IN FUND BALANCES	(80,608)	(3,329)	(26,854)	(8,441)	58,226	-
FUND BALANCES AT BEGINNING OF YEAR	290,060	576,539	55,339	570,741	181,728	-
FUND BALANCES AT END OF YEAR	\$ 209,452	\$ 573,210	\$ 28,485	\$ 562,300	\$ 239,954	\$ -

Environmental Fund	Replacement Tree Fund	300th Anniversary Fund	Autumn Festival Fund	Capital Projects Funds		Debt Service Fund	Total Other Governmental Funds
				Park Development Fund	Restoration Fund		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 520,568	\$ 1,930,073
-	-	-	-	-	-	-	45,088
6,516	5,905	-	17	1,874	3	6,548	34,920
73,350	-	-	-	-	-	-	888,665
160	-	-	-	-	-	-	12,405
<u>-</u>	<u>13,300</u>	<u>93</u>	<u>10,991</u>	<u>39,168</u>	<u>-</u>	<u>-</u>	<u>63,762</u>
<u>80,026</u>	<u>19,205</u>	<u>93</u>	<u>11,008</u>	<u>41,042</u>	<u>3</u>	<u>527,116</u>	<u>2,974,913</u>
34,780	10,924	142	15,803	-	-	-	61,649
-	-	-	-	-	-	-	1,728,772
3,704	-	-	-	-	-	-	719,882
-	17,977	-	613	-	-	-	409,058
-	-	-	-	-	-	-	16,560
-	-	-	-	-	-	654,452	654,452
-	-	-	-	-	-	13,288	13,288
<u>38,484</u>	<u>28,901</u>	<u>142</u>	<u>16,416</u>	<u>-</u>	<u>-</u>	<u>667,740</u>	<u>3,603,661</u>
<u>41,542</u>	<u>(9,696)</u>	<u>(49)</u>	<u>(5,408)</u>	<u>41,042</u>	<u>3</u>	<u>(140,624)</u>	<u>(628,748)</u>
-	-	-	-	-	-	-	5,400
-	-	-	-	-	-	330,000	984,955
<u>(500,000)</u>	<u>(226,000)</u>	<u>-</u>	<u>-</u>	<u>(374,100)</u>	<u>-</u>	<u>(475,944)</u>	<u>(1,741,847)</u>
<u>(500,000)</u>	<u>(226,000)</u>	<u>-</u>	<u>-</u>	<u>(374,100)</u>	<u>-</u>	<u>(145,944)</u>	<u>(751,492)</u>
(458,458)	(235,696)	(49)	(5,408)	(333,058)	3	(286,568)	(1,380,240)
<u>766,037</u>	<u>925,650</u>	<u>49</u>	<u>50,125</u>	<u>333,663</u>	<u>9,880</u>	<u>1,101,320</u>	<u>4,861,131</u>
<u>\$ 307,579</u>	<u>\$ 689,954</u>	<u>\$ -</u>	<u>\$ 44,717</u>	<u>\$ 605</u>	<u>\$ 9,883</u>	<u>\$ 814,752</u>	<u>\$ 3,480,891</u>

MONTGOMERY TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest income, rents and royalties	\$ 34,000	\$ 34,000	\$ 95,287	\$ 61,287
Intergovernmental revenues	29,700	29,700	14,285	(15,415)
Contributions	-	-	39,995	39,995
TOTAL REVENUES	63,700	63,700	149,567	85,867
EXPENDITURES				
General government				
Administration	3,009,100	109,100	77,774	(31,326)
Finance	11,150	11,150	9,818	(1,332)
TOTAL GENERAL GOVERNMENT	3,020,250	120,250	87,592	(32,658)
Public safety				
Police	24,500	24,500	4,000	(20,500)
Fire protection	27,550	27,550	29,630	2,080
Planning and zoning	6,750	6,750	5,009	(1,741)
TOTAL PUBLIC SAFETY	58,800	58,800	38,639	(20,161)
Highways and streets				
Public works	350,000	350,000	212,925	(137,075)
Traffic lights	29,000	29,000	14,679	(14,321)
Repairs	505,950	505,950	247,528	(258,422)
TOTAL HIGHWAYS AND STREETS	884,950	884,950	475,132	(409,818)
Parks and recreation	-	-	10,631	10,631
TOTAL EXPENDITURES	3,964,000	1,064,000	611,994	(452,006)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(3,900,300)	(1,000,300)	(462,427)	537,873
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	93,100	93,100
Interfund transfers in				
General Fund	371,000	371,000	1,271,000	900,000
Fire Protection Fund	107,000	107,000	107,000	-
Parks and Recreation Fund	53,350	53,350	53,350	-
TOTAL INTERFUND TRANSFERS IN	531,350	531,350	1,431,350	900,000
Interfund transfers out				
Recreation Center Fund	(1,570,000)	(3,070,000)	(3,070,000)	-
Basin Maintenance Fund	(35,000)	(35,000)	(35,000)	-
General Fund	(579,800)	(579,800)	(634,427)	(54,627)
Fire Protection Fund	(84,000)	(676,000)	(592,957)	83,043
Parks and Recreation Fund	(28,500)	(28,500)	(26,998)	1,502
TOTAL INTERFUND TRANSFERS OUT	(2,297,300)	(4,389,300)	(4,359,382)	29,918
TOTAL OTHER FINANCING SOURCES (USES)	(1,765,950)	(3,857,950)	(2,834,932)	1,023,018
NET CHANGE IN FUND BALANCE	(5,666,250)	(4,858,250)	(3,297,359)	1,560,891
FUND BALANCE AT BEGINNING OF YEAR	12,522,769	12,522,769	12,522,769	-
FUND BALANCE AT END OF YEAR	\$ 6,856,519	\$ 7,664,519	\$ 9,225,410	\$ 1,560,891

MONTGOMERY TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES--BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2015

	Fire Protection Fund		Park and Recreation Fund	
	Budget	Actual	Budget	Actual
REVENUES				
Taxes				
Real estate	\$ 374,200	\$ 368,735	\$ 418,500	\$ 412,116
Earned income	310,000	310,000	-	-
Local services	182,500	185,534	-	-
TOTAL TAXES	866,700	864,269	418,500	412,116
Licenses and permits, tipping fees	45,000	45,088	-	-
Interest income, rents and royalties	300	131	2,600	6,618
Intergovernmental revenues				
Federal	98,700	2,090	-	-
Charges for services				
Fire department services	10,400	12,245	-	-
Recreation fees	-	-	-	-
Recycling bins	-	-	-	-
TOTAL CHARGES FOR SERVICES	10,400	12,245	-	-
Contributions	-	-	-	210
TOTAL REVENUES	1,021,100	923,823	421,100	418,944
EXPENDITURES				
General government, administration	-	-	-	-
Public safety, fire protection	1,489,900	1,479,228	-	-
Highways and streets				
Public works	-	-	-	-
Street lighting	-	-	-	-
Repairs	-	-	-	-
TOTAL HIGHWAYS AND STREETS	-	-	-	-
Parks and recreation	-	-	396,250	390,468
Other, employee benefits not allocated				
Non-uniform pension	24,200	16,560	-	-
Deferred compensation	1,000	-	-	-
TOTAL OTHER, EMPLOYEE BENEFITS NOT ALLOCATED	25,200	16,560	-	-
TOTAL EXPENDITURES	1,515,100	1,495,788	396,250	390,468
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(494,000)	(571,965)	24,850	28,476
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	7,000	5,400	-	-
Interfund transfers in				
General Fund	-	-	-	-
Capital Reserve Fund	594,000	592,957	28,500	26,998
TOTAL INTERFUND TRANSFERS IN	594,000	592,957	28,500	26,998
Interfund transfers out				
Recreation Center Fund	-	-	-	(5,453)
Capital Reserve Fund	(107,000)	(107,000)	(53,350)	(53,350)
TOTAL INTERFUND TRANSFERS OUT	(107,000)	(107,000)	(53,350)	(58,803)
TOTAL OTHER FINANCING SOURCES (USES)	494,000	491,357	(24,850)	(31,805)
NET CHANGE IN FUND BALANCES	-	(80,608)	-	(3,329)
FUND BALANCES AT BEGINNING OF YEAR	290,060	290,060	576,539	576,539
FUND BALANCES AT END OF YEAR	\$ 290,060	\$ 209,452	\$ 576,539	\$ 573,210

Basin Maintenance Fund		Street Lights Fund		Liquid Fuels Fund		Fire Relief Fund		Environmental Fund		Replacement Tree Fund		300th Anniversary Fund		Autumn Festival Fund	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ -	\$ -	\$ 135,000	\$ 133,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	135,000	133,120	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
400	1,073	2,400	6,085	300	150	-	-	2,500	6,516	2,400	5,905	-	-	50	17
-	-	-	-	575,000	563,681	255,000	249,544	43,000	73,350	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	160	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	225,000	13,300	-	93	18,500	10,991
400	1,073	137,400	139,205	575,300	563,831	255,000	249,544	45,500	80,026	227,400	19,205	-	93	18,550	11,008
-	-	-	-	-	-	-	-	40,000	34,780	21,000	10,924	-	142	23,750	15,803
-	-	-	-	-	-	255,000	249,544	-	-	-	-	-	-	-	-
85,500	62,927	25,300	51,768	-	-	-	-	2,900	3,704	69,500	17,977	-	-	-	-
-	-	112,100	95,878	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	541,000	505,605	-	-	-	-	-	-	-	-	-	-
85,500	62,927	137,400	147,646	541,000	505,605	-	-	2,900	3,704	69,500	17,977	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,800	613
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
85,500	62,927	137,400	147,646	541,000	505,605	255,000	249,544	42,900	38,484	90,500	28,901	-	142	25,550	16,416
(85,100)	(61,854)	-	(8,441)	34,300	58,226	-	-	2,600	41,542	136,900	(9,696)	-	(49)	(7,000)	(5,408)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	-
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35,000	35,000	-	-	-	-	-	-	-	-	-	-	-	-	7,000	-
-	-	-	-	-	-	-	-	(500,000)	(500,000)	(226,000)	(226,000)	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
35,000	35,000	-	-	-	-	-	-	(500,000)	(500,000)	(226,000)	(226,000)	-	-	7,000	-
(50,100)	(26,854)	-	(8,441)	34,300	58,226	-	-	(497,400)	(458,458)	(89,100)	(235,696)	-	(49)	-	(5,408)
55,339	55,339	570,741	570,741	181,728	181,728	-	-	766,037	766,037	925,650	925,650	49	49	50,125	50,125
\$ 5,239	\$ 28,485	\$ 570,741	\$ 562,300	\$ 216,028	\$ 239,954	\$ -	\$ -	\$ 268,637	\$ 307,579	\$ 836,550	\$ 689,954	\$ 49	\$ -	\$ 50,125	\$ 44,717

MONTGOMERY TOWNSHIP

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL NONMAJOR CAPITAL PROJECTS FUNDS YEAR ENDED DECEMBER 31, 2015

	Park Development Fund		Restoration Fund	
	Budget	Actual	Budget	Actual
REVENUES				
Interest income, rents and royalties	\$ 700	\$ 1,874	\$ 100	\$ 3
Contributions	91,000	39,168	-	-
TOTAL REVENUES	91,700	41,042	100	3
EXPENDITURES				
General government				
Administration	-	-	9,900	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	91,700	41,042	(9,800)	3
OTHER FINANCING USES				
Interfund transfers out				
Recreation center	(416,000)	(374,100)	-	-
TOTAL OTHER FINANCING USES	(416,000)	(374,100)	-	-
NET CHANGE IN FUND BALANCES	(324,300)	(333,058)	(9,800)	3
FUND BALANCES AT BEGINNING OF YEAR	333,663	333,663	9,880	9,880
FUND BALANCES AT END OF YEAR	\$ 9,363	\$ 605	\$ 80	\$ 9,883

MONTGOMERY TOWNSHIP**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE--BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2015**

	Debt Service Fund	
	Budget	Actual
REVENUES		
Taxes, real estate	\$ 524,780	\$ 520,568
Interest income, rents and royalties	<u>2,500</u>	<u>6,548</u>
TOTAL REVENUES	<u>527,280</u>	<u>527,116</u>
EXPENDITURES		
Debt service		
Principal retirement	962,050	654,452
Interest	<u>301,600</u>	<u>13,288</u>
TOTAL EXPENDITURES	<u>1,263,650</u>	<u>667,740</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(736,370)	(140,624)
OTHER FINANCING SOURCES (USES)		
Interfund transfers in		
General Fund	-	330,000
Interfund transfers out		
Recreation Center Fund	<u>-</u>	<u>(475,944)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(145,944)</u>
NET CHANGE IN FUND BALANCE	(736,370)	(286,568)
FUND BALANCE AT BEGINNING OF YEAR	<u>1,101,320</u>	<u>1,101,320</u>
FUND BALANCE AT END OF YEAR	<u>\$ 364,950</u>	<u>\$ 814,752</u>

MONTGOMERY TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

YEAR ENDED DECEMBER 31, 2015

	Escrow Fund			
	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
ASSETS				
Cash	\$ <u>710,028</u>	\$ <u>963,256</u>	\$ <u>(746,402)</u>	\$ <u>926,882</u>
LIABILITIES				
Escrow and other deposits	\$ <u>710,028</u>	\$ <u>963,256</u>	\$ <u>(746,402)</u>	\$ <u>926,882</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.

TABLE 1

**Montgomery Township
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)**

	2006	2007	2008	2009	2010	2011 (1)	2012 (2)	2013 (3)	2014	2015
Governmental activities										
Invested in capital assets, net of related debt	\$ 7,219,302	\$ 104,433,000	\$ 106,989,556	\$ 106,928,471	\$ 106,979,859	\$ 108,143,857	\$ 108,047,221	\$ 110,550,367	\$ 112,076,605	\$ 113,106,973
Restricted	-	-	-	-	-	2,573,872	2,774,921	2,630,718	3,018,757	1,655,979
Unrestricted	15,913,041	18,223,130	17,449,139	18,916,409	18,843,099	16,053,270	16,105,263	17,778,825	17,420,811	12,618,239
Total governmental activities net assets	23,132,343	122,656,130	124,438,695	125,844,880	125,822,958	126,770,999	126,927,405	130,959,910	132,516,173	127,381,191
Business-type activities										
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	(1,054,718)	(871,148)	2,967,520
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	(83,112)	(51,887)	512,935
Total business-type activities net assets	-	-	-	-	-	-	-	(1,137,830)	(923,035)	3,480,455
Primary government										
Invested in capital assets, net of related debt	7,219,302	104,433,000	106,989,556	106,928,471	106,979,859	108,143,857	108,047,221	109,495,649	111,205,457	116,074,493
Restricted	-	-	-	-	-	2,573,872	2,774,921	2,630,718	3,018,757	1,655,979
Unrestricted	15,913,041	18,223,130	17,449,139	18,916,409	18,843,099	16,053,270	16,105,263	17,695,713	17,368,924	13,131,174
Total primary government net position	\$ 23,132,343	\$ 122,656,130	\$ 124,438,695	\$ 125,844,880	\$ 125,822,958	\$ 126,770,999	\$ 126,927,405	\$ 129,822,080	\$ 131,593,138	\$ 130,861,646

Note (1): Montgomery Township applied GASB Statement No. 54 in fiscal year 2011, changing the way restricted versus unrestricted assets are reported.

Note (2): Montgomery Township applied GASB Statement No. 63 in fiscal year 2012.

Note (3): Montgomery Township added a proprietary fund during fiscal year 2013.

Source: Montgomery Township Records, Statement of Net Position.

Montgomery Township
Changes in Net Position
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010 (1)	2011	2012 (2)	2013 (3)	2014	2015
Expenditures										
Governmental Activities										
General government	\$ 1,910,214	\$ 2,168,969	\$ 2,180,895	\$ 2,268,985	\$ 2,144,259	\$ 2,020,878	\$ 1,975,461	\$ 1,977,589	\$ 2,156,792	\$ 2,196,876
Public safety	5,975,129	6,208,820	6,829,457	6,700,787	7,168,920	7,337,227	7,837,879	8,172,869	7,994,539	8,543,152
Highways and Streets	2,637,855	2,401,078	2,644,118	1,974,513	2,938,385	3,051,214	3,250,223	2,954,258	2,863,824	3,080,080
Parks and Recreation	465,887	580,841	599,551	659,577	568,400	593,554	758,403	854,770	792,683	478,748
Police and Employee Pension Costs	469,714	493,693	549,772	616,193	-	-	-	-	-	-
Interest on long-term debt	85,226	77,977	69,723	60,857	44,694	35,704	51,755	226,143	22,851	12,610
Depreciation, Unallocated	629,136	673,598	745,437	820,828	776,908	819,214	877,568	871,406	859,765	901,584
Amortization of bond issue cost and discounts, unalloc	5,172	5,172	5,172	5,172	5,172	5,172	5,172	678	678	678
Total governmental activities expenditures	12,178,333	12,610,148	13,624,125	13,106,912	13,646,738	13,862,963	14,756,461	15,057,713	14,691,132	15,213,728
Business -type Activities										
Recreation Center	-	-	-	-	-	-	-	141,742	269,504	1,430,152
Total business activities expenditures	-	-	-	-	-	-	-	141,742	269,504	1,430,152
Total primary government expenditures	12,178,333	12,610,148	13,624,125	13,106,912	13,646,738	13,862,963	14,756,461	15,199,455	14,960,636	16,643,880
Program Revenues										
Governmental Activities										
Charges for services										
General Government	65,171	32,416	72,866	50,953	62,533	43,405	70,852	71,054	71,448	83,833
Public Safety	995,194	1,239,465	1,165,861	755,515	825,034	956,892	1,316,137	991,234	1,136,533	1,140,983
Highways and Streets	-	-	6,375	6,376	6,375	-	12,750	6,900	6,900	6,750
Parks and Recreation	92,360	145,197	212,088	199,817	182,870	225,034	238,540	256,560	249,833	1,845
Operating Grants and Contributions	1,256,068	1,379,761	1,399,797	1,267,648	949,586	1,512,844	1,079,469	1,351,862	1,494,079	1,064,528
Capital Grants and Contributions	-	5,097,684	-	-	-	-	-	1,770,813	163,211	-
Total governmental activities program revenues	2,408,793	7,894,523	2,856,987	2,280,309	2,026,398	2,738,175	2,717,748	4,448,423	3,122,004	2,297,939
Business Type Activities										
Charges for services										
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	348,626
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	263,080
Total business type activities program revenues	-	-	-	-	-	-	-	-	-	611,706
Total primary government program revenues	2,408,793	7,894,523	2,856,987	2,280,309	2,026,398	2,738,175	2,717,748	4,448,423	3,122,004	2,909,645
Net (expense)/revenue										
Governmental Activities	(9,769,540)	(4,715,625)	(10,767,138)	(10,826,603)	(11,620,340)	(11,124,788)	(12,038,713)	(10,609,290)	(11,569,128)	(12,915,789)
Business Type Activities	-	-	-	-	-	-	-	(141,742)	(269,504)	(818,446)
Total Primary government net expense	\$ (9,769,540)	\$ (4,715,625)	\$ (10,767,138)	\$ (10,826,603)	\$ (11,620,340)	\$ (11,124,788)	\$ (12,038,713)	\$ (10,751,032)	\$ (11,838,632)	\$ (13,734,235)

TABLE 2

Montgomery Township
Changes in Net Position
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010 (1)	2011	2012 (2)	2013 (3)	2014	2015
General Revenues and other Changes in Net Assets										
Government Activities										
Taxes	\$ 12,240,669	\$ 11,536,073	\$ 11,501,265	\$ 10,645,490	\$ 10,485,766	\$ 11,486,880	\$ 11,583,722	\$ 12,970,889	\$ 12,958,193	\$ 13,414,506
Cable TV Franchise Fees	313,750	346,572	368,662	396,874	439,003	483,769	502,002	536,820	572,530	588,476
Investment Income	917,261	978,784	540,064	311,340	120,328	83,569	88,555	97,683	89,292	152,425
Gain (loss) on sale of capital assets	(11,137)	8,304	12,135	879,084	553,321	18,611	20,840	36,403	(17,730)	98,169
Refund of Prior year Expenditures	-	124,688	127,577	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	1,000,000	(476,894)	(5,121,497)
Total Government Activities	13,460,543	12,994,421	12,549,703	12,232,788	11,598,418	12,072,829	12,195,119	14,641,795	13,125,391	9,132,079
Business- Type Activites										
Taxes	-	-	-	-	-	-	-	-	-	100,000
Investment Income	-	-	-	-	-	-	-	3,912	7,405	439
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	(1,000,000)	476,894	-
Transfers	-	-	-	-	-	-	-	-	-	5,121,497
Total Business Type Activites	-	-	-	-	-	-	-	(996,088)	484,299	5,221,936
Total primary government	13,460,543	12,994,421	12,549,703	12,232,788	11,598,418	12,072,829	12,195,119	13,645,707	13,609,690	14,354,015
Change in Net Position										
Government Activities	3,691,003	8,278,796	1,782,565	1,406,185	(21,922)	948,041	156,406	4,032,505	1,556,263	(3,783,710)
Business- Type Activites	-	-	-	-	-	-	-	(1,137,830)	214,795	4,403,490
Total primary government	\$ 3,691,003	\$ 8,278,796	\$ 1,782,565	\$ 1,406,185	\$ (21,922)	\$ 948,041	\$ 156,406	\$ 2,894,675	\$ 1,771,058	\$ 619,780

Note (1): Police and Employee Pension Costs are distributed amongst the appropriate functions beginning 2010.

Note (2): Montgomery Township applied GASB Statement No. 63 in fiscal year 2012

and as a result is reporting Net Position.

Note (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.

TABLE 3

Montgomery Township
Fund Balances Of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015
General Fund										
Reserved	3,200	3,200	3,200	3,200	3,200	-	-	-	-	-
Unreserved	2,137,051	2,348,124	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
Total General Fund	2,140,251	2,351,324	2,199,209	2,297,763	2,541,575	2,792,961	3,218,308	3,006,135	3,267,459	3,015,068
All other governmental funds										
Reserved	1,917,324	1,671,274	1,896,329	2,056,389	1,599,140	-	-	-	-	-
Unreserved, reported in :										
Special revenue funds	1,781,916	2,170,976	2,412,356	2,373,591	2,605,488	-	-	-	-	-
Capital projects funds	9,281,343	11,310,882	10,311,022	11,823,426	11,923,918	-	-	-	-	-
Restricted										
Street Light Fund	-	-	-	-	-	610,834	594,459	593,217	570,741	562,300
Debt Service Fund	-	-	-	-	-	704,870	700,876	712,798	1,101,320	814,752
Basin Maintenance Fund	-	-	-	-	-	261,327	188,611	115,353	55,339	28,485
Park Development Fund	-	-	-	-	-	171,518	289,544	300,932	333,663	605
Liquid Fuels Fund	-	-	-	-	-	152,279	227,574	117,476	181,728	239,954
Environmental Fund	-	-	-	-	-	649,527	741,885	703,110	-	-
Restoration Fund	-	-	-	-	-	23,517	23,610	23,615	9,880	9,883
300th Anniversary	-	-	-	-	-	-	8,362	64,217	49	-
Committed										
Replacement Tree Fund	-	-	-	-	-	635,572	586,667	603,955	925,650	689,954
Fire Services Fund	-	-	-	-	-	213,550	247,054	247,521	290,060	209,452
Capital Reserve Fund	-	-	-	-	-	11,800,878	11,970,441	13,568,257	12,522,769	9,225,410
Environmental Fund	-	-	-	-	-	-	-	-	766,037	307,579
Assigned										
Park and Recreation Fund	-	-	-	-	-	577,156	595,845	605,902	576,539	573,210
Autumn Festival Fund	-	-	-	-	-	26,464	36,503	43,941	50,125	44,717
Unassigned	-	-	-	-	-	-	(2,757)	-	-	-
Total all other governmental funds	12,980,583	15,153,132	14,619,707	16,253,406	16,128,546	15,825,148	16,208,674	17,700,294	17,383,900	12,706,301
Total all Governmental funds	15,120,834	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

Note (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.

Table 4

Montgomery Township
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years (Unaudited)

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 12,214,440	\$ 11,603,372	\$ 11,387,431	\$ 10,658,866	\$ 10,558,172	\$ 11,479,869	\$ 11,992,652	\$ 12,580,357	\$ 12,739,806	\$ 13,184,101
Licenses and Permits	1,150,776	1,400,306	1,356,901	998,662	1,105,903	1,222,484	1,619,506	1,311,440	1,515,140	1,530,037
Fines and Forfeitures	142,042	158,394	158,616	129,191	135,190	179,842	179,435	178,452	173,774	186,404
Interest Income, Rents and Royalties	928,661	987,184	549,919	312,678	131,528	84,595	89,635	99,388	90,977	154,279
Intergovernmental revenues	1,116,409	1,179,194	1,265,989	1,239,390	1,234,924	1,691,974	1,296,844	1,346,835	1,462,211	1,385,772
Charges for Services	162,257	196,550	302,815	280,344	263,522	305,748	340,260	370,971	346,637	103,601
Contributions	139,659	200,567	131,473	28,258	73,729	437,351	158,117	440,075	477,226	106,127
Total Revenues	15,854,244	15,725,567	15,153,144	13,647,389	13,502,968	15,401,863	15,676,449	16,327,518	16,805,771	16,650,321
Expenditures										
Current										
General Government	1,998,062	2,301,878	2,305,366	2,346,523	2,147,085	3,079,371	3,859,155	2,025,324	3,952,497	2,545,286
Public Safety	6,763,846	6,515,130	8,853,157	6,720,338	7,030,217	7,447,466	7,460,701	7,776,548	7,640,697	8,658,550
Highways and Streets	2,795,551	2,794,257	3,129,374	2,383,845	3,212,200	3,263,340	3,469,225	3,065,869	2,868,323	3,344,278
Parks and Recreation	500,746	910,019	704,322	686,519	568,400	643,990	803,448	849,671	889,622	419,689
Other Employee Benefits not allocated	469,714	493,693	549,772	616,193	607,784	663,646	707,378	888,672	882,524	928,923
Debt Service										
Principal	397,188	383,044	379,446	318,914	340,510	349,200	451,262	1,283,917	132,515	654,452
Interest and other charges	84,109	76,916	68,704	59,888	43,792	29,662	51,613	226,727	23,529	13,288
Total Expenditures	13,009,216	13,474,937	15,990,141	13,132,220	13,949,988	15,476,675	16,802,782	16,116,728	16,389,707	16,564,466
Excess (deficiency) of revenues over expenditures	2,845,028	2,250,630	(836,997)	515,169	(447,020)	(74,812)	(1,126,333)	210,790	416,064	85,855
Other Financing Sources (Uses)										
Proceeds from sale of capital assets	28,572	8,304	23,880	1,217,084	565,972	22,800	20,840	68,657	5,760	105,652
Proceeds from loan issuance							1,914,366			
Proceeds from county infrastructure loan	-	-	-	-	-	-	-			
Refund of prior years' expenditures	87,848	124,688	127,577	-	-	-	-			
Interfund transfers in	4,093,063	3,562,081	5,023,072	1,359,760	747,891	2,133,806	1,800,109	3,378,900	1,954,419	3,050,732
Interfund Transfers out	(4,093,063)	(3,562,081)	(5,023,072)	(1,359,760)	(747,891)	(2,133,806)	(1,800,109)	(2,378,900)	(2,431,313)	(8,172,229)
Total Other Financing Sources (Uses)	116,420	132,992	151,457	1,217,084	565,972	22,800	1,935,206	1,068,657	(471,134)	(5,015,845)
Net change in fund balance	2,961,448	2,383,622	(685,540)	1,732,253	118,952	(52,012)	808,873	1,279,447	(55,070)	(4,929,990)
Fund balance at beginning of year	12,159,386	15,120,834	17,504,456	16,818,916	18,551,169	18,670,121	18,618,109	19,426,982	20,706,429	20,651,359
Fund balance at end of year	15,120,834	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
Debt Service as a percentage of non-capital expenditures	3.84%	3.53%	2.88%	3.05%	2.87%	2.74%	3.45%	10.87%	1.11%	4.37%

Source: Montgomery Township Statement of Revenues, Expenditures & Changes in Fund Balances Governmental Funds

Table 5

**Montgomery Township
General Government Tax Revenues by Source
Last Ten Years (Unaudited)**

Year Ended 31-Dec	Real Estate Tax (1)	Earned Income Tax	Realty Transfer Tax	Business Gross Receipts	Total
2006	3,340,122	3,837,531	1,563,984	3,472,803	12,214,440
2007	2,960,726	4,079,116	1,066,042	3,497,488	11,603,372
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

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)
2006	\$ 2,064,458,466	\$ 50,057,855	\$ 2,014,400,611	\$ 4,071,910,189	.507	1.49
2007	2,099,656,475	50,911,317	2,048,745,158	4,133,182,037	.508	1.49
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

Source: Montgomery County Board of Assessments .

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.

Table 7

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

Fiscal Year	Montgomery Township					Overlapping Rates		
	General Fund Millage	Park and Recreation Millage	Fire Protection Millage	Debt Service Millage	Total Township Millage	Total County Millage	Total School Millage	Total Millage
2006	0.89	0.19	0.17	0.24	1.49	2.8900	19.0275	23.4075
2007	0.89	0.19	0.17	0.24	1.49	2.8400	19.6744	24.0044
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

Source: Pennsylvania Department of Community and Economic Development Municipal Statistics.

Table 8

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

Taxpayer	Type of Business	<u>2015</u>			<u>2006</u>		
		Assessed Value	Rank	% of Total Assessment	Assessed Value	Rank	% of Total Assessment
Montgomeryville Associates,inc.	Shopping Mall	\$ 90,971,026	1	4.03%	\$ 104,166,060	1	5.05%
Kir Montgomeryville	Shopping Mall	35,960,000	2	1.59%	22,376,090	5	1.08%
Private Individual	Industrial Building	30,784,370	3	1.36%	30,813,320	2	1.49%
Nappen & Associates	Industrial Building	28,584,380	4	1.27%	26,164,240	3	1.27%
Avenel Realty Co Inco	Apartment Building	28,213,000	5	1.25%	13,212,530	8	0.64%
Gateway DC Properties,Inc.	Shopping Mall	20,350,290	6	0.90%	24,306,000	4	1.18%
Water Tower Square Assoc.	Apartment Building	19,229,000	7	0.85%	19,229,000	6	0.93%
Private Individual	Rental Lots	14,794,330	8	0.66%	14,794,330	7	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				12,615,000	9	0.61%
Target Corp	Retail Store				9,751,090	10	0.47%
TOTAL		\$ 295,439,066		13.09%	\$277,427,660		13.44%

Source: Montgomery County Tax Assessment Duplicate

TABLE 9

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

Fiscal Year Ended 31-Dec	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
2006	2,755,025	2,702,656	98.1%	52,367	2,755,023	100.00%
2007	2,818,611	2,780,966	98.7%	37,645	2,818,611	100.00%
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%	77,031	2,821,469	99.99%
2011	2,808,794	2,731,699	97.3%	77,095	2,808,794	100.00%
2012	2,840,066	2,760,624	97.2%	79,190	2,839,814	99.99%
2013	2,846,605	2,811,419	98.8%	29,180	2,840,599	99.79%
2014	2,927,294	2,912,770	99.5%	13,261	2,926,031	99.96%
2015	2,946,166	2,927,048	99.4%	0	2,927,048	99.35%

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 2004, \$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.

Table 10

**Business Privilege and Mercantile Tax
Revenue Base and Collections
Last 10 Years (Unaudited)**

Year Ended	Number of		Taxes	
31-Dec	Returns	Taxable Sales	Collected	Tax rate
2006	1,254	2,040,210,000	3,060,315	1.5 Mills
2007	1,258	2,067,927,333	3,101,891	1.5 Mills
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

Source: Montgomery Township Business/Mercantile Tax Collection Records

Table 11

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

Description	<u>2015</u>		<u>2006</u>	
	Rank	% of Total	Rank	% of Total
Retail Store	1	6.81%	1	5.80%
Retail Store	2	3.69%	-	-
Retail Store	3	2.80%	3	2.46%
Manufacturing	4	2.76%	-	-
Retail Stores - Auto	5	2.69%	9	1.63%
Retail Stores - Auto	6	2.61%	6	1.72%
Retail Store	7	2.39%	-	-
Retail Store	8	2.29%	2	3.30%
Retail Store - Auto	9	2.29%	-	-
Retail Store - Auto	10	1.96%	10	1.34%
Retail Store - Auto	-	-	7	1.66%
Department Store	-	-	5	1.81%
Retail Store	-	-	4	2.07%
Retail Store	-	-	8	1.55%
Percentage of Total Gross Collections		30.29%		23.34%

Source: Montgomery Township Business Tax Records

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.

Table 12

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

Fiscal Year	General Obligation Bonds (1)	General Obligation Notes	Total Primary Government	Percentage of Per Capital Income (2)	Per Capita
2006	\$ 1,110,000	\$ 1,722,405	\$ 2,832,405	0.40%	129
2007	960,000	1,489,360	2,449,360	0.26%	103
2008	815,000	1,254,915	2,069,915	0.20%	88
2009	665,000	1,086,000	1,751,000	0.17%	74
2010	505,000	905,490	1,410,490	0.14%	57
2011	345,000	716,290	1,061,290	0.10%	43
2012	175,000	2,349,392	2,524,392	0.26%	103
2013	8,990,889	1,240,476	10,231,365	0.96%	407
2014	8,782,554	1,107,961	9,890,515	0.87%	390
2015	8,574,219	453,509	9,027,728	0.79%	347

Notes

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

(2) Per Capita Income taken from United States Census Bureau

Table 13

**Montgomery Township
Ratio of Net General Bonded Debt To Assessed Value of
Real Estate and General Bonded Debt Per Capita
Last Ten Years (Unaudited)**

Year Ended 31-Dec	Population	Assessed Value	Gross General Bonded Debt	Debt Service Fund Balance	Net General Bonded Debt	Percentage of General Bonded Debt to Assessed Value	General Bonded Debt per Capita
2006	22,025	2,014,400,611	1,110,000	259,826	850,174	0.04%	\$39
2007	23,666	2,048,745,158	960,000	314,470	645,530	0.03%	\$27
2008	23,504	2,086,400,611	815,000	372,171	442,829	0.02%	\$19
2009	23,504	2,093,987,758	665,000	483,382	181,618	0.01%	\$8
2010	24,790	2,152,471,548	505,000	586,034	-81,034	0.00%	\$0
2011	24,790	2,150,673,626	345,000	704,870	-359,870	0.00%	\$0
2012	24,601	2,178,848,188	175,000	700,876	-525,876	0.00%	\$0
2013	25,121	2,183,821,944	8,990,889	712,798	8,278,091	0.38%	\$330
2014	25,386	2,237,449,614	8,782,554	1,101,320	7,681,234	0.34%	\$303
2015	26,025	2,256,413,614	8,574,219	814,752	7,759,467	0.34%	\$298

Source:

Population 2000 - 2006 Bureau of Census - 2000 Census
 2007 - 2009 Bureau of Census 2005-2009 American Community Survey
 2010 Bureau of Census 2010 Population Total by Municipality
 2011-2015 Bureau of Census 2011-2013 American Community Survey

Assessed Value - Montgomery County Tax Assessment
 Debt - Montgomery Township Audited Financial Reports

TABLE 14

**Montgomery Township
Computation of Direct and Overlapping Debt
December 31, 2015 (Unaudited)**

	Net Debt Outstanding		Debt Applicable to Montgomery
Direct Debt of the Township and Related Entities			
Montgomery Township	\$ 4,548,448		\$ 4,548,448
Overlapping Debt			
County of Montgomery	\$ 402,604,299	(1)	\$ 15,802,714
North Penn School District	\$ 103,395,146	(2)	\$ 32,799,928
Total Overlapping Debt	<u>\$ 505,999,445</u>		<u>\$ 48,602,642</u>
Total Direct and Overlapping Debt	<u>\$ 510,547,893</u>		<u>\$ 53,151,090</u>

Notes:

(1) Percentage of total Montgomery County debt as of December 31, 2015, based on the ratio of Montgomery Twp Assessed valuation to Montgomery County 2015 Assessed Value

(2) Percentage of total North Penn School district debt as of June 30, 2015, based on the ratio of Montgomery Twp Assessed Value to North Penn School District 2015 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, 2015 (Unaudited)**

Borrowing base revenues (1):		
2013		15,925,393
2014		16,805,776
2015		16,650,321
Total Revenues		\$ 49,381,490
Debt limit for General Obligation Bonds:		
Average borrowing base revenues	\$	16,460,497
Debt limit percent		250%
Debt limit		41,151,242
Total amount of debt applicable to debt limit		4,548,448
Legal debt margin	\$	36,602,794
Debt limit for General Obligation bonds and lease rental debt:		
Average borrowing base revenues	\$	16,460,497
Debt limit percent		350%
Debt limit	\$	57,611,738
Total amount of debt applicable to debt limit		-
Legal debt margin	\$	57,611,738

Notes: Borrowing base represents total revenues per Act 177 of 1996 recodified Unit Debt Act.

Source: Montgomery Township Annual Financial Statements.

Table 16

**Montgomery Township
Legal Debt Margin Information
Last Ten Years (Unaudited)**

Year Ended 31-Dec	Debt Limit	Gross General Obligation Debt	Legal Debt Margin	Total Gross General Obligation Debt as a Percentage of Debt Limit
2006	36,603,967	2,832,405	33,771,562	7.74%
2007	37,848,055	2,449,360	35,398,695	6.47%
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%

Source: Montgomery Township Annual Financial Statements

Table 17					
Montgomery Township					
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures Last Ten Years (Unaudited)					
Year Ended				Total General Governmental Expenditures	Ratio of Debt Service to Total General Governmental Expenditures
31-Dec	Principal	Interest	Debt Services		
2006	397,188	84,019	481,207	13,009,216	3.70%
2007	383,044	76,916	459,960	13,474,937	3.41%
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%

Source: Montgomery Township Annual Financial Statements.

Table 18

**Montgomery Township
Demographic and Economic Statistics
Last Ten Years (Unaudited)**

Year Ended 31-Dec	Per Capita Income (1)	Population (1)	Per Capita Personal Income	Unemployment Rate (2)
2006	32,349	20,025	647,788,725	3.5
2007	40,537	23,666	959,348,642	3.4
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
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

Source: (1) 2000 -2006 Bureau of Census - 2000 Census
2007 - 2009 Bureau of Census 2005-2008 American Community Survey
2010 Bureau of Census - 2010 Census
(2) U S Depart of Labor Statistics for Montgomery County, Montgomery Twp

Table 19

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

Employer	Description	<u>2015</u>			<u>2006</u>		
		Employees	Rank	% of Total Township Employment	Employees	Rank	% of Total Township Employment
Teva Phamaceutical	Pharmaceutical	782	1	3.24%	455	6	1.88%
Wegman's Food Markets	Grocery Store	458	2	1.90%	-	-	-
Sensor & Antenna Systems	Manufacturing	405	3	1.68%	-	-	-
Harriet Carter Gifts	Catalog Sales	353	4	1.46%	816	2	3.38%
Gemalto, Inc	Manufacturing	338	5	1.40%	-	-	-
Capital Wine and Spirits	Distributor	315	6	1.30%	-	-	-
McCallion Temps, Inc	Employment Agency	272	7	1.13%	1,076	1	4.46%
Costco	Retail Store	266	8	1.10%	-	-	-
Target	Retail Store	261	9	1.08%	580	3	2.40%
Macy's	Retail Store	241	10	1.00%	545	5	2.26%
American Pool Management	Manufacturing	-	-	-	560	4	2.32%
Sears	Department Store	-	-	-	453	7	1.88%
BAE Systems	Manufacturer	-	-	-	431	8	1.78%
Best Buy	Retail Store	-	-	-	399	9	1.65%
Toys R Us	Retail Store	-	-	-	326	10	1.35%
		-	-	-			
TOTAL		3,691		15.28%	5,641		23.36%

Notes:

Total Number of individuals employed in the Township in 2015: 21,764

Total Number of individuals employed in the Township in 2006: 24,160

Source: 2006 Township Occupation Privilege/Local Services Tax Records and 2015 Berkheimer, Inc. Records

Montgomery Township
Full Time Equivalent Township Government Employees by Function
Last Ten Fiscal Years (Unaudited)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	8.0	8.0	8.4	8.0	8.0	8.0	7.5	7.5	7.5	7.7
Finance and Tax Collection	7.8	8.5	7.5	7.5	7.5	6.5	6.5	6.5	6.5	7.5
Public Safety										
Officers	35.0	35.0	35.0	35.0	35.0	36.0	36.0	36.0	36.0	35.0
Civilians	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0
Fire Safety										
Officers	5.0	5.8	5.8	5.8	5.8	5.8	5.8	5.8	6.8	6.1
Clerical	0.0	0.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6
Code Enforcement, Building & Zoning	6.3	6.3	6.3	6.3	6.3	6.3	5.0	5.0	5.4	5.5
Public Works										
Highway, Storm Sewers, Street Lights, Traffic Signals, Facilities and Parks	20.3	20.3	21.3	21.3	21.3	23.3	22.3	21.3	21.3	19.2
Culture and Recreation	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	9.9
Totals:	92.21	93.75	95.73	95.33	95.33	97.40	94.60	93.60	95.00	99.50

Source: Montgomery Township, Montgomery County, Pennsylvania Records

**Montgomery Township
Operating Indicators by Function
Last Ten Fiscal Years (Unaudited)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police										
Part I Crimes	597	656	540	561	479	531	443	418	465	397
Part II Crimes	1,423	1,401	1,212	1,127	1,226	1,113	1028	1142	1085	1117
Total Calls for Service	24,974	26,399	26,092	26,028	26,607	29,306	26,250	28,966	29,841	31,980
Fire Safety										
Total Responses	683	659	700	570	572	599	588	565	639	615
Code Enforcement & Zoning										
Total Permits	1026	959	940	928	1160	1374	1349	1314	1345	1388
Land Development Submittals	9	7	7	7	3	1	10	9	8	10
Zoning Hearing Board Applications	14	14	15	19	14	15	15	17	18	11
Rezoning Requests	2	2	0	0	0	0	0	1	2	0
Conditional Use Applications	2	4	0	1	0	2	2	2	1	2
Highway and Streets										
Streets Resurfaced (miles)	5.02	5.45	5.7	0 (1)	4.34	5.02	5.47	5.43	2.71	2.84

Source: Montgomery Township, Montgomery County, Pennsylvania Records

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.

**Montgomery Township
Capital Asset Statistics by Function
Last Ten Fiscal Years (Unaudited)**

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicle Units	19	19	20	20	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	5	5	4
Highway and Streets										
Street Miles	71	71	73	73	73	73	73	73	73	73
Traffic Signals	42	43	43	43	42	41	48	48	48	49
Stormwater Detention Basins	60	60	61	63	63	63	63	63	63	63
Culture and Recreation										
Park Sites	11	11	11	11	11	11	13	13	14	14
Acres	306	306	306	306	306	314	326	326	376	376
Playgrounds	8	8	8	8	8	8	8	8	8	8
Soccer Fields	10	10	10	11	11	11	11	11	11	11
Baseball Fields	13	13	14	14	14	14	14	14	14	14
Tennis Courts	16	16	16	16	16	16	16	16	16	16
Basketball Courts	6	6	6	7	9	9	9	9	8.5	8.5
Street Hockey	4	4	4	4	4	4	4	4	4	4
Disc Golf Course		1.00	1.00	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 12/31/2015
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
1	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. 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. Business Interruption, including Rental Income, Tuition and Related Fees Income and Tax Interruption, if values have not been reported	\$500,000	Each Interruption, Each Participant
v. Business Interruption, including Rental Income, Tuition and Related Fees Income and Tax Interruption, if values have not been reported	\$2,500,000	Each Interruption for All Participants Combined
w. Extended Period of Indemnity	180	Days
x. 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
Y. Contingent Extra Expense Resulting from a Covered Peril at Direct Supplier or Direct Customer Locations	\$3,000,000	Each Interruption for All Participants Combined
z. Leasehold Interest	\$500,000	Each Occurrence
aa. Claims Preparation Expense	\$1,000,000	Each Occurrence
bb. Accidental Contamination of Land When Resulting from a Named Peril	\$250,000	Each Occurrence, Annual Aggregate Each Participant
cc. Accidental Contamination of Land When Resulting from a Named Peril	\$500,000	Annual Aggregate for All Participants Combined

dd. Earthquake Shock	\$50,000,000	Annual Aggregate for All Participants Combined
ee. Flood	\$100,000,000	Annual Aggregate for All Participants Combined
f f. Flood - Zones A, AE, V and all other 100 year Floodplains	\$50,000,000	Annual Aggregate for All Participants Combined *
gg. 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

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 COVERAGE

1	Limit of Liability		
	The following Limit of Liability applies:		
	All Coverages Combined (Property Damage and Business Interruption and Extra Expense)	\$100,000,000	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	\$50,000	Each Accident
	b. Errors and Omissions	\$50,000	Each Accident
	c. Hazardous Substances	\$10	Each Accident
	d. Water Damage	Included	Each Accident
	e. Consequential Damage	Included	Each Accident
	f. Ordinance or Law - Value of Undamaged Portion of Building, Demolition and Increased Cost of Construction Due to Ordinance or Law	\$25,000,000	Each Accident
	g. EDP Media	\$10,000,000	Each Accident
	h. Earthquake Resultant Damage	\$2,000,000	Annual Aggregate
	i. Utility Interruption for Utilities Owned by Others and For Covered Objects and Covered Perils	\$10,000,000	Each Accident
	j. Automatic Acquisitions	\$25,000,000	Each Accident
3	Deductibles		
	a. All Coverages Combined	\$1,000	Each Accident
	b. Off Premises Service Interruption (Property Damage and Time Element)		24 Hours Waiting Period Time Element)

CRIME COVERAGE

1	Limits of Liability		
	a. Public Employee Dishonesty Coverage with Faithful Performance of Duty included without sublimit	\$2,000,000	Each Occurrence
	b. Forgery or Alteration Coverage	\$2,000,000	Each Occurrence
	c. Theft, Disappearance and Destruction Coverage (Inside and Outside for Money and Securities excluding checks)	\$250,000	Each Occurrence
	d. Theft, Disappearance and Destruction Coverage (Inside and Outside for Money and Securities - Checks)	\$1,000,000	Each Occurrence
	e. Computer Fraud Coverage	\$2,000,000	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
2	Deductibles		
	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

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
	1 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
	p. Privacy Liability (effective May 1, 2009)	\$100,000	Annual Aggregate
2	Deductibles		
	a. General Liability	\$0	Each Occurrence
	General Liability arising out of Skateboarding or Rollerblading	\$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
	g. Employee Benefit Plan Fiduciary Liability	\$2,500	Each Loss
	h. Privacy Liability	\$2,500	Each Claim
3	Retroactive Date for Public Officials and Employees Liability:	None	
4	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

1

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

SCHEDULE OF PREMIUMS CONTRIBUTIONS PAID IN 2015

DELAWARE VALLEY INSURANCE TRUST

Property	\$48,925	
Crime	\$2,076	
Auto Liability	\$31,150	
Auto Physical Damage	\$18,166	
General Liability	\$73,587	
Law Enforcement Liability	\$57,435	
Public Officials Liability	\$40,117	
Sub Total	\$271,456	
Less 4% Multi-trust Discount	(\$10,858)	
Less Rate Stabilizaiton Contribution	(\$44,382)	
Less Prior Year Dividend	(\$30,600)	
Net Contribution	\$185,616	

DELAWARE VALLEY WORKERS COMPENSATION TRUST

Annual contribution	\$258,893	
Less 4% Multi-trust Discount	(\$10,356)	
Less Rate Stabilizaiton Contribution	(\$31,516)	
Less Prior Year Dividend	(\$15,909)	
Net Contribution	\$201,112	

Source: Montgomery Township Insurance Records

Table 24

**Montgomery Township
Selected Data- Police Pension Plan
Last Ten Years (Unaudited)**

Year Ended 31-Dec	Number of Active Members	Contributions			Total	Number of Retired Members (1)
		Members	Township	State		
2006	34	\$ 128,934	\$ 92,901	\$ 216,197	\$ 438,032	4
2007	34	128,856	88,399	226,507	443,762	5
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

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		
2006	\$ 36,982	\$ 92,901	\$ -	\$	129,883
2007	44,024	90,083	6,881		139,304
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		137,627
2011	13,683	22,489	17,466		290,566
2012	48,201	259,417	21,050		455,674
2013	45,769	386,423	20,150		421,341
2014	58,054	355,422	23,000		436,476
2015	\$ 73,096	\$ 508,209	\$ 23,689	\$	604,994

Notes: (1) Contributions Net of State Aid

Source: Montgomery Township, Montgomery County, Pennsylvania Records

Table 26

**Montgomery Township
Salaries of Elected Officials
December 31, 2015
(Unaudited)**

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, 2015 (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>	73.09 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>	36 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 2015)</u>	Public	Nonpublic
<u>Elementary</u>	2	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

<u>Township Employees:</u>	<u>2015</u>
<u>Full Time</u>	88
<u>Part Time</u>	30
<u>Seasonal</u>	42

<u>Population:</u>	<u>2015</u>	<u>2006</u>
	26,025	22,025

<u>Age Group Comparisons:</u>	<u>Township</u>		<u>State</u>		<u>US</u>	
	<u>2015</u>	<u>2006</u>	<u>2015</u>	<u>2006</u>	<u>2015</u>	<u>2006</u>
<u>% Under 18</u>	24.5%	29.8%	22.0%	26.5%	27.0%	28.6%
<u>% 18-64</u>	62.5%	58.9%	62.8%	53.7%	60.1%	55.1%
<u>% Over 65</u>	13.1%	11.3%	15.3%	19.8%	12.8%	16.3%
<u>Median (years)</u>	41.3	36.8	41.0	38.0	36.8	35

<u>Average Household Size (persons):</u>	<u>2015</u>	<u>2006</u>
<u>Montgomery Township</u>	2.74	2.74
<u>U.S.</u>	2.63	2.58

<u>Number of Married couple families as a percentage of all households:</u>	<u>2015</u>	<u>2006</u>
<u>Montgomery Township</u>	76.1%	68.5%
<u>U.S.</u>	48.4%	51.9%

<u>Married couple families by presence of children under 18:</u>	<u>2015</u>	<u>2006</u>
<u>With children</u>	2,580	2,946
<u>Without children under 18</u>	3,237	2,484
<u>Difference</u>	657	462

Source : United States Bureau of the Census - 2002/2011-2013 Data and Montgomery Township, Montgomery County, Pennsylvania records.