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Montgomery Township,  
Pennsylvania



**Comprehensive  
Annual Financial  
Report**

**Fiscal Year Ended  
December 31, 2016**



*Prepared by the  
Montgomery Township  
Finance Department*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Montgomery Township, Pennsylvania**

Fiscal Year Ended December 31, 2016

Prepared by the Montgomery Township Finance Department

# **INTRODUCTORY SECTION**

**MONTGOMERY TOWNSHIP**  
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**MONTGOMERY TOWNSHIP  
BOARD OF SUPERVISORS**

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JEFFREY W. McDONNELL  
RICHARD E. MINISCALCO**

**LAWRENCE J. GREGAN**  
TOWNSHIP MANAGER

June 16, 2017

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, 2016. 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, 2016. The independent auditor's report is located at the front of the Financial Section of this report.

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

### **Profile of the Township**

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

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



rapid residential growth in the past 35 years, more than quadrupling its population from 5,718 in 1980 to 26,025 in 2016. 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. In 2016, Township Supervisor Joseph P. Walsh was appointed by Pennsylvania Gov. Thomas Wolfe to serve as a judge on the Montgomery County Court of Common Pleas. Richard E. Miniscalco was appointed to fill this vacancy for a term to expire on December 31, 2017. 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 2016:

- Community and Recreation Center – Construction of the 44,000+ square foot facility was completed in 2015, and the Montgomery Township Community & Recreation Center, including an adjacent handicapped accessible playground and spray park, celebrated its Dedication Ceremony and Grand Opening in October of 2015. Throughout 2016, management has continued to focus on improving operating efficiencies of the center, expanding membership, and expanding the services available to the community at the Recreation Center.
- Bond Refinancing - In 2016, the Township took advantage of a declining interest rate market to pursue, and ultimately finalize, an advance refunding of the General Obligation Bonds, Series of 2013, initially issued to finance capital improvement projects in the

Township including the design, construction and equipping of the Community Recreation Center. General Obligation Bonds, Series of 2016, in the amount of \$8,585,000 were issued on October 28, 2016 at a lower interest rate while maintaining the same retirement date and saving the Township in excess of \$600,000 in interest payments. Coupled with the refinancing was a reissuance of a Standard & Poor's AAA bond rating for the Township.

- Capital Assets - In 2016, the Township continued investing in its capital asset improvement programs including the annual curb and sidewalk replacement program, roadway resurfacing program, capital equipment replacement program and recreation facility asset replacement program with total expenditures in excess of \$1.5M.

## **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 8<sup>th</sup> largest employment center in Montgomery County. As seen in the statistical section of this report, major employers in the Township include a pharmaceutical company, a manufacturing company, and a catalog/online sales company, as well as a large retail sector and thriving restaurants. In addition to the strong and diverse employment foundation in the Township, the fiscally conservative and progressive approach of the Board of Supervisors has given the Township a strong financial base to sustain itself through difficult times.

Earned Income Tax continues to be the Township's largest revenue stream, about 33% 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 reissued the Township's credit rating as AAA, the agency's highest rating, assigned to only a handful of municipalities in Pennsylvania.

## **Long Term Financial Planning**

The Board of Supervisors and Township staff are committed to providing value to the taxpayers

by maintaining quality service levels and offering new benefits whenever the opportunity presents itself and the Township's fiscal position permits. To accomplish this, the Township regularly evaluates its revenue generating strategy. The Township has also developed and maintains multi-year financing plans for replacement of capital assets and infrastructure improvements. These include a 10-Year Equipment Replacement Plan and a 16-Year Road and Curb/Sidewalk Replacement Plan. Both of these programs provide for establishment of reserves funded by annual allocations to ensure that funding is available in the Township's annual budgets to replace needed capital equipment, resurface deteriorated roadway surfaces or replace damaged curbs and sidewalks.

Also, as a part of sound fiscal planning, the Township has adopted the Government Finance Officers Association's recommendation of maintaining an unreserved fund balance in the general fund of no less than ten to fifteen percent of general fund operating revenues. The Township currently maintains a 24% 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 1<sup>st</sup> and ends on December 31<sup>st</sup>. 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 1<sup>st</sup> of the budget year in accordance with the Pennsylvania Second Class Township Code. The Board of Supervisors may increase the amount of any object in the budget through supplemental appropriation contingent upon available

revenues. To aid departments in maintaining budgetary control, the Township maintains a purchase order and encumbrance accounting system.

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

### **Awards and Acknowledgements**

The Government Finance Officer Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery Township for its comprehensive annual financial report for the fiscal year ended December 31, 2015. 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

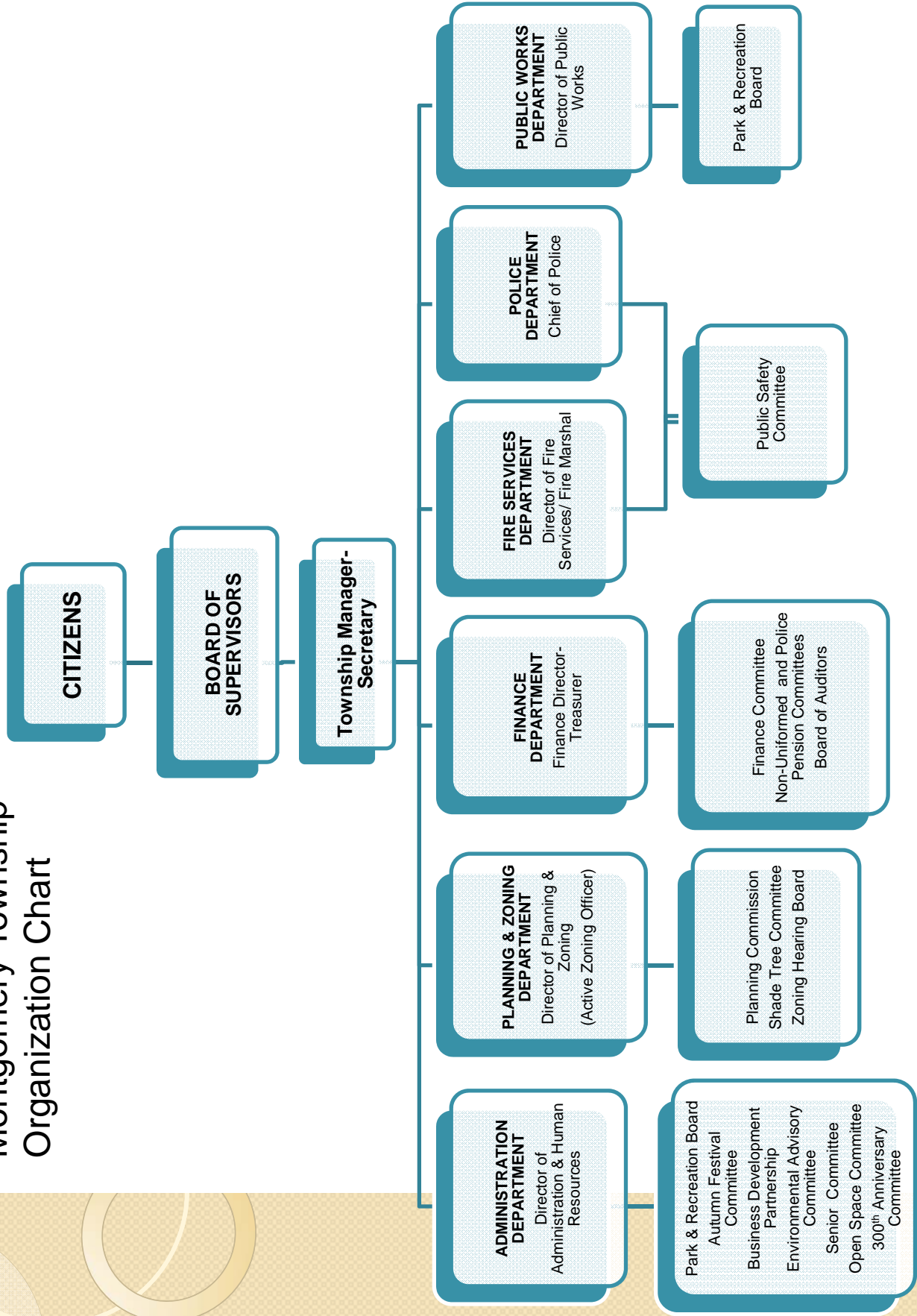
**Montgomery Township**  
**Pennsylvania**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

Executive Director/CEO

# Montgomery Township Organization Chart



# PRINCIPAL OFFICIALS

AS OF DECEMBER 31, 2016  
MONTGOMERY TOWNSHIP, PENNSYLVANIA

## **BOARD OF SUPERVISORS**

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

## **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  
Ami Tarburton, 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  
Floyd Shaffer, Director of Recreation and Community Center  
Richard Grier, Director of Information Technology

## **OTHERS**

Ken Amey, Planning Consultant  
Conrad Siegel Actuaries, Pension Plan Actuary  
Boucher & James, Inc., Landscape Engineer  
Mary Kay Kelm, Esquire, Zoning Hearing Board Solicitor  
Morgan Stanley Smith Barney, Pension Plan Investment Advisor  
Eckert Seamans Cherin & Mellott, LLC, Labor Law Attorneys  
Traffic Planning & Design, Inc., Traffic Engineers  
Univest National Bank, Banking Depository  
Robert 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, 2016, 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%, 99.1% and 98.3%, 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, 2016, 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, 2016, Montgomery Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. 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 68 and 69, pension plan information on pages 70 through 72, postemployment benefits other than pension funding progress on page 73 and trend data on infrastructure condition on pages 74 and 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery Township's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.



Oaks, Pennsylvania  
June 23, 2017

# **MONTGOMERY TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**YEAR ENDED DECEMBER 31, 2016**

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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, 2016.

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 2016 by \$129,113,998 (net position), an increase of \$1,732,807 as compared to 2015.
- The Township's Governmental Funds (Fund Financial Statements) reported combined ending balances for all funds of \$17,105,580, an increase of \$1,384,211 from 2015. In accordance with GASB 54, the General Fund ending balance of \$2,988,933 is unassigned and available for use according to the Township's fiscal policies. This balance represents 23% of total budgeted General Fund expenses for 2016. The remainder of the combined ending balances has been classified in accordance with the GASB 54 designations.
- The Township's Governmental Funds Debt decreased by \$332,326, while the Business-Type Debt increased by \$147,156 during 2016. 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, 2016

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

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

### REPORTING THE TOWNSHIP AS A WHOLE

#### **Statement of Net Position and Statement of Activities**

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

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

Over time, changes in net position serve as a useful indicator of the government's financial position. In the case of the Township, net position of the Primary Government Activities increased by \$1.7M from 2015 to 2016.

**MONTGOMERY TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2016**

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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, 2015 and 2016**

	Governmental Activities	
	2015	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Cash and equivalents	\$ 3,101,498	\$ 6,244,872
Other assets	14,625,677	12,807,421
Capital assets	113,560,482	113,595,908
TOTAL ASSETS	131,287,657	132,648,201
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	-	-
Deferred outflows related to pensions	1,660,414	1,486,896
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,660,414	1,486,896
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 132,948,071	\$ 134,135,097
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
Other liabilities	\$ 851,532	\$ 658,940
Long-term debt outstanding	4,548,448	4,216,122
TOTAL LIABILITIES	5,399,980	4,875,062
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	166,900	146,037
NET POSITION		
Net investment in capital assets	113,106,973	113,595,908
Restricted	1,655,979	1,622,842
Unrestricted	12,618,239	13,895,248
TOTAL NET POSITION	127,381,191	129,113,998
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 132,948,071	\$ 134,135,097

Business-Type Activities		Component Units		Totals	
2015	2016	2015	2016	2015	2016
\$ 747,206	\$ 151,873	\$ 4,563,451	\$ 4,857,800	\$ 8,412,155	\$ 11,254,545
398,300	589	7,757,535	4,712,518	22,781,512	17,520,528
<u>11,541,739</u>	<u>11,306,823</u>	<u>35,376,762</u>	<u>34,039,092</u>	<u>160,478,983</u>	<u>158,941,823</u>
<u>12,687,245</u>	<u>11,459,285</u>	<u>47,697,748</u>	<u>43,609,410</u>	<u>191,672,650</u>	<u>187,716,896</u>
-	232,183	276,094	-	276,094	232,183
-	-	-	-	1,660,414	1,486,896
<u>-</u>	<u>232,183</u>	<u>276,094</u>	<u>-</u>	<u>1,936,508</u>	<u>1,719,079</u>
<u>\$ 12,687,245</u>	<u>\$ 11,691,468</u>	<u>\$ 47,973,842</u>	<u>\$ 43,609,410</u>	<u>\$ 193,609,158</u>	<u>\$ 189,435,975</u>
\$ 632,571	\$ 57,812	\$ 1,700,877	\$ 1,333,087	\$ 3,184,980	\$ 2,049,839
8,574,219	8,721,375	4,231,284	25,047	17,353,951	12,962,544
<u>9,206,790</u>	<u>8,779,187</u>	<u>5,932,161</u>	<u>1,358,134</u>	<u>20,538,931</u>	<u>15,012,383</u>
-	-	-	-	166,900	146,037
2,967,520	2,817,631	30,970,168	33,876,130	147,044,661	150,289,669
-	-	-	-	1,655,979	1,622,842
512,935	94,650	11,071,513	8,375,146	24,202,687	22,365,044
<u>3,480,455</u>	<u>2,912,281</u>	<u>42,041,681</u>	<u>42,251,276</u>	<u>172,903,327</u>	<u>174,277,555</u>
<u>\$ 12,687,245</u>	<u>\$ 11,691,468</u>	<u>\$ 47,973,842</u>	<u>\$ 43,609,410</u>	<u>\$ 193,609,158</u>	<u>\$ 189,435,975</u>

# **MONTGOMERY TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**YEAR ENDED DECEMBER 31, 2016**

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Cash and investments represent 12.9% of the Total Governmental Assets and 1.3% of total business-type assets. Of the governmental cash and investments amount, \$10,552,104 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, 86.7%, reflects the Township's investment in capital assets (e.g., land, buildings, streets, equipment). The Township uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

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

Table 2 is a condensed Statement of Activities for all Governmental Activities for the current fiscal year as compared to the prior fiscal year and shows changes in net position from the prior fiscal year to the current fiscal year for the Township's Governmental Activities and Component Units. In 2016, total revenues exceeded total expenses (including transfers) by 10% for all Governmental Activities resulting in the increase in net position over the prior year. This increase in net position from 2015 to 2016 was a result of overall increases in revenues with controlled expenses.



**MONTGOMERY TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2016**

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**Table 2**  
**Changes in Net Position**  
**Years Ended December 31, 2015 and 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<b>REVENUES</b>		
Program revenues		
Charges for services	\$ 1,233,411	\$ 348,626
Operating grants and contributions	1,064,528	263,080
Capital grants and contributions	-	-
General revenues		
Taxes	13,414,506	100,000
Cable TV franchise fees	588,476	-
Investment income	152,425	439
Gain on sale of capital assets	98,169	-
	<u>16,551,515</u>	<u>712,145</u>
<b>EXPENSES</b>		
Operating		
General government	2,196,876	-
Public safety	8,543,152	-
Highways and streets	3,080,080	-
Parks and recreation	478,748	1,430,152
Sewer Authority	-	-
Fire Department	-	-
Recreation center	-	-
Other employee benefits not allocated	-	-
Interest on long-term debt	13,288	-
Bond issuance costs	-	-
Depreciation, unallocated	901,584	-
	<u>15,213,728</u>	<u>1,430,152</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	1,337,787	(718,007)
TRANSFERS	<u>(5,121,497)</u>	<u>5,121,497</u>
CHANGE IN NET POSITION	(3,783,710)	4,403,490
NET POSITION, BEGINNING	<u>131,164,901</u>	<u>(923,035)</u>
NET POSITION, ENDING	<u>\$ 127,381,191</u>	<u>\$ 3,480,455</u>

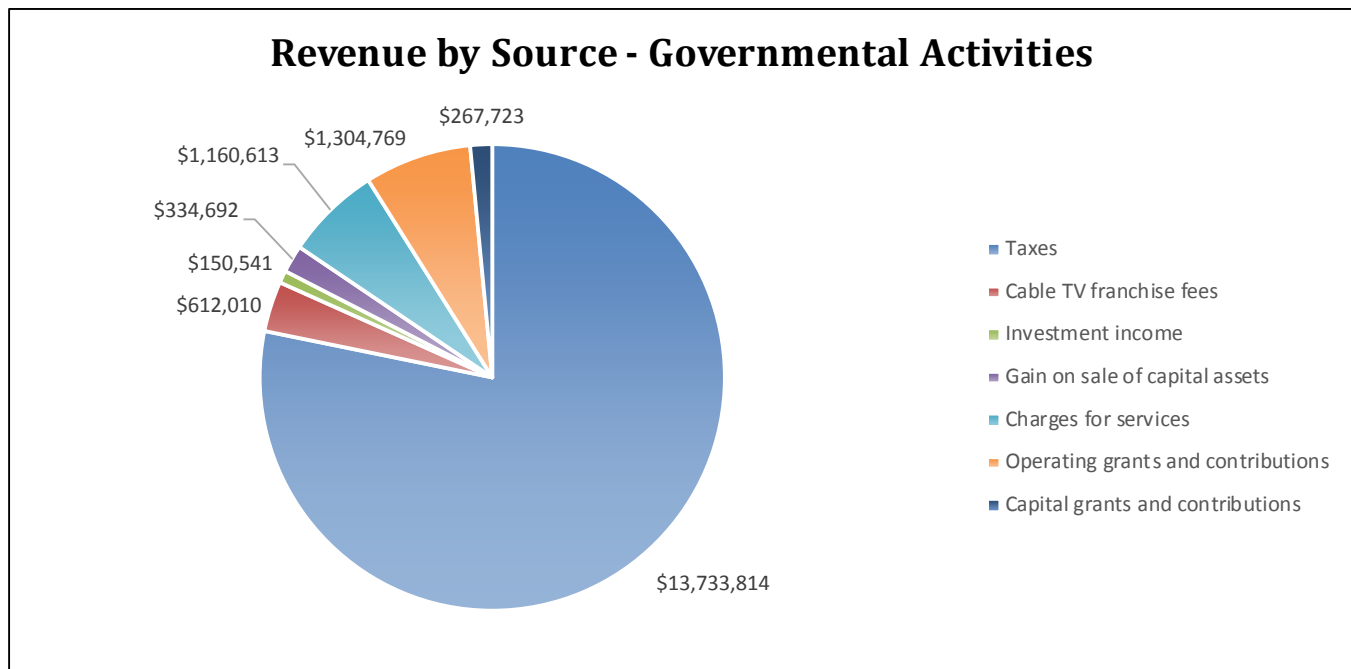
2015		2016			
Component Units	Totals	Governmental Activities	Business-Type Activities	Component Units	Totals
\$ 6,179,720	\$ 7,761,757	\$ 1,160,613	\$ 542,315	\$ 6,312,009	\$ 8,014,937
300,181	1,627,789	1,304,769	66	107,628	1,412,463
-	-	267,723	-	-	267,723
-	13,514,506	13,733,814	100,000	-	13,833,814
-	588,476	612,010	-	-	612,010
38,049	190,913	150,541	-	53,028	203,569
45,150	143,319	334,692	-	11,100	345,792
<u>6,563,100</u>	<u>23,826,760</u>	<u>17,564,162</u>	<u>642,381</u>	<u>6,483,765</u>	<u>24,690,308</u>
-	2,196,876	2,302,216	-	-	2,302,216
-	8,543,152	8,834,138	-	-	8,834,138
-	3,080,080	2,930,010	-	-	2,930,010
-	1,908,900	365,999	1,658,552	-	2,024,551
6,082,930	6,082,930	-	-	6,102,868	6,102,868
102,971	102,971	-	-	171,302	171,302
-	-	-	-	-	-
-	-	-	-	-	-
-	13,288	4,574	-	-	4,574
-	-	-	-	-	-
-	901,584	946,421	-	-	946,421
<u>6,185,901</u>	<u>22,829,781</u>	<u>15,383,358</u>	<u>1,658,552</u>	<u>6,274,170</u>	<u>23,316,080</u>
377,199	996,979	2,180,804	(1,016,171)	209,595	1,374,228
-	-	(447,997)	447,997	-	-
377,199	996,979	1,732,807	(568,174)	209,595	1,374,228
<u>41,664,482</u>	<u>171,906,348</u>	<u>127,381,191</u>	<u>3,480,455</u>	<u>42,041,681</u>	<u>172,903,327</u>
<u>\$ 42,041,681</u>	<u>\$ 172,903,327</u>	<u>\$ 129,113,998</u>	<u>\$ 2,912,281</u>	<u>\$ 42,251,276</u>	<u>\$ 174,277,555</u>

**MONTGOMERY TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2016**

**Governmental Activities**

The Township generates revenues from a variety of sources. Total revenues for Governmental Activities for fiscal year 2016 were \$17,564,162 compared to \$16,551,515 in 2015, an increase of \$1,012,647. The Township realized an increase in Taxes, Cable TV Franchise Fees, Sale of Capital Assets, and Grants and Contributions. A decrease was realized in Investment Income and Charges for Services. This increase stems mainly from an increase in tax revenues. Revenues by source were as follows:

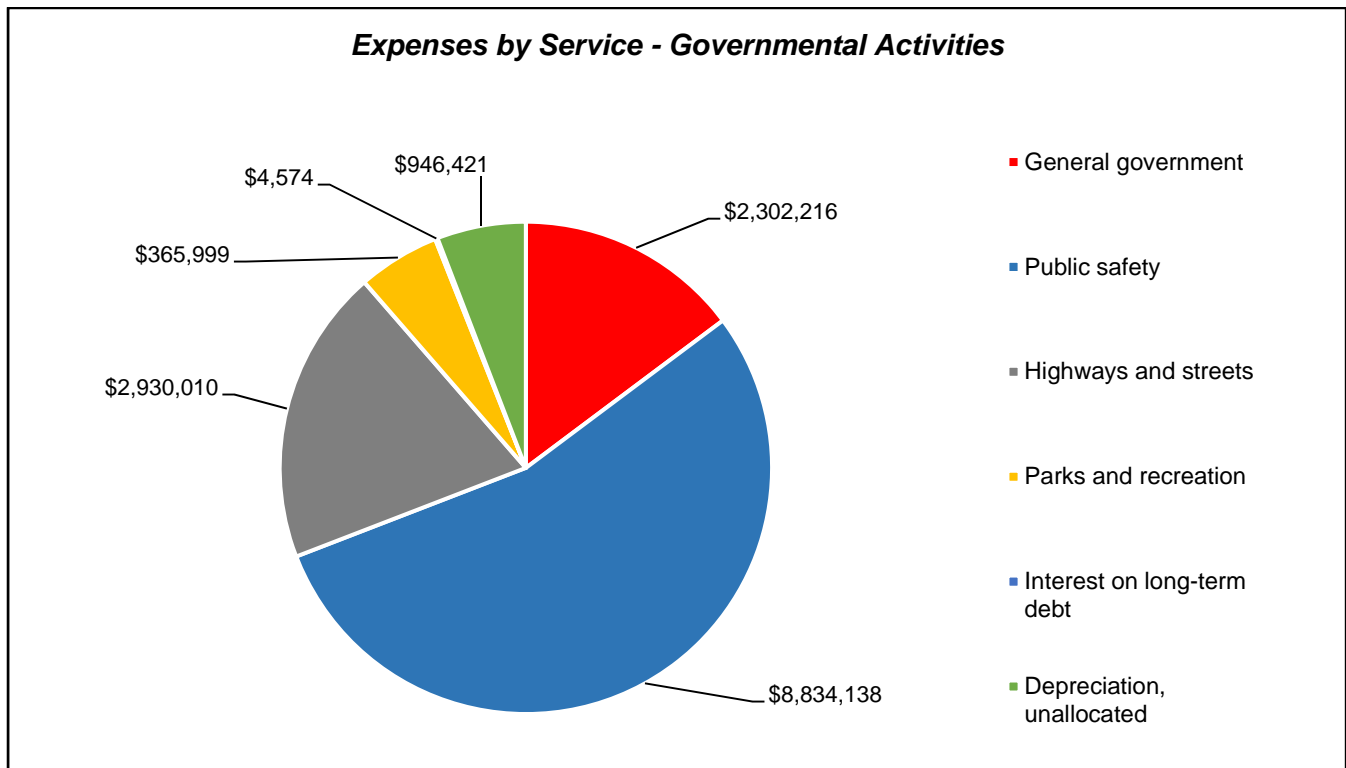
Revenue	2015		2016	
	Amount	% of Total	Amount	% of Total
Taxes	\$ 13,414,506	81.05%	\$ 13,733,814	78.19%
Cable TV franchise fees	588,476	3.56%	612,010	3.48%
Investment income	152,425	0.92%	150,541	0.86%
Gain on sale of capital assets	98,169	0.59%	334,692	1.91%
Charges for services	1,233,411	7.45%	1,160,613	6.61%
Operating grants and contributions	1,064,528	6.43%	1,304,769	7.43%
Capital grants and contributions	-	0.00%	267,723	1.52%
	<u>\$ 16,551,515</u>	<u>100.00%</u>	<u>\$ 17,564,162</u>	<u>100.00%</u>



**MONTGOMERY TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2016**

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 2016 were \$15,383,358 compared to \$15,213,728 in expenses in 2015, an increase of \$169,630. This increase is primarily attributable to increased expenses in Public Safety and General Government. Details are shown in the Table below.

Expenses	2015		2016	
	Amount	% of Total	Amount	% of Total
General government	\$ 2,196,876	14.44%	\$ 2,302,216	14.97%
Public safety	8,543,152	56.15%	8,834,138	57.43%
Highways and streets	3,080,080	20.25%	2,930,010	19.05%
Parks and recreation	478,748	3.15%	365,999	2.38%
Interest on long-term debt	13,288	0.09%	4,574	0.03%
Depreciation, unallocated	901,584	5.93%	946,421	6.14%
	<u>\$ 15,213,728</u>	<u>100.00%</u>	<u>\$ 15,383,358</u>	<u>100.00%</u>



# **MONTGOMERY TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

**YEAR ENDED DECEMBER 31, 2016**

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### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Township's approved General Fund Budget for 2016 included total revenues of \$13M, including transfers in of approximately \$311K, and total expenditures of \$13.4M, including transfers out of approximately \$622K. These budgeted amounts include budget amendments made throughout the fiscal year in accordance with the Second Class Township Code.

The 2016 Original General Fund budget, including transfers, was balanced. After necessary amendments, the expenditures exceeded revenues by \$38K. However, actual revenues, in particular Earned Income Tax, Transfer Tax, and Mercantile Tax receipts which exceeded budget estimates by 8% (\$618K), when netted against actual expenses below budget by 4% (\$558K), resulted in an initial surplus of \$1.3M. At year-end, the Board of Supervisors elected to transfer \$1.3M of surplus to the Capital Reserve Fund for future designated capital projects. This resulted in an ending General Fund balance of \$2,988,933 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 2016 was positive when compared to budget. Actual revenues, excluding transfers in, were \$13.9 million for 2016. While Real Estate Tax and Interest Income were slightly below budget, all other revenue categories exceeded budget. Total taxes exceeded budget by \$662K, led primarily by the Earned Income Tax and Transfer Tax. License and Permits exceeded budget by \$122K and Intergovernmental Revenues exceeded budget by \$97K. Each of these revenue categories contributed to the \$820K surplus (excluding transfers in) in General Fund revenues. This surplus was then reduced by \$1.3M shown in Other Financing Uses which was the result of a Board approved transfer of surplus funds into the Capital Reserve Fund for future designated capital projects. The net of the surplus and the transfer of surplus to the Capital Fund led to the General Fund ending Fund Balance of \$2.99M for fiscal year 2016.

Actual expenditures, excluding Interfund Transfers were \$12.3M for 2016. While expenditures were just slightly below the 2015 actual expenditures, they were \$558K less than the 2016 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 \$180K and Public Safety Expenditures which were below budget by \$280K. 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 \$1.3M before the Board authorized transfer of \$1.3M into Capital Reserves. As a result, the Board of Supervisors was able to adopt a 2017 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, 2016, totaled \$113,595,908 (net of accumulated depreciation), an increase of \$35,426 from 2015. This increase was the result of new Capital Assets acquired in 2016, comprised mostly of newly purchased Machinery and Equipment.

# MONTGOMERY TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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, 2015 and 2016**

	2015			Totals
	Governmental Activities	Business-Type Activities	Component Units	
<b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>				
Land	\$ 8,224,386	\$ 267,723	\$ 673,095	\$ 9,165,204
Infrastructure, as restated	95,686,704	-	-	95,686,704
Construction in progress	-	-	3,336,072	3,336,072
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>103,911,090</u>	<u>267,723</u>	<u>4,009,167</u>	<u>108,187,980</u>
<b>CAPITAL ASSETS BEING DEPRECIATED</b>				
Buildings and improvements	10,553,403	10,438,912	36,364,551	57,356,866
Land improvements	103,720	-	-	103,720
Infrastructure	3,073,163	-	19,721,401	22,794,564
Machinery and equipment	7,341,127	1,170,693	2,170,102	10,681,922
TOTAL CAPITAL ASSETS BEING DEPRECIATED	21,071,413	11,609,605	58,256,054	90,937,072
Accumulated depreciation	<u>(11,422,021)</u>	<u>(335,589)</u>	<u>(26,888,459)</u>	<u>(38,646,069)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>9,649,392</u>	<u>11,274,016</u>	<u>31,367,595</u>	<u>52,291,003</u>
TOTAL CAPITAL ASSETS, net	<u>\$ 113,560,482</u>	<u>\$ 11,541,739</u>	<u>\$ 35,376,762</u>	<u>\$ 160,478,983</u>

2016			
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>	<u>Totals</u>
\$ 8,492,109	\$ -	\$ 673,095	\$ 9,165,204
95,686,704	-	-	95,686,704
<u>-</u>	<u>-</u>	<u>3,515,021</u>	<u>3,515,021</u>
<u>104,178,813</u>	<u>-</u>	<u>4,188,116</u>	<u>108,366,929</u>
10,839,042	10,797,929	36,330,275	57,967,246
103,720	-	-	103,720
3,149,078	-	20,007,311	23,156,389
<u>7,146,638</u>	<u>1,183,042</u>	<u>2,262,151</u>	<u>10,591,831</u>
21,238,478	11,980,971	58,599,737	91,819,186
<u>(11,821,383)</u>	<u>(674,148)</u>	<u>(28,748,761)</u>	<u>(41,244,292)</u>
<u>9,417,095</u>	<u>11,306,823</u>	<u>29,850,976</u>	<u>50,574,894</u>
<u>\$ 113,595,908</u>	<u>\$ 11,306,823</u>	<u>\$ 34,039,092</u>	<u>\$ 158,941,823</u>

# MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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## 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 2016.

As of the close of the 2016 fiscal year, the Township reported combined ending balances for all Governmental Funds of \$17,105,580 an increase of \$1,384,211 from 2015 resulting primarily from the General Fund operating surplus. Of this ending balance amount, \$10,552,104 or 62% 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 17%, 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 2016 were \$949K. Revenues for 2016 were \$1M and net transfers in were \$.5K. The fund posted a surplus of \$94,639 for the year and ended the year with a positive fund balance of \$304K.

**Park and Recreation Fund - 05.** Expenditures for the Park and Recreation Fund for 2016 were \$387K, Revenues were \$422K and net transfers out were \$119K. The fund posted a deficit of \$84,206 for the year and ended the year with a positive fund balance of \$489K.

**Basin Maintenance Fund - 06.** Expenditures for the Basin Maintenance Fund for 2016 were \$73K and Revenues were \$663, and transfers in were \$51K. The fund posted a loss of \$22K for the year but ended the year with a positive fund balance of \$7K.

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 2016 were \$133K and Revenues were \$139K. The fund posted a surplus of \$6K for the year and ended the year with a positive fund balance of \$568K.

**Capital Projects Fund - 19.** There were no expenses for the Capital Projects Fund for 2016. Revenues and transfers in totaled \$107K, leaving a positive fund balance of \$107K. This fund is currently being used to manage the Police County Radio financing project.

**Debt Service Fund - 23.** Expenditures for the Debt Service Fund for 2016 were \$458K and Revenues were \$532K and net transfers out were \$343K. The fund posted a deficit of \$269K and ended the year with a positive fund balance of \$546K. 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, 2016

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**Capital Reserve Fund - 30.** Expenditures for the Capital Reserve Fund for 2016 were \$756K for budgeted capital construction projects and capital equipment purchases plus the interfund transfers out of \$456K 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 \$112K including contributions from developers committed for traffic improvements, plus the interfund transfers in of \$2.4M. The fund balance in this fund is comprised of assigned and committed funds totaling \$10.5M.

**Park Development Fund - 31.** There were no expenditures for the Park Development Fund for 2016. Revenues to this fund were \$59K from developer contributions during 2016. The fund posted a surplus of \$59K for the year, and ended the year with a positive fund balance of \$59K.

**Liquid Fuels Fund - 35.** Expenditures from the Liquid Fuels Fund for 2016 were \$465K and Revenues for 2016 were \$658K. The fund posted a surplus of \$193K for the year and ended with a positive fund balance of \$433K. 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.

**Fire Relief Fund - 50.** Expenditures for the Fire Relief Fund for 2016 were \$249K and Revenues were \$249K 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 2016 were \$48K and Revenues were \$66K consisting of interest earnings on the fund balance and payments for the Recycling Performance Grants. Expenses from the fund in 2016 were for the Township's recycling collection costs including the costs for the bi-annual curbside leaf collection program. The fund posted a surplus of \$18K for the year and ended the year with a positive fund balance of \$325K.

**Replacement Tree Fund - 94.** Expenditures for the Replacement Tree Fund for 2016 were \$27K and Revenues were \$58K. Funding for the Replacement Tree Fund comes from contributions from developers under "fee in lieu of" provisions of the Land Development Ordinance. The fund posted a surplus of \$31K for the year and ended the year with a positive fund balance of \$721K.

# MONTGOMERY TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

**Autumn Festival Fund - 95.** Expenditures for the Autumn Festival Fund for 2016 were \$19K and revenues were \$23K. Expenditures from this fund pay for the expenses of the annual Autumn Festival held each year in October. Due to inclement weather, the festival was slightly modified and held in the Community and Recreation Center in 2016. Revenues consist of voluntary community contributions, a township contribution and fees collected at the event. The fund posted a surplus of \$4K for the year and ended the year with a positive fund balance of \$49K.

**Restoration Fund - 96.** There were no expenditures or revenues for the Restoration Fund for 2016. Funding for this restoration work came from a one-time contribution by the developer of the Knapp Farm development. The fund ended the year with a positive fund balance of \$10K.

### LONG-TERM DEBT

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

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

**Table 4**  
**Outstanding Debt at Year-End**

	<u>2015</u>	<u>2016</u>
<b>GOVERNMENTAL ACTIVITIES</b>		
1999 Series Note	\$ 107,843	\$ -
2012 Series Note	<u>345,666</u>	<u>-</u>
	<u>\$ 453,509</u>	<u>\$ -</u>
<b>BUSINESS-TYPE ACTIVITIES</b>		
2013 Series Bond	\$ 8,345,000	\$ -
2016 Series Bond	<u>-</u>	<u>8,585,000</u>
	<u>\$ 8,345,000</u>	<u>\$ 8,585,000</u>
<b>COMPONENT UNITS</b>		
2011 Series	<u>\$ 4,197,072</u>	<u>\$ -</u>

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

# **MONTGOMERY TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2016

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## **NEXT YEAR'S BUDGET**

In 2016, 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, 2012 through 2016. 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 \$1.3M (2012), \$2M (2013), \$1.1M (2014), \$1.7M (2015), and \$1.3M (2016) of surplus/fund balance to the Capital Reserve Fund which the Board has committed for future capital projects.

Entering 2017, the Township has not increased its real estate tax millage rate for the fourteenth year in a row while continuing to provide excellent levels of services to our residents and business community. Montgomery Township currently has nearly \$19M 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. In 2016, the Township took advantage of declining interest rates and realized significant savings from the advance refunding of the 2013 bonds and issuance of General Obligation Bonds, Series of 2016. 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, 2016**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Sewer Authority	Fire Department
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,244,872	\$ 151,873	\$ 6,396,745	\$ 4,648,794	\$ 209,006
Investments	10,799,795	589	10,800,384	4,020,591	-
Taxes receivable	1,477,565	-	1,477,565	-	-
Accounts receivable	422,731	-	422,731	676,174	15,753
Capital assets					
Property, plant and equipment, Sewer Authority	-	-	-	33,876,130	-
Depreciable capital assets	9,417,095	11,306,823	20,723,918	-	162,962
Nondepreciable capital assets	104,178,813	-	104,178,813	-	-
<b>TOTAL ASSETS</b>	<b>132,540,871</b>	<b>11,459,285</b>	<b>144,000,156</b>	<b>43,221,689</b>	<b>387,721</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amount on refunding	-	232,183	232,183	-	-
Deferred outflows related to pensions	1,486,896	-	1,486,896	-	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,486,896</b>	<b>232,183</b>	<b>1,719,079</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	204,784	4,605	209,389	1,128,530	-
Accrued payroll	454,156	14,456	468,612	-	-
Accrued interest	-	38,751	38,751	-	-
Developers' escrow deposits payable	-	-	-	204,557	-
Long-term liabilities					
Portion due or payable after one year					
Bonds payable	-	8,721,375	8,721,375	-	-
Compensated absences	-	-	-	25,047	-
Net pension liability	2,773,489	-	2,773,489	-	-
Net OPEB obligation	1,442,633	-	1,442,633	-	-
<b>TOTAL LIABILITIES</b>	<b>4,875,062</b>	<b>8,779,187</b>	<b>13,654,249</b>	<b>1,358,134</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions	146,037	-	146,037	-	-
<b>NET POSITION</b>					
Net investment in capital assets	113,595,908	2,817,631	116,413,539	33,876,130	-
Restricted					
Providing and maintaining street lights	568,392	-	568,392	-	-
Debt service	545,847	-	545,847	-	-
Basin maintenance	6,795	-	6,795	-	-
Park development projects	59,191	-	59,191	-	-
Highway and street projects	432,734	-	432,734	-	-
Knapp Farm house	9,883	-	9,883	-	-
Unrestricted	13,895,248	94,650	13,989,898	7,987,425	387,721
<b>TOTAL NET POSITION</b>	<b>\$ 129,113,998</b>	<b>\$ 2,912,281</b>	<b>\$ 132,026,279</b>	<b>\$ 41,863,555</b>	<b>\$ 387,721</b>

See accompanying notes to the basic financial statements.

**MONTGOMERY TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
GOVERNMENTAL ACTIVITIES				
General government	\$ 2,302,216	\$ 80,811	\$ 83,210	\$ -
Public safety	8,834,138	1,071,941	492,018	-
Highways and streets	2,930,010	6,900	672,761	-
Parks and recreation	365,999	961	56,780	267,723
Interest on long-term debt	4,574	-	-	-
Depreciation, unallocated	946,421	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	15,383,358	1,160,613	1,304,769	267,723
BUSINESS-TYPE ACTIVITIES				
Recreation center	1,658,552	542,315	66	-
TOTAL PRIMARY GOVERNMENT	\$ 17,041,910	\$ 1,702,928	\$ 1,304,835	\$ 267,723
<b>COMPONENT UNITS</b>				
Sewer Authority	\$ 6,102,868	\$ 6,312,009	\$ -	\$ -
Fire Department	171,302	-	107,628	-
TOTAL COMPONENT UNITS	\$ 6,274,170	\$ 6,312,009	\$ 107,628	\$ -
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				
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
\$ (2,138,195)	\$ -	\$ (2,138,195)	\$ -	\$ -
(7,270,179)	-	(7,270,179)	-	-
(2,250,349)	-	(2,250,349)	-	-
(40,535)	-	(40,535)	-	-
(4,574)	-	(4,574)	-	-
<u>(946,421)</u>	<u>-</u>	<u>(946,421)</u>	<u>-</u>	<u>-</u>
(12,650,253)	-	(12,650,253)	-	-
<u>-</u>	<u>(1,116,171)</u>	<u>(1,116,171)</u>	<u>-</u>	<u>-</u>
<u>(12,650,253)</u>	<u>(1,116,171)</u>	<u>(13,766,424)</u>	<u>-</u>	<u>-</u>
			209,141	-
			<u>-</u>	<u>(63,674)</u>
			<u>209,141</u>	<u>(63,674)</u>
5,758,053	100,000	5,858,053	-	-
3,051,557	-	3,051,557	-	-
923,419	-	923,419	-	-
3,106,673	-	3,106,673	-	-
894,112	-	894,112	-	-
612,010	-	612,010	-	-
150,541	-	150,541	53,028	-
334,692	-	334,692	11,100	-
<u>(447,997)</u>	<u>447,997</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>14,383,060</u>	<u>547,997</u>	<u>14,931,057</u>	<u>64,128</u>	<u>-</u>
1,732,807	(568,174)	1,164,633	273,269	(63,674)
<u>127,381,191</u>	<u>3,480,455</u>	<u>130,861,646</u>	<u>41,590,286</u>	<u>451,395</u>
<u>\$ 129,113,998</u>	<u>\$ 2,912,281</u>	<u>\$ 132,026,279</u>	<u>\$ 41,863,555</u>	<u>\$ 387,721</u>

**MONTGOMERY TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,117,723	\$ 3,840,426	\$ 1,286,780	\$ 6,244,929
Investments	1,932,205	6,642,250	2,225,340	10,799,795
Taxes receivable	1,461,738	-	15,827	1,477,565
Accounts receivable	367,784	17,239	37,708	422,731
Due from other funds	-	-	107,330	107,330
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 4,879,450</u>	<u>\$ 10,499,915</u>	<u>\$ 3,672,985</u>	<u>\$ 19,052,350</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 195,519	\$ 1,468	\$ 7,854	\$ 204,841
Accrued payroll	419,017	-	35,139	454,156
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>614,536</u>	<u>1,468</u>	<u>42,993</u>	<u>658,997</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues				
Property taxes	17,489	-	11,792	29,281
Income taxes	1,258,492	-	-	1,258,492
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,275,981</u>	<u>-</u>	<u>11,792</u>	<u>1,287,773</u>
<b>FUND BALANCES</b>				
Restricted				
Providing and maintaining street lights	-	-	568,392	568,392
Debt service	-	-	545,847	545,847
Basin maintenance	-	-	6,795	6,795
Park development projects	-	-	59,191	59,191
Highway and street projects	-	-	432,734	432,734
Knapp Farm house	-	-	9,883	9,883
Committed to				
Arbor Day and shade tree commission	-	-	720,875	720,875
Fire protection capital purchases and/or infrastructure projects	-	-	304,091	304,091
Environmental	-	-	325,156	325,156
Equipment plans	-	2,927,453	-	2,927,453
Highway and street projects	-	2,399,762	-	2,399,762
Building improvements	-	225,000	-	225,000
Storm water projects	-	471,074	-	471,074
Traffic engineering	-	424,860	-	424,860
Open space acquisition and improvement	-	1,405,343	-	1,405,343
Parks and recreation projects	-	6,356	-	6,356
Operating reserve fund	-	1,342,134	-	1,342,134
Assigned				
Park and recreation projects	-	-	489,004	489,004
Capital projects	-	1,296,465	107,273	1,403,738
Annual autumn fest	-	-	48,959	48,959
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Unassigned	2,988,933	-	-	2,988,933
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL FUND BALANCES	<u>2,988,933</u>	<u>10,498,447</u>	<u>3,618,200</u>	<u>17,105,580</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
	<u>\$ 4,879,450</u>	<u>\$ 10,499,915</u>	<u>\$ 3,672,985</u>	<u>\$ 19,052,350</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, 2016

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TOTAL GOVERNMENTAL FUNDS BALANCES \$ 17,105,580

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	8,492,109
Buildings and building improvements	10,839,042
Land improvements	103,720
Infrastructure	98,835,782
Machinery and equipment	7,146,638
Accumulated depreciation	(11,821,383)

Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Deferred inflows and outflows related to pension activities	1,340,859
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Net pension liability	(2,773,489)
Net OPEB obligation	(1,442,633)

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.

1,287,773

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 129,113,998

*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, 2016**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 11,638,999	\$ -	\$ 1,961,316	\$ 13,600,315
Licenses and permits	1,351,953	-	52,079	1,404,032
Fines and forfeits	175,253	-	-	175,253
Interest income, rents and royalties	22,068	97,138	32,296	151,502
Intergovernmental revenues	617,079	14,590	1,045,957	1,677,626
Charges for services	100,360	-	25,256	125,616
Contributions	771	-	191,843	192,614
	<u>13,906,483</u>	<u>111,728</u>	<u>3,308,747</u>	<u>17,326,958</u>
<b>TOTAL REVENUES</b>				
<b>EXPENDITURES</b>				
Current				
General government	2,211,027	56,254	72,888	2,340,169
Public safety	7,088,389	54,703	1,167,503	8,310,595
Highways and streets	1,971,900	548,132	672,587	3,192,619
Parks and recreation	-	96,507	407,340	503,847
Other, employee benefits not allocated	993,524	-	30,242	1,023,766
Debt service				
Principal retirement	-	-	453,509	453,509
Interest	-	-	4,937	4,937
	<u>12,264,840</u>	<u>755,596</u>	<u>2,809,006</u>	<u>15,829,442</u>
<b>TOTAL EXPENDITURES</b>				
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>1,641,643</u>	<u>(643,868)</u>	<u>499,741</u>	<u>1,497,516</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	334,692	-	334,692
Interfund transfers in	254,722	2,038,445	194,210	2,487,377
Interfund transfers out	(1,922,500)	(456,232)	(556,642)	(2,935,374)
	<u>(1,667,778)</u>	<u>1,916,905</u>	<u>(362,432)</u>	<u>(113,305)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>				
<b>NET CHANGE IN FUND BALANCES</b>				
	(26,135)	1,273,037	137,309	1,384,211
<b>FUND BALANCES AT BEGINNING OF YEAR</b>				
	<u>3,015,068</u>	<u>9,225,410</u>	<u>3,480,891</u>	<u>15,721,369</u>
<b>FUND BALANCES AT END OF YEAR</b>				
	<u>\$ 2,988,933</u>	<u>\$ 10,498,447</u>	<u>\$ 3,618,200</u>	<u>\$ 17,105,580</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, 2016

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,384,211
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 (\$981,847) exceed depreciation (\$946,421) in the current period.	35,426
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.	133,499
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.	453,509
The net change in the liability for the net pension liability and related deferred outflows of resources and deferred inflows of resources are reported in the government-wide statements but not in the Governmental Funds statements.	(108,800)
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.	(165,038)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,732,807</u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31, 2016**

	<u>Recreation Center Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 151,873
Investments	<u>589</u>
<b>TOTAL CURRENT ASSETS</b>	<u>152,462</u>
<b>NONCURRENT ASSETS</b>	
Building and building improvements	10,797,929
Machinery and equipment	1,183,042
Less accumulated depreciation	<u>(674,148)</u>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<u>11,306,823</u>
<b>TOTAL ASSETS</b>	<u>11,459,285</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on refunding	<u>232,183</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	4,605
Accrued payroll	14,456
Accrued interest payable	<u>38,751</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>57,812</u>
<b>NONCURRENT LIABILITIES</b>	
Bonds payable	<u>8,721,375</u>
<b>TOTAL LIABILITIES</b>	<u>8,779,187</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,817,631
Unrestricted	<u>94,650</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,912,281</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, 2016**

	<u>Recreation Center Fund</u>
OPERATING REVENUES	
Taxes	\$ 100,000
Charges for services	542,315
TOTAL OPERATING REVENUES	<u>642,315</u>
OPERATING EXPENSES	
Contractual and professional services	128,052
Other supplies and expenses	918,470
Depreciation	338,559
TOTAL OPERATING EXPENSES	<u>1,385,081</u>
OPERATING LOSS	<u>(742,766)</u>
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	66
Bond issue costs	(117,577)
Interest expense	(155,894)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(273,405)</u>
LOSS BEFORE OTHER SOURCES	(1,016,171)
OTHER SOURCES	
Operating transfers in	<u>447,997</u>
CHANGE IN NET POSITION	(568,174)
NET POSITION AT BEGINNING OF YEAR	<u>3,480,455</u>
NET POSITION AT END OF YEAR	<u>\$ 2,912,281</u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Recreation Center Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 642,315
Payments to employees for services	(427,436)
Payments to suppliers for goods and services	<u>(1,209,646)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><b>(994,767)</b></u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interfund revenues	<u>447,997</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from grants	66
Acquisition and construction of capital assets	(103,643)
Principal paid on debt	(205,000)
Interest paid on debt	<u>(137,697)</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u><b>(446,274)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale of investments	<u>397,711</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(595,333)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u><b>747,206</b></u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u><u>151,873</u></u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (742,766)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	338,559
Increase (decrease) in	
Accounts payable	(591,938)
Accrued payroll	<u>1,378</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ <u><u>(994,767)</u></u></b>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2016**

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	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash	\$ 1,921,773	\$ 787,481
Investments		
Stocks	4,737,014	-
Mutual funds	<u>15,666,452</u>	<u>-</u>
TOTAL ASSETS	22,325,239	\$ <u><u>787,481</u></u>
LIABILITIES		
Escrow and other deposits	<u>-</u>	\$ <u><u>787,481</u></u>
NET POSITION		
Net position restricted for pensions	\$ <u><u>22,325,239</u></u>	

*See accompanying notes to the basic financial statements.*

**MONTGOMERY TOWNSHIP**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Plan member contributions	\$ 293,670
Employer contributions	518,585
Other contributions, Commonwealth of Pennsylvania	498,709
TOTAL CONTRIBUTIONS	<u>1,310,964</u>
Investment earnings	
Interest income	643,877
Gain on investments	723,701
Investment expenses	<u>(36,274)</u>
INVESTMENT EARNINGS, net	<u>1,331,304</u>
TOTAL ADDITIONS	2,642,268
DEDUCTIONS	
Employee benefit payments	632,924
Administrative expenses	<u>3,910</u>
TOTAL DEDUCTIONS	<u>636,834</u>
CHANGE IN NET POSITION	2,005,434
NET POSITION AT BEGINNING OF YEAR	<u>20,319,805</u>
NET POSITION AT END OF YEAR	<u>\$ 22,325,239</u>

*See accompanying notes to the basic financial statements.*

**MONTGOMERY TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**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, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Township reports the following major Proprietary Fund:

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

Additionally, the Township reports the following fund types:

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

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

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

**Fiduciary Fund Types**

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

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

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

**MONTGOMERY TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**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, 2016

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**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, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments, Township**

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

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

**Deposits and Investments, Sewer Authority**

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

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

**Capital Assets**

Capital assets, which include property, plant, equipment and certain limited infrastructure assets, are reported in the applicable governmental or discretely presented component units columns in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$5,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of the donation.

**MONTGOMERY TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**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, 2016.

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 and proprietary fund statements of net position and results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**MONTGOMERY TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Compensated Absences**

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

**Proprietary Funds' Unamortized Bond Premium - Township**

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

**Real Estate Property Tax**

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

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

**MONTGOMERY TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance**

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

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

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

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

**Use of Estimates**

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



**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE B - DEPOSITS AND INVESTMENTS**

**Deposits**

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

As of December 31, 2016, \$8,790,155 of the Township's bank balance of \$9,290,155 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>6,028,284</u>
Township proprietary activities	\$ <u>146,604</u>
Pension Trust Funds	\$ <u>1,855,104</u>
Escrow	\$ <u>760,162</u>

As of December 31, 2016, the following amounts of the component units were exposed to custodial credit risk.

**Sewer Authority** - At December 31, 2016, \$4,416,079 of the Sewer Authority's bank balance of \$4,703,044 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>4,416,079</u>
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**Fire Department** - At December 31, 2016, the bank deposits of the Fire Department were fully insured and not exposed to custodial credit risk.

**Investments**

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

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE B - DEPOSITS AND INVESTMENTS (Continued)**

As of December 31, 2016, the Township had the following investments, maturities and fair value inputs:

Investment Type	Amortized Cost	Fair Value	Level 1 Inputs	Investment Maturities	
				One Year or Less	2 to 5 Years
<b>GOVERNMENTAL ACTIVITIES</b>					
Certificate of deposit	\$ 10,549,425	\$ -	\$ -	\$ 2,999,836	\$ 7,549,589
Federal Home Loan Bank	-	250,370	250,370	250,370	-
	<u>\$ 10,549,425</u>	<u>\$ 250,370</u>	<u>\$ 250,370</u>	<u>\$ 3,250,206</u>	<u>\$ 7,549,589</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Certificate of deposit	\$ 575	\$ -	\$ -	\$ 164	\$ 411
Federal Home Loan Bank	-	14	14	14	-
	<u>\$ 575</u>	<u>\$ 14</u>	<u>\$ 14</u>	<u>\$ 178</u>	<u>\$ 411</u>
<b>PENSION ACTIVITIES</b>					
Common stocks	\$ -	\$ 4,737,014	\$ 4,737,014	\$ 4,737,014	\$ -
Domestic mutual funds	-	11,120,716	11,120,716	11,120,716	-
Closed-end mutual funds	-	4,545,736	4,545,736	4,545,736	-
	<u>\$ -</u>	<u>\$ 20,403,466</u>	<u>\$ 20,403,466</u>	<u>\$ 20,403,466</u>	<u>\$ -</u>

As of December 31, 2016, the Sewer Authority had the following investments and maturities:

Investment Type	Amortized Cost	Investment Maturities
		One Year or Less
Certificates of deposit	\$ 4,020,591	\$ 4,020,591

**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 41%, 13%, 32% and 13%, respectively, of the Township's and component units' total investments.

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE C - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 8,224,386	\$ 267,723	\$ -	\$ 8,492,109
Infrastructure	95,686,704	-	-	95,686,704
<b>TOTAL CAPITAL ASSETS     NOT BEING DEPRECIATED</b>	<b>103,911,090</b>	<b>267,723</b>	<b>-</b>	<b>104,178,813</b>
Capital assets being depreciated				
Buildings and building improvements	10,553,403	285,639	-	10,839,042
Land improvements	103,720	-	-	103,720
Infrastructure	3,073,163	75,915	-	3,149,078
Machinery and equipment	7,341,127	352,570	(547,059)	7,146,638
<b>TOTAL CAPITAL ASSETS     BEING DEPRECIATED</b>	<b>21,071,413</b>	<b>714,124</b>	<b>(547,059)</b>	<b>21,238,478</b>
Accumulated depreciation				
Buildings and building improvements	(4,792,675)	(332,121)	-	(5,124,796)
Land improvements	(77,464)	(3,597)	-	(81,061)
Infrastructure	(2,032,302)	(114,420)	-	(2,146,722)
Machinery and equipment	(4,519,580)	(496,283)	547,059	(4,468,804)
<b>TOTAL ACCUMULATED     DEPRECIATION</b>	<b>(11,422,021)</b>	<b>(946,421)</b>	<b>547,059</b>	<b>(11,821,383)</b>
<b>TOTAL CAPITAL ASSETS     BEING DEPRECIATED, net</b>	<b>9,649,392</b>	<b>(232,297)</b>	<b>-</b>	<b>9,417,095</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 113,560,482</b>	<b>\$ 35,426</b>	<b>\$ -</b>	<b>\$ 113,595,908</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 267,723	\$ -	\$ (267,723)	\$ -
Capital assets being depreciated				
Buildings and building improvements	10,438,912	359,017	-	10,797,929
Machinery and equipment	1,170,693	12,349	-	1,183,042
<b>TOTAL CAPITAL ASSETS     BEING DEPRECIATED</b>	<b>11,609,605</b>	<b>371,366</b>	<b>-</b>	<b>11,980,971</b>
Accumulated depreciation				
Buildings and building improvements	(260,973)	(263,314)	-	(524,287)
Machinery and equipment	(74,616)	(75,245)	-	(149,861)
<b>TOTAL ACCUMULATED     DEPRECIATION</b>	<b>(335,589)</b>	<b>(338,559)</b>	<b>-</b>	<b>(674,148)</b>
<b>TOTAL CAPITAL ASSETS     BEING DEPRECIATED, net</b>	<b>11,274,016</b>	<b>32,807</b>	<b>-</b>	<b>11,306,823</b>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>\$ 11,541,739</b>	<b>\$ 32,807</b>	<b>\$ (267,723)</b>	<b>\$ 11,306,823</b>

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

<b>Governmental activities:</b>	
Unallocated	\$ 946,421
<b>Business-type activities:</b>	
Recreation center	\$ 338,559

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

**NOTE C - CAPITAL ASSETS (Continued)**

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
<b>COMPONENT UNIT, SEWER AUTHORITY</b>				
Capital assets not being depreciated				
Land	\$ 673,095	\$ -	\$ -	\$ 673,095
Construction in progress	3,336,072	469,527	(290,578)	3,515,021
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	4,009,167	469,527	(290,578)	4,188,116
Capital assets being depreciated				
Wastewater treatment and collection system				
Hatfield Waste Water Treatment Plant	13,644,363	-	-	13,644,363
Eureka Treatment Plant	22,685,912	-	-	22,685,912
Other sewer system improvements	5,937,452	251,634	-	6,189,086
Developer dedications	13,818,225	-	-	13,818,225
TOTAL WASTEWATER TREATMENT AND COLLECTION SYSTEMS	56,085,952	251,634	-	56,337,586
Equipment	1,937,300	121,868	(29,819)	2,029,349
TOTAL CAPITAL ASSETS BEING DEPRECIATED	58,023,252	373,502	(29,819)	58,366,935
Accumulated depreciation				
Wastewater treatment and collection systems				
Hatfield Waste Water Treatment Plant	(10,944,935)	(279,056)	-	(11,223,991)
Eureka Treatment Plant	(7,216,944)	(611,413)	-	(7,828,357)
Other sewer system improvements	(2,637,375)	(368,332)	-	(3,005,707)
Developer dedications	(4,972,850)	(434,370)	-	(5,407,220)
TOTAL WASTEWATER TREATMENT AND COLLECTION SYSTEMS ACCUMULATED DEPRECIATION	(25,772,104)	(1,693,171)	-	(27,465,275)
Equipment	(1,093,075)	(150,390)	29,819	(1,213,646)
TOTAL ACCUMULATED DEPRECIATION	(26,865,179)	(1,843,561)	29,819	(28,678,921)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	31,158,073	(1,470,059)	-	29,688,014
<b>COMPONENT UNIT, SEWER AUTHORITY CAPITAL ASSETS, net</b>				
	<b>\$ 35,167,240</b>	<b>\$ (1,000,532)</b>	<b>\$ (290,578)</b>	<b>\$ 33,876,130</b>
<b>COMPONENT UNIT, FIRE DEPARTMENT</b>				
Equipment	\$ 232,802	\$ -	\$ -	\$ 232,802
Accumulated depreciation	(23,280)	(46,560)	-	(69,840)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	\$ 209,522	\$ (46,560)	\$ -	\$ 162,962

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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, 2016:

	<u>Original Principal</u>
<b>GOVERNMENTAL ACTIVITIES</b>	
General Obligation Notes	
General Obligation Note, Series of 1999	\$ 1,500,000
General Obligation Note, Series of 2012	<u>5,500,000</u>
<b>TOTAL NOTES</b>	<b>7,000,000</b>
Net pension liability	-
Net OPEB obligation	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b><u>7,000,000</u></b>
<b>BUSINESS-TYPE ACTIVITIES</b>	
General Obligation Bonds, Series of 2013	8,745,000
Premium on 2013 Series Bonds	250,057
General Obligation Bonds, Series of 2016	8,585,000
Premium on 2016 Series Bonds	<u>137,222</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b><u>17,717,279</u></b>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ <u>24,717,279</u></b>

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, this note was extinguished during 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. Due to advance payments this note was extinguished during 2016.

Balance Outstanding January 1, 2016	Proceeds from New Obligations	Retired During Year	Balance Outstanding December 31, 2016	Due Within One Year
\$ 107,843	\$ -	\$ (107,843)	\$ -	\$ -
345,666	-	(345,666)	-	-
453,509	-	(453,509)	-	-
2,817,344	-	(43,855)	2,773,489	-
1,277,595	165,038	-	1,442,633	-
<u>4,548,448</u>	<u>165,038</u>	<u>(497,364)</u>	<u>4,216,122</u>	<u>-</u>
8,345,000	-	(8,345,000)	-	-
229,219	-	(229,219)	-	-
-	8,585,000	-	8,585,000	-
-	137,222	(847)	136,375	5,082
<u>8,574,219</u>	<u>8,722,222</u>	<u>(8,575,066)</u>	<u>8,721,375</u>	<u>5,082</u>
<u>\$ 13,122,667</u>	<u>\$ 8,887,260</u>	<u>\$ (9,072,430)</u>	<u>\$ 12,937,497</u>	<u>\$ 5,082</u>

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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.

These bonds were advance refunded by the issuance of General Obligation bonds, Series of 2016.

**2016 Series Bonds**

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ -	\$ 250,243	\$ 250,243
2018	25,000	229,105	254,105
2019	250,000	226,480	476,480
2020	255,000	220,155	475,155
2021	265,000	212,355	477,355
2022 to 2026	1,425,000	959,275	2,384,275
2027 to 2031	1,575,000	805,435	2,380,435
2032 to 2036	1,790,000	587,550	2,377,550
2037 to 2041	2,075,000	297,975	2,372,975
2042 to 2043	925,000	27,975	952,975
	<u>\$ 8,585,000</u>	<u>\$ 3,816,548</u>	<u>\$ 12,401,548</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%.

In 2016, the Authority paid off the remaining balance of the Bonds.

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE D - LONG-TERM DEBT (Continued)**

A summary of changes in long-term debt for the Sewer Authority for the year ended December 31, 2016, is as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2016	Due Within One Year
<b>SEWER AUTHORITY</b>					
Bonds					
2011 Series Bonds	\$ 4,125,000	\$ -	\$ (4,125,000)	\$ -	\$ -
Deferred amounts, 2011 issuance premium	72,072	-	(72,072)	-	-
<b>TOTAL BONDS</b>	<b>4,197,072</b>	<b>-</b>	<b>(4,197,072)</b>	<b>-</b>	<b>-</b>
Compensated absences	34,212	-	(9,165)	25,047	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>\$ 4,231,284</b>	<b>\$ -</b>	<b>\$ (4,206,237)</b>	<b>\$ 25,047</b>	<b>\$ -</b>

**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.

**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.



**MONTGOMERY TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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**NOTE E - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

**Plan Membership** - At December 31, 2016, 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>32</u>
	<u>50</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.

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 \$761,309 to the plan for the year 2016. The Township’s actual contributions for the plan year 2016 were \$761,309.

**MONTGOMERY TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

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**NOTE E - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

**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, 2016:

<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 30% and 70%, respectively, of the plan's total investments.

**Rate of Return** - For the year ended December 31, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 6.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Township**

The components of the net pension liability of the Township at December 31, 2016, were as follows:

Total pension liability	\$ 19,191,149
Plan fiduciary net position	<u>(16,417,660)</u>
NET PENSION LIABILITY	<u>\$ 2,773,489</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>85.55%</u>

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE E - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2016, 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, 2016 (see the plan's investment policy) are summarized in the following table:

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

**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.

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE E - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)**

***Changes in the Net Pension Liability***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at December 31, 2015	\$ 17,892,774	\$ 15,075,430	\$ 2,817,344
Service cost	475,597	-	475,597
Interest	1,350,674	-	1,350,674
Changes for experience	-	-	-
Changes of assumptions	-	-	-
Contributions			
Employer	-	761,309	(761,309)
Member	-	165,677	(165,677)
Net investment income	-	947,050	(947,050)
Benefit payments	(527,896)	(527,896)	-
Administrative expense	-	(3,910)	3,910
Net Changes	<u>1,298,375</u>	<u>1,342,230</u>	<u>(43,855)</u>
Balances at December 31, 2016	<u>\$ 19,191,149</u>	<u>\$ 16,417,660</u>	<u>\$ 2,773,489</u>

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
	<u>(6.50%)</u>	<u>(7.50%)</u>	<u>(8.50%)</u>
Net pension liability	\$ <u>4,927,714</u>	\$ <u>2,773,489</u>	\$ <u>992,833</u>

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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, 2016, the Township recognized pension expense of \$870,109. At December 31, 2016, 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	\$ -	\$ 146,037
Changes in assumptions	577,261	-
Difference between projected and actual investment earnings	<u>909,635</u>	<u>-</u>
	<u>\$ 1,486,896</u>	<u>\$ 146,037</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>	
2017	\$ 351,555
2018	351,555
2019	351,555
2020	101,383
2021	61,604
Thereafter	123,207

**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.

**MONTGOMERY TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE F - NON-UNIFORM EMPLOYEE PENSION PLAN (Continued)**

**Funding Policy**

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

The Township made contributions of \$255,985, of which \$219,432 was funded by state-shared revenues and \$36,553 was funded by the Township. Employee contributions to the Plan were \$127,993.

At December 31, 2016, 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 2% of compensation to the Township Manager's and applicable Department Heads' accounts. Up to 25% of each participant's salary can be contributed and deferred under the Plan.

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

**Montgomery Township Municipal Sewer Authority**

The Sewer Authority offers its employees a Deferred Compensation Plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to full-time Sewer Authority employees, permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The compensation deferred is managed by an outside trustee under various investment options. The assets of the Plan are held in trust for the exclusive benefit of the Plan participants and their beneficiaries and shall not be diverted for any other purpose. As a result, the Sewer Authority excludes the financial statements of the Plan from its financial statements. For the year ended December 31, 2016, the Authority's contribution was \$69,665.

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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.

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

Normal cost	\$ 157,432
Amortization of unfunded actuarial accrued liability	173,236
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>330,668</u>
Interest on net OPEB obligation	57,492
Adjustment to ARC	(78,433)
ANNUAL OPEB EXPENSE	<u>309,727</u>
Estimated pay-as-you-go contributions	(144,689)
INCREASE IN NET OPEB OBLIGATION	<u>165,038</u>
Net OPEB obligation at beginning of year	<u>1,277,595</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 1,442,633</u></u>

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 243,373	45.23%	\$ 1,135,660
2015	241,188	41.15%	1,277,595
2016	309,727	46.72%	1,442,633

**Funded Status and Funding Progress**

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

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

**Methods and Assumptions**

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

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



**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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, 2016, sewer revenues exceeded sewer expenditures, and the Township has not been required to make the above-noted rental payments to the Sewer Authority.

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

**NOTE 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.

**MONTGOMERY TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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**NOTE K - AGREEMENT WITH HATFIELD TOWNSHIP MUNICIPAL AUTHORITY (Continued)**

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. As of December 31, 2016, the parties have not been able to resolve the dispute and HTMA has evoked the arbitration provision in the operating agreement. 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. In January 2017, the matter was settled. Included in accounts payable and accrued expenses is \$685,279, the amount of the arbitration award.

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

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**NOTE L - RISK MANAGEMENT (Continued)**

There have been no significant reductions in insurance coverage during the year ended December 31, 2016, and settlements have not exceeded coverage in the past three years.

**Montgomery Township Municipal Sewer Authority**

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

**NOTE 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>
<b>ASSETS</b>			
Cash	\$ 1,921,773	\$ -	\$ 1,921,773
Investments			
Stocks	4,737,014	-	4,737,014
Mutual funds	<u>9,758,873</u>	<u>5,907,579</u>	<u>15,666,452</u>
TOTAL ASSETS	<u>16,417,660</u>	<u>5,907,579</u>	<u>22,325,239</u>
<b>NET POSITION</b>			
Net position restricted for pensions	<u>\$ 16,417,660</u>	<u>\$ 5,907,579</u>	<u>\$ 22,325,239</u>

**MONTGOMERY TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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:

	Police Pension Fund	Non-Uniform Employee Pension Fund	Total Pension Trust Funds
	<u>          </u>	<u>          </u>	<u>          </u>
ADDITIONS			
Contributions			
Plan member contributions	\$ 165,677	\$ 127,993	\$ 293,670
Employer contributions	482,032	36,553	518,585
Other contributions			
Commonwealth of Pennsylvania	279,277	219,432	498,709
TOTAL CONTRIBUTIONS	<u>926,986</u>	<u>383,978</u>	<u>1,310,964</u>
Investment earnings			
Interest income	258,338	385,539	643,877
Gain on investments	723,701	-	723,701
Investment expenses	<u>(34,989)</u>	<u>(1,285)</u>	<u>(36,274)</u>
INVESTMENT EARNINGS, net	<u>947,050</u>	<u>384,254</u>	<u>1,331,304</u>
TOTAL ADDITIONS	<u>1,874,036</u>	<u>768,232</u>	<u>2,642,268</u>
DEDUCTIONS			
Employee benefit payments	527,896	105,028	632,924
Administrative expenses	3,910	-	3,910
TOTAL DEDUCTIONS	<u>531,806</u>	<u>105,028</u>	<u>636,834</u>
CHANGE IN NET POSITION	1,342,230	663,204	2,005,434
NET POSITION AT BEGINNING OF YEAR	<u>15,075,430</u>	<u>5,244,375</u>	<u>20,319,805</u>
NET POSITION AT END OF YEAR	<u>\$ 16,417,660</u>	<u>\$ 5,907,579</u>	<u>\$ 22,325,239</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MONTGOMERY TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 10,977,100	\$ 10,977,100	\$ 11,638,999	\$ 661,899
Licenses and permits	1,229,500	1,229,500	1,351,953	122,453
Fines and forfeits	175,000	175,000	175,253	253
Interest income, rents and royalties	40,000	40,000	22,068	(17,932)
Intergovernmental revenues	520,500	520,500	617,079	96,579
Charges for services	75,750	75,750	100,360	24,610
Contributions	1,500	1,500	771	(729)
Miscellaneous	66,000	66,000	-	(66,000)
<b>TOTAL REVENUES</b>	<b>13,085,350</b>	<b>13,085,350</b>	<b>13,906,483</b>	<b>821,133</b>
<b>EXPENDITURES</b>				
General government	2,289,400	2,390,700	2,211,027	179,673
Public safety	7,435,150	7,368,573	7,088,389	280,184
Highways and streets	2,024,050	2,027,700	1,971,900	55,800
Other, employee benefits not allocated	1,035,600	1,035,600	993,524	42,076
<b>TOTAL EXPENDITURES</b>	<b>12,784,200</b>	<b>12,822,573</b>	<b>12,264,840</b>	<b>557,733</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>301,150</b>	<b>262,777</b>	<b>1,641,643</b>	<b>1,378,866</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	10,000	10,000	-	(10,000)
Interfund transfers in	311,350	311,350	254,722	(56,628)
Interfund transfers out	(622,500)	(622,500)	(1,922,500)	(1,300,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(301,150)</b>	<b>(301,150)</b>	<b>(1,667,778)</b>	<b>(1,366,628)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(38,373)</b>	<b>(26,135)</b>	<b>12,238</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>3,015,068</b>	<b>3,015,068</b>	<b>3,015,068</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 3,015,068</b>	<b>\$ 2,976,695</b>	<b>\$ 2,988,933</b>	<b>\$ 12,238</b>

See accompanying note to budgetary comparison schedule.

# **MONTGOMERY TOWNSHIP**

## **NOTE TO THE BUDGETARY COMPARISON SCHEDULE**

**YEAR ENDED DECEMBER 31, 2016**

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### **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 THREE FISCAL YEARS**

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

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



**MONTGOMERY TOWNSHIP**  
**SCHEDULE OF POLICE PENSION PLAN**  
**CONTRIBUTIONS**  
**LAST THREE FISCAL YEARS**

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

**NOTES TO SCHEDULE**

Valuation date: January 1, 2015

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

Methods and assumptions used to determine contribution rates:

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

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

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

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>6.03%</u>	<u>-0.54%</u>	<u>6.64%</u>

**NOTES TO SCHEDULE**

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

**MONTGOMERY TOWNSHIP**  
**POSTEMPLOYMENT BENEFITS OTHER THAN**  
**PENSION FUNDING PROGRESS**  
**YEAR ENDED DECEMBER 31, 2016**

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**SCHEDULE OF FUNDING PROGRESS**

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

**MONTGOMERY TOWNSHIP**  
**TREND DATA ON INFRASTRUCTURE CONDITION**  
**YEAR ENDED DECEMBER 31, 2016**

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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, 2016:

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, 2016**

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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>
2016	\$ 591,700	\$ 465,409
2015	975,950	753,135
2014	735,875	721,810
2013	1,612,165	1,032,408
2012	1,672,900	1,245,015

## **SUPPLEMENTARY INFORMATION SECTION**

**MONTGOMERY TOWNSHIP**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Over (Under) Budget
	Original	Final		
<b>REVENUES</b>				
Taxes				
Real estate	\$ 1,636,100	\$ 1,636,100	\$ 1,614,020	\$ (22,080)
Earned income	5,190,000	5,190,000	5,383,633	193,633
Transfer	700,000	700,000	923,419	223,419
Mercantile	1,985,000	1,985,000	2,186,632	201,632
Emergency municipal services	548,000	548,000	578,875	30,875
Amusement	73,000	73,000	74,563	1,563
Business privilege	845,000	845,000	877,857	32,857
<b>TOTAL TAXES</b>	<b>10,977,100</b>	<b>10,977,100</b>	<b>11,638,999</b>	<b>661,899</b>
Licenses and permits				
Building	330,000	330,000	322,827	(7,173)
Zoning	20,000	20,000	23,285	3,285
Electrical	40,000	40,000	34,982	(5,018)
Plumbing	15,000	15,000	20,040	5,040
Street	15,000	15,000	14,460	(540)
Fence	5,000	5,000	6,960	1,960
Use and occupancy	20,000	20,000	24,120	4,120
Roofing and siding	25,000	25,000	59,883	34,883
Grading	1,000	1,000	3,400	2,400
Demolition	8,000	8,000	3,080	(4,920)
Heat, vent and air conditioning	90,000	90,000	86,906	(3,094)
Sign	10,000	10,000	22,391	12,391
Licenses	80,500	80,500	117,609	37,109
Cable television franchise fees	570,000	570,000	612,010	42,010
<b>TOTAL LICENSES AND PERMITS</b>	<b>1,229,500</b>	<b>1,229,500</b>	<b>1,351,953</b>	<b>122,453</b>
Fines and forfeits, police	175,000	175,000	175,253	253
Interest income, rents and royalties	40,000	40,000	22,068	(17,932)
Intergovernmental revenues				
Public utility realty tax	15,000	15,000	14,908	(92)
State pension aid	450,000	450,000	498,710	48,710
Other state grants	55,500	55,500	103,461	47,961
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>520,500</b>	<b>520,500</b>	<b>617,079</b>	<b>96,579</b>
Charges for services				
Administrative	25,000	25,000	46,538	21,538
Finance, street lights	6,750	6,750	6,900	150
Police services	44,000	44,000	46,922	2,922
<b>TOTAL CHARGES FOR SERVICES</b>	<b>75,750</b>	<b>75,750</b>	<b>100,360</b>	<b>24,610</b>
Contributions	1,500	1,500	771	(729)
Miscellaneous	66,000	66,000	-	(66,000)
<b>TOTAL REVENUES</b>	<b>13,085,350</b>	<b>13,085,350</b>	<b>13,906,483</b>	<b>821,133</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of fixed assets	10,000	10,000	-	(10,000)
Interfund transfers in				
Capital Reserve Fund	311,350	311,350	254,722	(56,628)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>321,350</b>	<b>321,350</b>	<b>254,722</b>	<b>(66,628)</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 13,406,700</b>	<b>\$ 13,406,700</b>	<b>\$ 14,161,205</b>	<b>\$ 754,505</b>

**MONTGOMERY TOWNSHIP**  
**SCHEDULE OF FUNCTIONAL EXPENDITURES BY**  
**ACTIVITY AND OTHER FINANCING USES**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Over (Under) Budget
	Original	Final		
<b>EXPENDITURES</b>				
General government				
Administration	\$ 1,391,850	\$ 1,500,850	\$ 1,379,810	\$ (121,040)
Tax collection	221,750	218,350	202,616	(15,734)
Finance	675,800	671,500	628,601	(42,899)
<b>TOTAL GENERAL GOVERNMENT</b>	<u>2,289,400</u>	<u>2,390,700</u>	<u>2,211,027</u>	<u>(179,673)</u>
Public safety				
Police	6,279,500	6,264,423	6,018,422	(246,001)
Police vehicles	285,300	257,800	258,287	487
Fire protection	87,150	87,150	89,177	2,027
Planning and zoning	768,750	744,750	718,070	(26,680)
Emergency management	14,450	14,450	4,433	(10,017)
<b>TOTAL PUBLIC SAFETY</b>	<u>7,435,150</u>	<u>7,368,573</u>	<u>7,088,389</u>	<u>(280,184)</u>
Highways and streets				
Public works	1,768,250	1,767,450	1,728,848	(38,602)
Snow removal	123,100	127,550	101,268	(26,282)
Traffic lights	82,200	82,200	96,155	13,955
Street lighting	20,500	20,500	17,079	(3,421)
Repairs	30,000	30,000	28,550	(1,450)
<b>TOTAL HIGHWAYS AND STREETS</b>	<u>2,024,050</u>	<u>2,027,700</u>	<u>1,971,900</u>	<u>(55,800)</u>
Other, employee benefits not allocated				
Police pension	761,300	761,300	761,309	9
Non-uniform pension	249,300	249,300	218,663	(30,637)
Deferred compensation	25,000	25,000	13,552	(11,448)
<b>TOTAL OTHER, EMPLOYEE BENEFITS</b>				
<b>NOT ALLOCATED TOTAL</b>	<u>1,035,600</u>	<u>1,035,600</u>	<u>993,524</u>	<u>(42,076)</u>
<b>EXPENDITURES</b>	<u>12,784,200</u>	<u>12,822,573</u>	<u>12,264,840</u>	<u>(557,733)</u>
<b>OTHER FINANCING USES</b>				
Interfund transfers out				
Capital Reserve Fund	615,500	615,500	1,915,500	1,300,000
Autumn Festival Fund	7,000	7,000	7,000	-
<b>TOTAL OTHER FINANCING USES</b>	<u>622,500</u>	<u>622,500</u>	<u>1,922,500</u>	<u>1,300,000</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 13,406,700</u>	<u>\$ 13,445,073</u>	<u>\$ 14,187,340</u>	<u>\$ 742,267</u>



**MONTGOMERY TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2016**

	Special Revenue				
	Fire Protection Fund	Park and Recreation Fund	Basin Maintenance Fund	Street Lights Fund	Liquid Fuels Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 116,038	\$ 177,277	\$ 3,280	\$ 207,665	\$ 158,536
Investments	200,696	306,387	5,673	359,168	274,198
Taxes receivable	4,484	5,013	-	-	-
Accounts receivable	20,541	9,280	-	2,338	-
Prepaid items	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 341,759</u></b>	<b><u>\$ 497,957</u></b>	<b><u>\$ 8,953</u></b>	<b><u>\$ 569,171</u></b>	<b><u>\$ 432,734</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 4,148	\$ 1,745	\$ 1,347	\$ 103	\$ -
Accrued payroll	30,179	3,473	811	676	-
<b>TOTAL LIABILITIES</b>	<b><u>34,327</u></b>	<b><u>5,218</u></b>	<b><u>2,158</u></b>	<b><u>779</u></b>	<b><u>-</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues, property taxes	3,341	3,735	-	-	-
<b>FUND BALANCES</b>					
<b>Restricted</b>					
Providing and maintaining street lights	-	-	-	568,392	-
Debt service	-	-	-	-	-
Basin maintenance	-	-	6,795	-	-
Park development projects	-	-	-	-	-
Highway and street projects	-	-	-	-	432,734
Knapp Farm house	-	-	-	-	-
<b>Committed to</b>					
Arbor Day and shade tree commission	-	-	-	-	-
Environmental	-	-	-	-	-
Fire protection capital purchases and/or infrastructure projects	304,091	-	-	-	-
<b>Assigned</b>					
Park and recreation projects	-	489,004	-	-	-
Capital projects	-	-	-	-	-
Annual autumn fest	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>304,091</u></b>	<b><u>489,004</u></b>	<b><u>6,795</u></b>	<b><u>568,392</u></b>	<b><u>432,734</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 341,759</u></b>	<b><u>\$ 497,957</u></b>	<b><u>\$ 8,953</u></b>	<b><u>\$ 569,171</u></b>	<b><u>\$ 432,734</u></b>

Funds			Capital Projects Funds					Total Other
Environmental Fund	Replacement Tree Fund	Autumn Festival Fund	Park Development Fund	Capital Projects Fund	Restoration Fund	Debt Service Fund	Governmental Funds	
\$ 118,694	\$ 263,882	\$ 17,937	\$ 21,562	\$ -	\$ 3,621	\$ 198,288	\$ 1,286,780	
205,289	456,400	31,022	37,294	-	6,262	342,951	2,225,340	
-	-	-	-	-	-	6,330	15,827	
1,173	1,047	-	335	-	-	2,994	37,708	
-	-	-	-	107,330	-	-	107,330	
<u>\$ 325,156</u>	<u>\$ 721,329</u>	<u>\$ 48,959</u>	<u>\$ 59,191</u>	<u>\$ 107,330</u>	<u>\$ 9,883</u>	<u>\$ 550,563</u>	<u>\$ 3,672,985</u>	
\$ -	\$ 454	\$ -	\$ -	\$ 57	\$ -	\$ -	\$ 7,854	
-	-	-	-	-	-	-	35,139	
-	454	-	-	57	-	-	42,993	
-	-	-	-	-	-	4,716	11,792	
-	-	-	-	-	-	-	568,392	
-	-	-	-	-	-	545,847	545,847	
-	-	-	-	-	-	-	6,795	
-	-	-	59,191	-	-	-	59,191	
-	-	-	-	-	-	-	432,734	
-	-	-	-	-	9,883	-	9,883	
-	720,875	-	-	-	-	-	720,875	
325,156	-	-	-	-	-	-	325,156	
-	-	-	-	-	-	-	304,091	
-	-	-	-	-	-	-	489,004	
-	-	-	-	107,273	-	-	107,273	
-	-	48,959	-	-	-	-	48,959	
<u>325,156</u>	<u>720,875</u>	<u>48,959</u>	<u>59,191</u>	<u>107,273</u>	<u>9,883</u>	<u>545,847</u>	<u>3,618,200</u>	
<u>\$ 325,156</u>	<u>\$ 721,329</u>	<u>\$ 48,959</u>	<u>\$ 59,191</u>	<u>\$ 107,330</u>	<u>\$ 9,883</u>	<u>\$ 550,563</u>	<u>\$ 3,672,985</u>	

**MONTGOMERY TOWNSHIP**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	Special Revenue Funds					
	Fire Protection Fund	Park and Recreation Fund	Basin Maintenance Fund	Street Lights Fund	Liquid Fuels Fund	Fire Relief Fund
<b>REVENUES</b>						
Taxes	\$ 885,866	\$ 416,340	\$ -	\$ 133,207	\$ -	\$ -
Licenses and permits	52,079	-	-	-	-	-
Interest income, rents and royalties	11	5,540	663	5,927	17	-
Intergovernmental revenues	80,036	-	-	-	658,171	248,669
Charges for services	25,146	-	-	-	-	-
Contributions	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>1,043,138</b>	<b>421,880</b>	<b>663</b>	<b>139,134</b>	<b>658,188</b>	<b>248,669</b>
<b>EXPENDITURES</b>						
Current						
General government	-	-	-	-	-	-
Public safety	918,834	-	-	-	-	248,669
Highways and streets	-	-	73,352	133,042	465,408	-
Parks and recreation	-	387,263	-	-	-	-
Other, employee benefits not allocated	30,242	-	-	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>949,076</b>	<b>387,263</b>	<b>73,352</b>	<b>133,042</b>	<b>465,408</b>	<b>248,669</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>94,062</b>	<b>34,617</b>	<b>(72,689)</b>	<b>6,092</b>	<b>192,780</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	52,572	43,127	50,999	-	-	-
Interfund transfers out	(51,995)	(161,950)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>577</b>	<b>(118,823)</b>	<b>50,999</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>94,639</b>	<b>(84,206)</b>	<b>(21,690)</b>	<b>6,092</b>	<b>192,780</b>	<b>-</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>209,452</b>	<b>573,210</b>	<b>28,485</b>	<b>562,300</b>	<b>239,954</b>	<b>-</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 304,091</b>	<b>\$ 489,004</b>	<b>\$ 6,795</b>	<b>\$ 568,392</b>	<b>\$ 432,734</b>	<b>\$ -</b>

								Capital Projects Funds				
Environmental Fund	Replacement Tree Fund	Autumn Festival Fund	Park Development Fund	Capital Projects Fund	Restoration Fund	Debt Service Fund	Total Other Governmental Funds					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 525,903	\$ 1,961,316					
-	-	-	-	-	-	-	52,079					
6,330	5,665	2	1,806	-	-	6,335	32,296					
59,081	-	-	-	-	-	-	1,045,957					
110	-	-	-	-	-	-	25,256					
<u>-</u>	<u>51,840</u>	<u>16,462</u>	<u>56,780</u>	<u>66,761</u>	<u>-</u>	<u>-</u>	<u>191,843</u>					
<u>65,521</u>	<u>57,505</u>	<u>16,464</u>	<u>58,586</u>	<u>66,761</u>	<u>-</u>	<u>532,238</u>	<u>3,308,747</u>					
47,159	6,679	19,050	-	-	-	-	72,888					
-	-	-	-	-	-	-	1,167,503					
785	-	-	-	-	-	-	672,587					
-	19,905	172	-	-	-	-	407,340					
-	-	-	-	-	-	-	30,242					
-	-	-	-	-	-	453,509	453,509					
-	-	-	-	-	-	4,937	4,937					
<u>47,944</u>	<u>26,584</u>	<u>19,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>458,446</u>	<u>2,809,006</u>					
<u>17,577</u>	<u>30,921</u>	<u>(2,758)</u>	<u>58,586</u>	<u>66,761</u>	<u>-</u>	<u>73,792</u>	<u>499,741</u>					
-	-	7,000	-	40,512	-	-	194,210					
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(342,697)</u>	<u>(556,642)</u>					
<u>-</u>	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>40,512</u>	<u>-</u>	<u>(342,697)</u>	<u>(362,432)</u>					
17,577	30,921	4,242	58,586	107,273	-	(268,905)	137,309					
<u>307,579</u>	<u>689,954</u>	<u>44,717</u>	<u>605</u>	<u>-</u>	<u>9,883</u>	<u>814,752</u>	<u>3,480,891</u>					
<u>\$ 325,156</u>	<u>\$ 720,875</u>	<u>\$ 48,959</u>	<u>\$ 59,191</u>	<u>\$ 107,273</u>	<u>\$ 9,883</u>	<u>\$ 545,847</u>	<u>\$ 3,618,200</u>					

**MONTGOMERY TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**CAPITAL RESERVE FUND**  
**YEAR ENDED DECEMBER 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest income, rents and royalties	\$ 82,000	\$ 82,000	\$ 97,138	\$ 15,138
Intergovernmental revenues	13,000	13,000	14,590	1,590
Contributions	-	-	-	-
<b>TOTAL REVENUES</b>	<b>95,000</b>	<b>95,000</b>	<b>111,728</b>	<b>16,728</b>
<b>EXPENDITURES</b>				
General government				
Administration	62,100	62,100	44,845	(17,255)
Finance	26,000	26,000	11,409	(14,591)
<b>TOTAL GENERAL GOVERNMENT</b>	<b>88,100</b>	<b>88,100</b>	<b>56,254</b>	<b>(31,846)</b>
Public safety				
Police	15,800	37,277	32,610	(4,667)
Fire protection	19,500	19,500	20,190	690
Planning and zoning	3,000	6,801	1,903	(4,898)
<b>TOTAL PUBLIC SAFETY</b>	<b>38,300</b>	<b>63,578</b>	<b>54,703</b>	<b>(8,875)</b>
Highways and streets				
Public works	317,200	317,200	297,566	(19,634)
Traffic lights	32,500	32,500	6,774	(25,726)
Repairs	489,100	489,100	243,792	(245,308)
<b>TOTAL HIGHWAYS AND STREETS</b>	<b>838,800</b>	<b>838,800</b>	<b>548,132</b>	<b>(290,668)</b>
Parks and recreation	95,200	95,200	96,507	1,307
<b>TOTAL EXPENDITURES</b>	<b>1,060,400</b>	<b>1,085,678</b>	<b>755,596</b>	<b>(330,082)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>(965,400)</b>	<b>(990,678)</b>	<b>(643,868)</b>	<b>346,810</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	-	-	334,692	334,692
Interfund transfers in				
General Fund	615,500	615,500	1,915,500	1,300,000
Fire Protection Fund	51,995	51,995	51,995	-
Parks and Recreation Fund	70,950	70,950	70,950	-
<b>TOTAL INTERFUND TRANSFERS IN</b>	<b>738,445</b>	<b>738,445</b>	<b>2,038,445</b>	<b>1,300,000</b>
Interfund transfers out				
Recreation Center Fund	(14,300)	(14,300)	(14,300)	-
Basin Maintenance Fund	(73,300)	(73,300)	(50,999)	22,301
General Fund	(311,350)	(311,350)	(254,722)	56,628
Fire Protection Fund	(13,500)	(13,500)	(52,572)	(39,072)
Parks and Recreation Fund	(47,000)	(47,000)	(43,127)	3,873
Capital Projects	(40,600)	(40,600)	(40,512)	88
<b>TOTAL INTERFUND TRANSFERS OUT</b>	<b>(500,050)</b>	<b>(500,050)</b>	<b>(456,232)</b>	<b>43,818</b>
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>238,395</b>	<b>238,395</b>	<b>1,916,905</b>	<b>1,678,510</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(727,005)</b>	<b>(752,283)</b>	<b>1,273,037</b>	<b>2,025,320</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>9,225,410</b>	<b>9,225,410</b>	<b>9,225,410</b>	<b>-</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 8,498,405</b>	<b>\$ 8,473,127</b>	<b>\$ 10,498,447</b>	<b>\$ 2,025,320</b>

**MONTGOMERY TOWNSHIP**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES--BUDGET AND ACTUAL**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED DECEMBER 31, 2016**

	Fire Protection Fund		Park and Recreation Fund	
	Budget	Actual	Budget	Actual
<b>REVENUES</b>				
Taxes				
Real estate	\$ 373,600	\$ 372,514	\$ 417,600	\$ 416,340
Earned income	310,000	310,000	-	-
Local services	192,500	203,352	-	-
TOTAL TAXES	<u>876,100</u>	<u>885,866</u>	<u>417,600</u>	<u>416,340</u>
Licenses and permits, tipping fees	53,000	52,079	-	-
Interest income, rents and royalties	100	11	4,200	5,540
Intergovernmental revenues				
State	-	-	-	-
Federal	80,000	80,036	-	-
Charges for services				
Fire department services	10,400	25,146	-	-
Recreation fees	-	-	-	-
Recycling bins	-	-	-	-
TOTAL CHARGES FOR SERVICES	<u>10,400</u>	<u>25,146</u>	<u>-</u>	<u>-</u>
Contributions	-	-	-	-
TOTAL REVENUES	<u>1,019,600</u>	<u>1,043,138</u>	<u>421,800</u>	<u>421,880</u>
<b>EXPENDITURES</b>				
General government, administration	-	-	-	-
Public safety, fire protection	1,011,471	918,834	-	-
Highways and streets				
Public works	-	-	-	-
Street lighting	-	-	-	-
Repairs	-	-	-	-
TOTAL HIGHWAYS AND STREETS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Parks and recreation	-	-	408,650	387,263
Other, employee benefits not allocated				
Non-uniform pension	18,700	28,456	-	-
Deferred compensation	2,000	1,786	-	-
TOTAL OTHER, EMPLOYEE BENEFITS NOT ALLOCATED	<u>20,700</u>	<u>30,242</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,032,171</u>	<u>949,076</u>	<u>408,650</u>	<u>387,263</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(12,571)</u>	<u>94,062</u>	<u>13,150</u>	<u>34,617</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	-	-
Interfund transfers in				
General Fund	-	-	-	-
Capital Reserve Fund	13,500	52,572	47,000	43,127
TOTAL INTERFUND TRANSFERS IN	<u>13,500</u>	<u>52,572</u>	<u>47,000</u>	<u>43,127</u>
Interfund transfers out				
Recreation Center Fund	-	-	(91,000)	(91,000)
Capital Reserve Fund	(51,995)	(51,995)	(70,950)	(70,950)
TOTAL INTERFUND TRANSFERS OUT	<u>(51,995)</u>	<u>(51,995)</u>	<u>(161,950)</u>	<u>(161,950)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(38,495)</u>	<u>577</u>	<u>(114,950)</u>	<u>(118,823)</u>
NET CHANGE IN FUND BALANCES	(51,066)	94,639	(101,800)	(84,206)
FUND BALANCES AT BEGINNING OF YEAR	209,452	209,452	573,210	573,210
FUND BALANCES AT END OF YEAR	<u>\$ 158,386</u>	<u>\$ 304,091</u>	<u>\$ 471,410</u>	<u>\$ 489,004</u>

Basin Maintenance Fund		Street Lights Fund		Liquid Fuels Fund		Fire Relief Fund		Environmental Fund		Replacement Tree Fund		Autumn Festival Fund	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ -	\$ -	\$ 138,000	\$ 133,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	138,000	133,207	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
900	663	5,200	5,927	100	17	-	-	5,100	6,330	5,200	5,665	-	2
-	-	-	-	662,000	658,171	-	248,669	70,000	59,081	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	662,000	658,171	-	248,669	70,000	59,081	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	110	-	-	-	-
-	-	-	-	-	-	-	-	-	110	-	-	-	-
-	-	-	-	-	-	-	-	-	-	45,600	51,840	18,500	16,462
900	663	143,200	139,134	662,100	658,188	-	248,669	75,100	65,521	50,800	57,505	18,500	16,464
-	-	-	-	-	-	-	-	62,000	47,159	16,500	6,679	53,675	19,050
-	-	-	-	-	-	-	248,669	-	-	-	-	-	-
81,625	73,352	46,300	47,619	-	-	-	-	1,500	785	45,840	19,905	-	-
-	-	96,900	85,423	-	-	-	-	-	-	-	-	-	-
-	-	-	-	591,700	465,408	-	-	-	-	-	-	-	-
81,625	73,352	143,200	133,042	591,700	465,408	-	-	1,500	785	45,840	19,905	-	-
-	-	-	-	-	-	-	-	-	-	-	-	1,800	172
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
81,625	73,352	143,200	133,042	591,700	465,408	-	248,669	63,500	47,944	62,340	26,584	55,475	19,222
(80,725)	(72,689)	-	6,092	70,400	192,780	-	-	11,600	17,577	(11,540)	30,921	(36,975)	(2,758)
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000
73,300	50,999	-	-	-	-	-	-	-	-	-	-	-	-
73,300	50,999	-	-	-	-	-	-	-	-	-	-	7,000	7,000
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
73,300	50,999	-	-	-	-	-	-	-	-	-	-	7,000	7,000
(7,425)	(21,690)	-	6,092	70,400	192,780	-	-	11,600	17,577	(11,540)	30,921	(29,975)	4,242
28,485	28,485	562,300	562,300	239,954	239,954	-	-	307,579	307,579	689,954	689,954	44,717	44,717
\$ 21,060	\$ 6,795	\$ 562,300	\$ 568,392	\$ 310,354	\$ 432,734	\$ -	\$ -	\$ 319,179	\$ 325,156	\$ 678,414	\$ 720,875	\$ 14,742	\$ 48,959

# MONTGOMERY TOWNSHIP

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL NONMAJOR CAPITAL PROJECTS FUNDS YEAR ENDED DECEMBER 31, 2016

	Park Development Fund		Capital Projects Fund		Restoration Fund	
	Budget	Actual	Budget	Actual	Budget	Actual
<b>REVENUES</b>						
Interest income, rents and royalties	\$ 1,500	\$ 1,806	\$ -	\$ -	\$ -	\$ -
Contributions	-	56,780	536,800	66,761	-	-
<b>TOTAL REVENUES</b>	<b>1,500</b>	<b>58,586</b>	<b>536,800</b>	<b>66,761</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>						
General government						
Administration	-	-	-	-	9,900	-
Public safety						
Police	-	-	183,000	-	-	-
Fire protection	-	-	353,800	-	-	-
<b>TOTAL PUBLIC SAFETY</b>	<b>-</b>	<b>-</b>	<b>536,800</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,500</b>	<b>58,586</b>	<b>-</b>	<b>66,761</b>	<b>(9,900)</b>	<b>-</b>
<b>OTHER FINANCING USES</b>						
Interfund transfers in						
Capital Reserve Fund	-	-	40,600	40,512	-	-
Interfund transfers out						
Capital Reserve Fund	-	-	(40,600)	-	-	-
<b>TOTAL OTHER FINANCING USES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,512</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,500</b>	<b>58,586</b>	<b>-</b>	<b>107,273</b>	<b>(9,900)</b>	<b>-</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>605</b>	<b>605</b>	<b>-</b>	<b>-</b>	<b>9,883</b>	<b>9,883</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 2,105</b>	<b>\$ 59,191</b>	<b>\$ -</b>	<b>\$ 107,273</b>	<b>\$ (17)</b>	<b>\$ 9,883</b>



# MONTGOMERY TOWNSHIP

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE--BUDGET AND ACTUAL NONMAJOR DEBT SERVICE FUND YEAR ENDED DECEMBER 31, 2016

	Debt Service Fund	
	Budget	Actual
REVENUES		
Taxes, real estate	\$ 527,480	\$ 525,903
Interest income, rents and royalties	<u>5,200</u>	<u>6,335</u>
TOTAL REVENUES	<u>532,680</u>	<u>532,238</u>
EXPENDITURES		
Debt service		
Principal retirement	700,000	453,509
Interest	<u>285,000</u>	<u>4,937</u>
TOTAL EXPENDITURES	<u>985,000</u>	<u>458,446</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(452,320)	73,792
OTHER FINANCING SOURCES (USES)		
Interfund transfers out		
Recreation Center Fund	-	(342,697)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(342,697)</u>
NET CHANGE IN FUND BALANCE	(452,320)	(268,905)
FUND BALANCE AT BEGINNING OF YEAR	<u>814,752</u>	<u>814,752</u>
FUND BALANCE AT END OF YEAR	<u>\$ 362,432</u>	<u>\$ 545,847</u>

**MONTGOMERY TOWNSHIP**

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

YEAR ENDED DECEMBER 31, 2016

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	Escrow Fund			
	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
ASSETS				
Cash	\$ <u>926,882</u>	\$ <u>423,800</u>	\$ <u>(563,201)</u>	\$ <u>787,481</u>
LIABILITIES				
Escrow and other deposits	\$ <u>926,882</u>	\$ <u>423,800</u>	\$ <u>(563,201)</u>	\$ <u>787,481</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)**

	2007	2008	2009	2010	2011 (1)	2012 (2)	2013 (3)	2014	2015	2016
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 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	\$ 113,595,908
Restricted	-	-	-	-	2,573,872	2,774,921	2,630,718	3,018,757	1,655,979	1,622,842
Unrestricted	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	13,895,248
<b>Total governmental activities net assets</b>	<b>122,656,130</b>	<b>124,438,695</b>	<b>125,844,880</b>	<b>125,822,958</b>	<b>126,770,999</b>	<b>126,927,405</b>	<b>130,959,910</b>	<b>132,516,173</b>	<b>127,381,191</b>	<b>129,113,998</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	-	-	-	-	-	-	(1,054,718)	(871,148)	2,967,520	2,817,631
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	(83,112)	(51,887)	512,935	94,650
<b>Total business-type activities net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,137,830)</b>	<b>(923,035)</b>	<b>3,480,455</b>	<b>2,912,281</b>
<b>Primary government</b>										
Net investments in capital assets	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	116,145,816
Restricted	-	-	-	-	2,573,872	2,774,921	2,630,718	3,018,757	1,655,979	1,622,842
Unrestricted	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	13,989,898
<b>Total primary government net position</b>	<b>\$ 122,656,130</b>	<b>\$ 124,438,695</b>	<b>\$ 125,844,880</b>	<b>\$ 125,822,958</b>	<b>\$ 126,770,999</b>	<b>\$ 126,927,405</b>	<b>\$ 129,822,080</b>	<b>\$ 131,593,138</b>	<b>\$ 130,861,646</b>	<b>\$ 131,758,556</b>

## Notes:

- (1) Montgomery Township applied GASB Statement No. 54 in fiscal year 2011, changing the way restricted versus unrestricted assets are reported.
- (2) Montgomery Township applied GASB Statement No. 63 in fiscal year 2012.
- (3) Montgomery Township added a proprietary fund during fiscal year 2013.

Source: Montgomery Township Records, Statement of Net Position.

TABLE 2

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

	2007	2008	2009	2010 (1)	2011	2012 (2)	2013 (3)	2014	2015	2016
<b>Expenditures</b>										
Governmental Activities										
General government	\$ 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	\$ 2,302,216
Public safety	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	8,834,138
Highways and Streets	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	2,930,010
Parks and Recreation	580,841	599,551	659,577	568,400	593,554	758,403	854,770	792,683	478,748	365,999
Police and Employee Pension Costs	493,693	549,772	616,193	-	-	-	-	-	-	-
Interest on long-term debt	77,977	69,723	60,857	44,694	35,704	51,755	226,143	22,851	12,610	3,896
Depreciation, Unallocated	673,598	745,437	820,828	776,908	819,214	877,568	871,406	859,765	901,584	946,421
Amortization of bond issue cost and discounts, unalloc	5,172	5,172	5,172	5,172	5,172	5,172	678	678	678	678
Total governmental activities expenditures	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	15,383,358
Business-Type Activities										
Recreation Center	-	-	-	-	-	-	141,742	269,504	1,430,152	1,658,552
Total business activities expenditures	-	-	-	-	-	-	141,742	269,504	1,430,152	1,658,552
Total primary government expenditures	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	17,041,910
<b>Program Revenues</b>										
Governmental Activities										
Charges for services										
General Government	32,416	72,866	50,953	62,533	43,405	70,852	71,054	71,448	83,833	80,811
Public Safety	1,239,465	1,165,861	755,515	825,034	956,892	1,316,137	991,234	1,136,533	1,140,983	1,071,941
Highways and Streets	-	6,375	6,376	6,375	6,375	12,750	6,900	6,900	6,750	6,900
Parks and Recreation	145,197	212,088	199,817	182,870	225,034	238,540	256,560	249,833	1,845	961
Operating Grants and Contributions	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	1,304,769
Capital Grants and Contributions	5,097,684	-	-	-	-	-	1,770,813	163,211	-	267,723
Total governmental activities program revenues	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	2,733,105
Business-Type Activities										
Charges for services	-	-	-	-	-	-	-	-	348,626	542,315
Operating Grants and Contributions	-	-	-	-	-	-	-	-	263,080	66
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	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	3,275,486
Net (expense)/revenue	(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)	(12,650,253)
Governmental activities	-	-	-	-	-	-	(141,742)	(269,504)	(818,446)	(1,116,171)
Business-Type Activities	(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)	(13,766,424)
Total Primary government net expense	\$ (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)	\$ (13,766,424)

TABLE 2

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

	2007	2008	2009	2010 (1)	2011	2012 (2)	2013 (3)	2014	2015	2016
<b>General Revenues and other Changes in Net Assets</b>										
Government Activities										
Taxes	\$ 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	\$ 13,733,814
Cable TV Franchise Fees	346,572	368,662	396,874	439,003	483,769	502,002	536,820	572,530	588,476	612,010
Investment Income	978,784	540,064	311,340	120,328	83,569	88,555	97,683	89,292	152,425	150,541
Gain (loss) on sale of capital assets	8,304	12,135	879,084	553,321	18,611	20,840	36,403	(17,730)	98,169	334,692
Refund of Prior Year Expenditures	124,688	127,577	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	1,000,000	(476,894)	(5,121,497)	(447,997)
Total Government Activities	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	14,383,060
Business-Type Activities										
Taxes	-	-	-	-	-	-	-	-	100,000	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	447,997
Total Business-Type Activities	-	-	-	-	-	-	(996,088)	484,299	5,221,936	547,997
Total primary government	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	14,931,057
<b>Change in Net Position</b>										
Government Activities	8,278,796	1,782,565	1,406,185	(21,922)	948,041	156,406	4,032,505	1,556,263	(3,783,710)	1,732,807
Business-Type Activities	-	-	-	-	-	-	(1,137,830)	214,795	4,403,490	(568,174)
Total primary government	\$ 8,278,796	\$ 1,782,565	\$ 1,406,185	\$ (21,922)	\$ 948,041	\$ 156,406	\$ 2,894,675	\$ 1,771,058	\$ 619,780	\$ 1,164,633

**Notes:**

- (1) Police and Employee Pension Costs are distributed amongst the appropriate functions beginning 2010.  
(2) Montgomery Township applied GASB Statement No. 63 in fiscal year 2012 and as a result is reporting Net Position.  
(3) Montgomery Township added a proprietary fund during fiscal year 2013 . The fund had no program revenue in 2013

Source: Montgomery Township Records, Statement of Activities.

TABLE 3

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

	2007	2008	2009	2010	2011 (1)	2012	2013	2014	2015	2016
<b>General Fund</b>										
Reserved	3,200	3,200	3,200	3,200	-	-	-	-	-	-
Unreserved	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	2,988,933
<b>Total General Fund</b>	<b>2,351,324</b>	<b>2,199,209</b>	<b>2,297,763</b>	<b>2,541,575</b>	<b>2,792,961</b>	<b>3,218,308</b>	<b>3,006,135</b>	<b>3,267,459</b>	<b>3,015,068</b>	<b>2,988,933</b>
<b>All other governmental funds</b>										
Reserved	1,671,274	1,896,329	2,056,389	1,599,140	-	-	-	-	-	-
Unreserved, reported in										
Special revenue funds	2,170,976	2,412,356	2,373,591	2,605,488	-	-	-	-	-	-
Capital projects funds	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	568,392
Debt Service Fund	-	-	-	-	704,870	700,876	712,798	1,101,320	814,752	545,847
Basin Maintenance Fund	-	-	-	-	261,327	188,611	115,353	55,339	28,485	6,795
Park Development Fund	-	-	-	-	171,518	289,544	300,932	333,663	605	59,191
Liquid Fuels Fund	-	-	-	-	152,279	227,574	117,476	181,728	239,954	432,734
Environmental Fund	-	-	-	-	649,527	741,885	703,110	-	-	-
Restoration Fund	-	-	-	-	23,517	23,610	23,615	9,880	9,883	9,883
300th Anniversary	-	-	-	-	-	8,362	64,217	49	-	-
Committed										
Replacement Tree Fund	-	-	-	-	635,572	586,667	603,955	925,650	689,954	720,875
Fire Services Fund	-	-	-	-	213,550	247,054	247,521	290,060	209,452	304,091
Capital Reserve Fund	-	-	-	-	11,800,878	11,970,441	13,568,257	12,522,769	9,225,410	9,201,982
Environmental Fund	-	-	-	-	-	-	-	766,037	307,579	325,156
Assigned										
Park and Recreation Fund	-	-	-	-	577,156	595,845	605,902	576,539	573,210	489,004
Capital Projects Fund	-	-	-	-	-	-	-	-	-	1,403,738
Autumn Festival Fund	-	-	-	-	26,464	36,503	43,941	50,125	44,717	48,959
Unassigned	-	-	-	-	-	(2,757)	-	-	-	-
<b>Total all other governmental funds</b>	<b>15,153,132</b>	<b>14,619,707</b>	<b>16,253,406</b>	<b>16,128,546</b>	<b>15,825,148</b>	<b>16,208,674</b>	<b>17,700,294</b>	<b>17,383,900</b>	<b>12,706,301</b>	<b>14,116,647</b>
<b>Total all Governmental funds</b>	<b>17,504,456</b>	<b>16,818,916</b>	<b>18,551,169</b>	<b>18,670,121</b>	<b>18,618,109</b>	<b>19,426,982</b>	<b>20,706,429</b>	<b>20,651,359</b>	<b>15,721,369</b>	<b>17,105,580</b>

Notes:

(1) Montgomery Township first applied GASB Statement No. 54 in the fiscal year ending December 31, 2011. Therefore, the fund balance designations for prior years differ.

Source : Montgomery Township Records, Balance Sheet Governmental Funds.



Table 4

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

Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 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	\$ 13,600,315
Licenses and Permits	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	1,404,032
Fines and Forfeitures	158,394	158,616	129,191	135,190	179,842	179,435	178,452	173,774	186,404	175,253
Interest Income, Rents and Royalties	987,184	549,919	312,678	131,528	84,595	89,635	99,388	90,977	154,279	151,502
Intragovernmental revenues	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	1,677,626
Charges for Services	196,550	302,815	280,344	263,522	305,748	340,260	370,971	346,637	103,601	125,616
Contributions	200,567	131,473	28,258	73,729	437,351	158,117	440,075	477,226	106,127	192,614
<b>Total Revenues</b>	<b>15,725,567</b>	<b>15,153,144</b>	<b>13,647,389</b>	<b>13,502,968</b>	<b>15,401,863</b>	<b>15,676,449</b>	<b>16,327,518</b>	<b>16,805,771</b>	<b>16,650,321</b>	<b>17,326,958</b>
<b>Expenditures</b>										
Current										
General Government	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	2,340,169
Public Safety	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	8,310,595
Highways and Streets	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	3,192,619
Parks and Recreation	910,019	704,322	686,519	568,400	643,990	803,448	849,671	889,622	419,689	503,847
Other Employee Benefits not allocated	493,693	549,772	616,193	607,784	663,646	707,378	888,672	882,524	928,923	1,023,766
Debt Service										
Principal	383,044	379,446	318,914	340,510	349,200	451,262	1,283,917	132,515	654,452	453,509
Interest and other charges	76,916	68,704	59,888	43,792	29,662	51,613	226,727	23,529	13,288	4,937
<b>Total Expenditures</b>	<b>13,474,937</b>	<b>15,990,141</b>	<b>13,132,220</b>	<b>13,949,988</b>	<b>15,476,675</b>	<b>16,802,782</b>	<b>16,116,728</b>	<b>16,389,707</b>	<b>16,564,466</b>	<b>15,829,442</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>2,250,630</b>	<b>(836,997)</b>	<b>515,169</b>	<b>(447,020)</b>	<b>(74,812)</b>	<b>(1,126,333)</b>	<b>210,790</b>	<b>416,064</b>	<b>85,855</b>	<b>1,497,516</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds from sale of capital assets	8,304	23,880	1,217,084	565,972	22,800	20,840	68,657	5,760	105,652	334,692
Proceeds from loan issuance	-	-	-	-	-	1,914,366	-	-	-	-
Proceeds from county infrastructure loan	124,688	127,577	-	-	-	-	-	-	-	-
Refund of prior years' expenditures	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	2,487,377
Interfund transfers in	(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)	(2,935,374)
Interfund transfers out	132,992	151,457	1,217,084	565,972	22,800	1,935,206	1,068,657	(471,134)	(5,015,845)	(113,302)
<b>Total Other Financing Sources (Uses)</b>	<b>2,383,622</b>	<b>(685,540)</b>	<b>1,732,253</b>	<b>118,952</b>	<b>(52,012)</b>	<b>808,873</b>	<b>1,279,447</b>	<b>(55,070)</b>	<b>(4,929,990)</b>	<b>1,384,211</b>
Net change in fund balance	15,120,834	17,504,456	16,818,916	18,551,169	18,670,121	18,618,109	19,426,982	20,706,429	20,706,429	15,721,369
Fund balance at beginning of year	17,504,456	16,818,916	18,551,169	18,670,121	18,618,109	19,426,982	20,706,429	20,651,359	15,776,439	17,105,580
Fund balance at end of year										
Debt Service as a percentage of non-capital expenditures	3.53%	2.88%	3.05%	2.87%	2.74%	3.45%	10.87%	1.11%	4.37%	3.03%

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)**

<b>Year Ended 31-Dec</b>	<b>Real Estate Tax (1)</b>	<b>Earned Income Tax</b>	<b>Realty Transfer Tax</b>	<b>Business Gross Receipts</b>	<b>Total</b>
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
2016	\$ 3,061,984	\$ 5,693,633	\$ 923,419	\$ 3,921,279	\$ 13,600,315

**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:	Total Taxable Assessed Value		Estimated Actual Value (2)	Ratio of total Assessed value to Estimated Actual Value	Total Township Tax Rate (3)
	Assessed Value (1)	Property Tax-Exempt	Property	Assessed Value				
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	
2016	\$ 2,264,629,254	\$ 62,924,970	\$	2,201,704,284	\$ 4,036,772,289	.561	1.49	

**Notes:**

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

**Source:** Montgomery County Board of Assessments.

Table 7

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

Fiscal Year	Montgomery Township						Overlapping Rates		
	General Fund Millage	Park and Recreation Millage	Fire Protection Millage	Debt Service Millage	Township Millage	Total	County Millage	School Millage	Total
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	
2016	0.89	0.19	0.17	0.24	1.49	3.4590	24.189	29.1380	

Source: Pennsylvania DCED Municipal Statistics.

Table 8

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

20072016

Taxpayer	Type of Business	<u>2016</u>			<u>2007</u>		
		Assessed Value	Rank	% of Total Assessment	Assessed Value	Rank	% of Total Assessment
Montgomeryville Associates, Inc.	Shopping Mall	\$ 90,971,026	1	4.02%	\$ 104,166,060	1	5.08%
Kir Montgomeryville	Shopping Mall	35,960,000	2	1.59%	22,376,090	5	1.09%
Private Individual	Industrial Building	30,784,370	3	1.36%	30,813,320	2	1.50%
Nappen & Associates	Industrial Building	28,584,380	4	1.26%	26,164,240	3	1.28%
Avenel Realty Co Inco	Apartment Building	28,213,000	5	1.25%	18,896,160	7	0.92%
Gateway DC Properties, Inc.	Shopping Mall	20,350,290	6	0.90%	24,306,000	4	1.19%
Water Tower Square Assoc.	Apartment Building	19,229,000	7	0.85%	19,229,000	6	0.94%
Private Individual	Rental Lots	14,794,330	8	0.65%	14,794,330	8	0.72%
SBS of Montgomeryville Inc.	Hotel	13,956,830	9	0.62%			
213-36 Montgomery Holdings	Shopping Mall	12,595,840	10	0.56%			
Lowe's Home Center	Retail Store				11,628,100	9	0.57%
Target Corp	Retail Store				9,751,090	10	0.48%
<b>TOTAL</b>		\$ 295,439,066		13.05%	\$282,124,390		13.77%

**Source:** Montgomery County Tax Assessment Duplicate.

TABLE 9

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

Fiscal Year Ended	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections		Total Collections to Date	
		Amount (2)	Percentage of Levy	Amount	Amount	Amount	Percentage of Levy
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%	77,326	2,821,764	100.00%	
2011	2,808,794	2,731,699	97.3%	77,108	2,808,807	100.00%	
2012	2,840,066	2,760,624	97.2%	79,378	2,840,002	100.00%	
2013	2,846,605	2,811,419	98.8%	33,696	2,845,115	99.95%	
2014	2,927,294	2,912,770	99.5%	14,524	2,927,294	100.00%	
2015	2,946,166	2,927,048	99.4%	13,467	2,940,515	99.81%	
2016	2,959,941	2,944,287	99.5%	0	2,944,287	99.47%	

**Notes:**

- (1) The Township implemented a Homestead Exclusion starting in 2003 reducing assessments for single family owner occupied dwelling by \$10,000. The exclusion was increased to \$15,000 in 2007, \$20,000 in 2005, \$25,000 in 2006 and \$30,000 in 2009 and forward.
- (2) Taxpayers are entitled to a 2% discount for payment of taxes by April 30th. Historically, 88-90% of taxpayers take advantage of this discount.

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

<b>Year Ended 31-Dec</b>	<b>Number of Returns</b>	<b>Taxable Sales</b>	<b>Taxes</b>	
			<b>Collected</b>	<b>Tax rate</b>
<b>2007</b>	1,258	2,067,927,333	3,101,891	1.5 Mills
<b>2008</b>	1,422	1,943,085,333	2,914,628	1.5 Mills
<b>2009</b>	1,391	1,770,841,333	2,656,262	1.5 Mills
<b>2010</b>	1,437	1,727,391,333	2,591,087	1.5 Mills
<b>2011</b>	1,461	1,862,376,000	2,793,564	1.5 Mills
<b>2012</b>	1,488	1,868,025,333	2,802,038	1.5 Mills
<b>2013</b>	1,418	1,805,094,667	2,707,642	1.5 Mills
<b>2014</b>	1,399	1,947,312,000	2,920,968	1.5 Mills
<b>2015</b>	1,229	1,966,163,333	2,949,245	1.5 Mills
<b>2016</b>	1,255	2,081,536,000	3,122,304	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	2016		2007	
	Rank	% of Total	Rank	% of Total
Retail Store	1	6.18%	1	6.55%
Retail Store	2	3.66%	-	-
Retail Stores - Auto	3	2.77%	-	-
Retail Store	4	2.40%	2	2.86%
Manufacturing	5	2.35%	-	-
Retail Store	6	2.33%	4	1.97%
Retail Store - Auto	7	2.20%	3	2.21%
Retail Store - Auto	8	2.15%	-	-
Retail Store	9	2.10%	5	1.95%
Retail Store - Auto	10	1.93%	-	-
Department Store	-	-	6	1.76%
Retail Store	-	-	7	1.69%
Department Store	-	-	8	1.28%
Retail Store	-	-	9	1.27%
Department Store	-	-	10	1.24%

**Percentage of Total Gross Collections** 28.07% 22.78%

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

**Source:** Montgomery Township Business Tax Records



**Table 12**

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

Fiscal Year	General Obligation		General Obligation		Total Primary Government	Percentage of Per Capita Income (2)	Per Capita
	Bonds (1)	Notes	Notes	Income (2)			
2007	960,000	1,489,360	1,489,360	2,449,360	0.26%	103	
2008	815,000	1,254,915	1,254,915	2,069,915	0.20%	88	
2009	665,000	1,086,000	1,086,000	1,751,000	0.17%	74	
2010	505,000	905,490	905,490	1,410,490	0.14%	57	
2011	345,000	716,290	716,290	1,061,290	0.10%	43	
2012	175,000	2,349,392	2,349,392	2,524,392	0.26%	103	
2013	8,990,889	1,240,476	1,240,476	10,231,365	0.96%	407	
2014	8,782,554	1,107,961	1,107,961	9,890,515	0.87%	390	
2015	8,574,219	453,509	453,509	9,027,728	0.79%	347	
2016	8,721,375	-	-	8,721,375	0.76%	335	

**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 14

**Montgomery Township  
Computation of Direct and Overlapping Debt  
December 31, 2016 (Unaudited)**

Direct Debt of the Township and Related Entities	Net Debt Outstanding	Debt Applicable to Montgomery
Montgomery Township	\$ -	\$ -
Overlapping Debt		
County of Montgomery	\$ 380,871,495 (1)	\$ 15,004,106
North Penn School District	\$ 104,439,428 (2)	\$ 32,968,340
<b>Total Overlapping Debt</b>	<b>\$ 485,310,923</b>	<b>\$ 47,972,446</b>
<b>Total Direct and Overlapping Debt</b>	<b>\$ 485,310,923</b>	<b>\$ 47,972,446</b>

Notes:

- (1) Percentage of total Montgomery County debt as of December 31, 2016, based on the ratio of Montgomery Twp Assessed valuation to Montgomery County 2016 Assessed Value.
- (2) Percentage of total North Penn School district debt as of June 30, 2016, based on the ratio of Montgomery Twp Assessed valuation to North Penn School District 2016 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, 2016 (Unaudited)**

Borrowing base revenues (1):	
2014	16,805,776
2015	16,650,321
2016	17,326,958
Total Revenues	\$ 50,783,055
Debt limit for General Obligation Bonds:	
Average borrowing base revenues	\$ 16,927,685
Debt limit percent	250%
Debt limit	42,319,213
Total amount of debt applicable to debt limit	-
Legal debt margin	\$ 42,319,213
Debt limit for General Obligation bonds and lease rental debt:	
Average borrowing base revenues	\$ 16,927,685
Debt limit percent	350%
Debt limit	\$ 59,246,898
Total amount of debt applicable to debt limit	-
Legal debt margin	\$ 59,246,898

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		Legal Debt Margin	Total Gross General Obligation Debt as a Percentage of Debt Limit
		General Obligation Debt	Debt		
<b>2007</b>	37,848,055	2,449,360	35,398,695	6.47%	
<b>2008</b>	38,944,129	2,069,915	36,874,214	5.32%	
<b>2009</b>	37,105,083	1,751,000	35,354,083	4.72%	
<b>2010</b>	35,282,084	1,410,490	33,871,594	4.00%	
<b>2011</b>	33,211,068	1,061,290	32,149,778	3.20%	
<b>2012</b>	37,151,067	2,524,392	34,626,675	6.79%	
<b>2013</b>	39,169,754	2,242,844	36,926,910	5.73%	
<b>2014</b>	40,339,682	2,243,621	38,096,061	5.56%	
<b>2015</b>	41,151,242	4,548,448	36,602,794	11.05%	
<b>2016</b>	42,319,213	0	42,319,213	0.00%	

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)**

<b>Year Ended 31-Dec</b>	<b>Principal</b>	<b>Interest</b>	<b>Debt Services</b>	<b>Total General Governmental Expenditures</b>	<b>Ratio of Debt Service to Total General Governmental Expenditures</b>
<b>2007</b>	383,044	76,916	459,960	13,474,937	3.41%
<b>2008</b>	379,446	68,704	448,150	15,990,141	2.80%
<b>2009</b>	318,914	59,888	378,802	13,132,220	2.88%
<b>2010</b>	340,510	43,792	384,302	13,949,988	2.75%
<b>2011</b>	349,200	29,661	378,861	15,476,675	2.45%
<b>2012</b>	451,262	51,613	502,875	16,802,782	2.99%
<b>2013</b>	1,283,917	226,727	1,510,644	16,116,728	9.37%
<b>2014</b>	132,515	23,529	156,044	16,389,707	0.95%
<b>2015</b>	654,452	13,288	667,740	16,643,880	4.01%
<b>2016</b>	453,509	4,937	458,446	15,829,442	2.90%

Source: Montgomery Township Annual Financial Statements.

Table 18

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

Year Ended 31-Dec	Per	Population (1)	Per Capita	Unemployment Rate (2)
	Capita Income (1)		Personal Income	
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	3.0
2016	44,130	26,025	1,148,483,250	3.6

Source: (1) 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>2016</u>			<u>2007</u>		
		Employees	Rank	% of Total Township Employment	Employees	Rank	% of Total Township Employment
Teva Pharmaceutical	Pharmaceutical	818	1	3.70%	751	2	3.10%
Wegman's Food Markets	Grocery Store	516	2	2.33%	-	-	-
Cobham Advanced Electronics	Manufacturing	430	3	1.95%	-	-	-
McCallion Temps, Inc.	Employment Agency	408	4	1.85%	1,048	1	4.32%
Harriet Carter Gifts	Catalog/online Sales	397	5	1.80%	724	3	2.98%
Target	Retail Store	385	6	1.74%	497	5	2.05%
Macy's	Retail Store	339	7	1.53%	575	4	2.37%
Gemalto, Inc.	Manufacturing	336	8	1.52%	355	8	1.46%
Costco	Retail Store	332	9	1.50%	281	10	1.16%
Capital Wine and Spirits	Distributor	320	10	1.45%	-	-	-
American Pool Management	Manufacturing	-	-	-	407	6	1.68%
JC Penney	Department Store	-	-	-	305	9	1.26%
BAE Systems	Manufacturer	-	-	-	396	7	1.63%
<b>TOTAL</b>		<b>4,281</b>		<b>19.37%</b>	<b>5,339</b>		<b>22.01%</b>

Notes:

Total Number of individuals employed in the Township in 2016: 22,101

Total Number of individuals employed in the Township in 2007: 24,260

Source: 2007 Township Occupation Privilege/Local Services Tax Records and 2016 Berkheimer, Inc. Records.



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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government	8.0	8.4	8.0	8.0	8.0	7.5	7.5	7.5	7.7	7.0
Finance and Tax Collection	8.5	7.5	7.5	7.5	6.5	6.5	6.5	6.5	7.5	8.0
Public Safety										
Officers	35.0	35.0	35.0	35.0	36.0	36.0	36.0	36.0	35.0	36.0
Civilians	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0	9.0
Fire Safety										
Officers	5.8	5.8	5.8	5.8	5.8	5.8	5.8	6.8	6.1	6.3
Clerical	0.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Code Enforcement, Building & Zoning	6.3	6.3	6.3	6.3	6.3	5.0	5.0	5.4	5.5	5.5
Public Works										
Highway, Storm Sewers, Street Lights, Traffic Signals, Facilities and Parks	20.3	21.3	21.3	21.3	23.3	22.3	21.3	21.3	19.2	20.1
Culture and Recreation	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	9.9	13.0
<b>Totals:</b>	<b>93.75</b>	<b>95.73</b>	<b>95.33</b>	<b>95.33</b>	<b>97.40</b>	<b>94.60</b>	<b>93.60</b>	<b>95.00</b>	<b>99.50</b>	<b>105.50</b>

Source: Montgomery Township, Montgomery County, Pennsylvania Records.

Table 21

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

	<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>	<u>2016</u>
<b>Police</b>										
Part I Crimes	656	540	561	479	531	443	418	465	397	425
Part II Crimes	1,401	1,212	1,127	1,226	1,113	1,028	1,142	1,085	1,117	1,104
Total Calls for Service	26,399	26,092	26,028	26,607	29,306	26,250	28,966	29,841	31,980	30,976
<b>Fire Safety</b>										
Total Responses	659	700	570	572	599	588	565	639	615	585
<b>Code Enforcement &amp; Zoning</b>										
Total Permits	959	940	928	1,160	1,374	1,349	1,314	1,345	1,388	1,441
Land Development Submittals	7	7	7	3	1	10	9	8	10	7
Zoning Hearing Board Applications	14	15	19	14	15	15	17	18	11	18
Rezoning Requests	2	0	0	0	0	0	1	2	0	1
Conditional Use Applications	4	0	1	0	2	2	2	1	2	1
<b>Highway and Streets</b>										
Streets Resurfaced (miles)	5.45	5.7	0 (1)	4.34	5.02	5.47	5.43	2.71	2.84	3.01

## Notes:

(1) Due to favorable conditions of streets, the Township opted to defer annual street resurfacing work in 2009 but continued funding of 14-Year Road Program reserve.

Source: Montgomery Township, Montgomery County, Pennsylvania Records

Table 22

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

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Municipal Building	1	1	1	1	1	1	1	1	1	1
Public Works Building	1	1	1	1	1	1	1	1	1	1
Recreation Center Building	-	-	-	-	-	-	-	1	1	1
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicle Units	19	20	20	19	19	19	19	19	19	19
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Apparatus	5	5	5	5	5	5	5	5	4	4
Highway and Streets										
Street Miles	71	73	73	73	73	73	73	73	73	73
Traffic Signals	43	43	43	42	41	48	48	48	49	50
Stormwater Detention Basins	60	61	63	63	63	63	63	63	63	63
Culture and Recreation										
Park Sites	11	11	11	11	11	13	13	14	14	14
Acres	306	306	306	306	314	326	326	376	376	376
Playgrounds	8	8	8	8	8	8	8	8	8	8
Soccer Fields	10	10	11	11	11	11	11	11	11	11
Baseball Fields	13	14	14	14	14	14	14	14	14	14
Tennis Courts	16	16	16	16	16	16	16	16	16	16
Basketball Courts	6	6	7	9	9	9	9	8.5	8.5	8.5
Street Hockey	4	4	4	4	4	4	4	4	4	4
Disc Golf Course	1	1	1	1	1	1	1	1	1	1
Volleyball Courts	2	2	2	2	2	2	2	2	2	2
Dog Park	1	1	1	1	1	1	1	1	1	1

Source: Montgomery Township, Montgomery County, Pennsylvania Records.

**SCHEDULE OF INSURANCE COVERAGES 12/31/2016**  
**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.	Unscheduled Watercraft (under twenty-seven feet in length, unless scheduled)	\$2,500,000	Each Occurrence
s.	Off Premises Service Interruption including Extra Expense Resulting from a Covered Peril at Non-Owned/Operated Locations	\$25,000,000	Each Interruption
t.	Business Interruption, including Rental Income, Tuition and Related Fees Income and Tax Interruption, if values have been reported	\$100,000,000	Each Interruption for All Participants Combined
u.	Extended Period of Indemnity	180	Days
v.	Business Interruption, including Rental Income, Tuition and Related Fees Income and Tax Interruption, if values have not been reported	\$500,000	Each Interruption for All Participants Combined
w.	Contingent Business Interruption (including Rental Income, Tuition and Fees Income, Tax Interruption) Resulting from a Covered Peril at Direct Supplier or Direct Customer Locations	\$3,000,000	Each Interruption for All Participants Combined
x.	Contingent Extra Expense Resulting from a Covered Peril at Direct Supplier or Direct Customer Locations	\$3,000,000	Each Interruption for All Participants Combined
y.	Leasehold Interest	\$500,000	Each Occurrence
z.	Claims Preparation Expense	\$1,000,000	Each Occurrence
aa.	Accidental Contamination of Land	\$250,000	Each Occurrence for All Participants Combined
bb.	Accidental Contamination of Land	\$250,000	Annual Aggregate for All Participants Combined
cc.	Earthquake Shock	\$50,000,000	Annual Aggregate for Participants Combined
dd.	Flood	\$100,000,000	Annual Aggregate for All Participants Combined
ee.	Flood - Zones A, AE, V and all other 100 year Floodplains	\$50,000,000	Annual Aggregate for All Participants Combined *
ff.	Terrorism **	\$25,000,000	Annual Aggregate for All Participants Combined

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

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

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

## BOILER COVERAGE

1	<p>Limit of Liability</p> <p>The following Limit of Liability applies:</p> <p>All Coverages Combined (Property Damage and Business Interruption and Extra Expense)</p>	<p>Each Accident</p> <p>\$100,000,000</p>
2	<p>Sublimits of Liability</p> <p>The following Sublimits of Liability apply. These are part of and not in addition to the Limit of Liability:</p> <p>a. Expediting Expense</p> <p>b. Errors and Omissions</p> <p>c. Hazardous Substances</p> <p>d. Water Damage</p> <p>e. Consequential Damage</p> <p>f. Ordinance or Law - Value of Undamaged Portion of Building, Demolition and Increased Cost of Construction Due to Ordinance or Law</p> <p>g. EDP Media</p> <p>h. Earthquake Resultant Damage</p> <p>i. Utility Interruption for Utilities Owned by Others and For Covered Objects and Covered Perils</p> <p>j. Automatic Acquisitions</p>	<p>Each Accident</p> <p>Each Accident</p> <p>Each Accident</p> <p>Each Accident</p> <p>Each Accident</p> <p>Each Accident</p> <p>Each Accident</p> <p>Each Accident</p> <p>Each Accident</p> <p>Annual Aggregate</p> <p>Each Accident</p> <p>Each Accident</p>
3	<p>Deductibles</p> <p>a. Property Damage</p> <p>b. Business Interruption and Extra Expense</p> <p>b. Off Premises Service Interruption (Property Damage and Time Element)</p>	<p>Each Accident</p> <p>Each Accident</p> <p>Waiting Period</p> <p>Waiting Period</p> <p>\$1,000</p> <p>24 Hours</p> <p>24 Hours</p>

## CRIME COVERAGE

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



## LIABILITY COVERAGE

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

2	<ul style="list-style-type: none"> <li>o. Heart and Lung Act Liability</li> <li>p. Privacy Liability (effective May 1, 2009)</li> </ul>	<ul style="list-style-type: none"> <li>\$100,000</li> <li>\$100,000</li> </ul>	<ul style="list-style-type: none"> <li>Annual Aggregate</li> <li>Annual Aggregate</li> </ul>
2	<ul style="list-style-type: none"> <li>Deductibles</li> </ul>		
3	<ul style="list-style-type: none"> <li>a. General Liability</li> <li>General Liability arising out of Skateboarding or Rollerblading</li> <li>General Liability arising out of Backup of Sewage</li> <li>General Liability arising out of Backup of Sewage</li> <li>General Liability arising out of Backup of Sewage</li> <li>Police Professional Liability arising out of Law Enforcement Activities</li> </ul>	<ul style="list-style-type: none"> <li>\$0</li> <li>\$2,500</li> <li>n/a</li> <li>n/a</li> <li>n/a</li> <li>\$3,500</li> </ul>	<ul style="list-style-type: none"> <li>Each Occurrence</li> <li>Each Occurrence</li> <li>Each Claim</li> <li>Each Occurrence</li> <li>Annual Aggregate</li> <li>Each Occurrence</li> </ul>
4	<ul style="list-style-type: none"> <li>c. Auto Liability, Uninsured Motorists and Basic First Party Benefits</li> <li>d. Auto Physical Damage and Garagekeepers Legal Liability - Collision or Other Than Collision (Passenger Vehicles, Motorcycles and Light Trucks)</li> <li>e. Auto Physical Damage and Garagekeepers Legal Liability - Collision or Other Than Collision (All Other Autos)</li> <li>f. Public Officials and Employees Liability</li> <li>g. Employee Benefit Plan Fiduciary Liability</li> <li>h. Privacy Liability</li> </ul>	<ul style="list-style-type: none"> <li>\$0</li> <li>\$500</li> <li>\$1,000</li> <li>\$2,500</li> <li>\$2,500</li> <li>\$2,500</li> <li>None</li> </ul>	<ul style="list-style-type: none"> <li>Each Accident</li> <li>Each Accident</li> <li>Each Accident</li> <li>Each Claim</li> <li>Each Loss</li> <li>Each Claim</li> </ul>
3	<ul style="list-style-type: none"> <li>Retroactive Date for Public Officials and Employees Liability:</li> </ul>		
4	<ul style="list-style-type: none"> <li>Retroactive Date for Privacy Liability:</li> </ul>		

May 1, 2009 or the effective date upon which The Participant became a member of the Trust, whichever is later

## WORKERS COMPENSATION COVERAGE

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

## SCHEDULE OF PREMIUMS CONTRIBUTIONS PAID IN 2016

<u>DELAWARE VALLEY INSURANCE TRUST</u>	
Property	\$53,914
Crime	\$2,152
Auto Liability	\$31,194
Auto Physical Damage	\$29,040
General Liability	\$66,319
Law Enforcement Liability	\$71,188
Public Officials Liability	\$36,804
Sub Total	\$290,611
Less 4% Multi-trust Discount	(\$11,624)
Less Rate Stabilization Contribution	(\$36,029)
Less Prior Year Dividend	(\$39,260)
Net Contribution	\$203,698

<u>DELAWARE VALLEY WORKERS COMPENSATION TRUST</u>	
Annual contribution	\$294,819
Less 4% Multi-trust Discount	(\$11,793)
Less Rate Stabilization Contribution	(\$34,283)
Less Prior Year Dividend	(\$40,094)
Net Contribution	\$208,649

Source: Montgomery Township Insurance Records

**Table 24**

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

Year Ended 31-Dec	Number of		Contributions		State	Total	Number of Retired Members (1)
	Active Members	Members	Township	State			
<b>2007</b>	34	128,856	88,399	226,507	443,762	5	
<b>2008</b>	34	134,828	98,121	227,136	460,085	5	
<b>2009</b>	32	143,224	151,359	225,935	520,518	7	
<b>2010</b>	32	135,123	142,441	229,440	507,004	11	
<b>2011</b>	32	134,351	22,489	410,011	566,851	13	
<b>2012</b>	33	122,216	259,417	204,643	586,276	14	
<b>2013</b>	33	148,340	386,423	240,147	774,910	16	
<b>2014</b>	33	150,850	355,422	255,596	761,868	18	
<b>2015</b>	32	158,990	508,209	243,040	910,239	17	
<b>2016</b>	31	164,706	482,032	279,277	926,015	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		
<b>2007</b>	44,024	90,083	6,881		139,304
<b>2008</b>	71,512	98,121	20,455		190,088
<b>2009</b>	88,615	151,359	22,752		262,726
<b>2010</b>	62,550	142,441	21,028		137,627
<b>2011</b>	13,683	22,489	17,466		290,566
<b>2012</b>	48,201	259,417	21,050		455,674
<b>2013</b>	45,769	386,423	20,150		421,341
<b>2014</b>	58,054	355,422	23,000		436,476
<b>2015</b>	73,096	508,209	23,689		604,994
<b>2016</b>	60,159	482,032	15,338		557,529

Notes:  
(1) Contributions Net of State Aid.

Source: Montgomery Township, Montgomery County, Pennsylvania Records.

**Table 26**

**Montgomery Township  
Salaries of Elected Officials  
December 31, 2016  
(Unaudited)**

<b>Official/Title</b>	<b>Annual Salary</b>
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, 2016 (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 2016)</u>	
<u>Elementary</u>	<b>Public</b> 2 <b>Nonpublic</b> 1
<u>Middle</u>	0                              0
<u>Secondary</u>	0                              0

Hospitals:

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

Township Employees:

	<u>2016</u>
Full Time	91
Part Time	15
Seasonal	41

Population:

	<u>2016</u>	<u>2007</u>
	26,025	23,666

Age Group Comparisons:

	Township		State		US	
	2016	2007	2016	2007	2016	2007
% Under 18	24.1%	25.4%	21.3%	22.0%	23.3%	24.0%
% 18-64	62.1%	61.5%	62.4%	62.6%	62.6%	63.0%
% Over 65	13.8%	13.1%	16.3%	15.4%	14.1%	13.0%
Median (years)	40.6	41.3	40.5	40.1	37.6	37.2

Average Household Size (persons):

Montgomery Township	<u>2016</u>	<u>2007</u>
U.S.	2.54	2.74
	2.34	2.58

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

Montgomery Township	<u>2016</u>	<u>2007</u>
U.S.	63.5%	67.3%
	48.3%	51.9%

Married couple families by presence of children under 18:

With children	<u>2016</u>	<u>2007</u>
Without children under 18	3,314	3,441
Difference	5,766	5,406
	2,452	1,964

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