

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended December 31, 2013

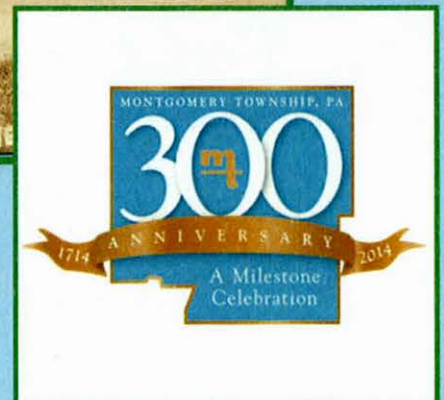
Montgomery Township, Pennsylvania



Commemorating the past...



and forging into the future.



PREPARED BY THE
MONTGOMERY TOWNSHIP FINANCE DEPARTMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Montgomery Township, Pennsylvania

Fiscal Year Ended December 31, 2013

Prepared by the Montgomery Township Finance Department

INTRODUCTORY SECTION

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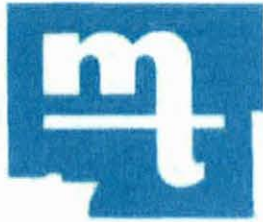
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**MONTGOMERY TOWNSHIP
BOARD OF SUPERVISORS**

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MONTGOMERYVILLE, PA 18936-9605
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JOSEPH P. WALSH

LAWRENCE J. GREGAN
TOWNSHIP MANAGER

June 17, 2014

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, 2013. 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, 2013. The independent auditor's report is located at the front of the Financial Section of this report.

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

Profile of the Township

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

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

rapid residential growth in the past 30 years quadrupling its population from 5,718 in 1980 to 25,121 in 2013. While primarily an affluent residential suburb of Philadelphia, the Township is a center for retail sales and has several major retail centers including the Montgomery Mall, a 1.1 million square foot super regional shopping center. The Bethlehem Pike Industrial Center and Montgomeryville Industrial Center are located in the Township, as is the Hartman Corporate Center. Despite a strong business presence, Montgomery retains its suburban character with a wide range of well established residential neighborhoods.

The Township is governed by a five-member elected Board of Supervisors that serves as the Township's legislative and policymaking body. The board members are elected at large to staggered six-year terms. The Board of Supervisors is assisted by a full-time appointed Township Manager, who is responsible for the day to day operations of the Township. The Township provides a full range of municipal services. The public safety programs include police, fire protection, building inspection, planning, zoning, emergency management and code enforcement. Public works programs include street maintenance and repair, street lighting, snow removal, traffic signalization, street markings, storm sewer and storm water basin maintenance, and maintenance of building and parks facilities. 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 2013:

- The Recreation Center – In 2012, the Township contracted with a Recreation specialist to conduct a study on the feasibility of constructing a Recreation/Community Center for the Township. The study was completed, presented to the public and in 2013 the Board of Supervisors voted to move forward with the project. A majority of 2013 was spent preparing for this new construction project. Preparations included committee meetings to work with the architect on items such as building layout, building position, position of outdoor recreation space and structures, color schemes, and bid specification preparation.
- In 2014 the Township will celebrate its 300th Anniversary. The planning for the tricentennial year and accompanying celebrations was a major initiative of 2013. The Township spent 2013 planning for events such as: hosting a Historic House Tour, a Commemoration Day Run and a Community Day Festival throughout the celebration year.

Local Economy

The Township has a thriving business community with employment estimated at over 20,000, based on the Township's Occupation Privilege 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 allowed the Township to continue to rank below the state and national averages for unemployment even during the difficult economic times of 2008 through 2010. Montgomery Township continues to rank as the 8th largest employment center in Montgomery County. As seen in the statistical section of this report, major employers in the Township include a pharmaceutical company, an employment agency and a manufacturing company as well as a large retail sector and restaurants. In addition to the strong and diverse employment foundation in the Township, the fiscally conservative and forward thinking approach of the Board of Supervisors towards Township expenditures has given the Township a strong financial base to sustain itself through difficult times and start to prosper as the region's economy begins to rebound.

Cable Franchise Fee revenues have become a significant component of the License and Permit revenues for the Township as well. In 2006 the Township entered into a first time Franchise Agreement with Verizon, in addition to the Franchise Agreement already in place with Comcast. This agreement had a positive impact on the residents and businesses of the Township by creating increased competition in the marketplace and satisfying the community's need for television, phone and technology services. In addition, the Township benefited from a 39% increase in Franchise Fee revenues over the past five years.

In 2012 the Township experienced a significant increase (11.5%) in Earned Income Tax revenues. This significant increase was followed by another year of historic highs in 2013 with receipts reporting 20% above the prior year receipts. These record high years are attributable to two main factors: a rise in the earned income of Township residents as a result of the rebounding economy and the effects of the implementation of county-wide collections as required by ACT 32 of the Pennsylvania Legislature. The requirements of the ACT became mandatory as of January 1, 2012. The Act requires that all employers withhold the tax from employees' pay if either the employer's municipality or the employee's municipality mandates the tax. Further, the Act reduces the length of time by which collectors must distribute the funds to the appropriate taxing authorities.

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 the Township, the State and the Nation are seeing a rebound in the economy, it is a slower rebound than that of previous recessions therefore creating a need for caution, reservation and a conservative approach to managing a municipal budget. 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 leading factor in maintaining a balanced budget and allowing the Board of Supervisors to avoid any increase in the real estate millage rate from 2003-2013 in spite of the changes in the economy over that same period of time.

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

Also, as a part of sound fiscal planning, the Township has adopted the Government Finance Officers Association's recommendation of maintaining an unreserved fund balance in the general fund of no less than ten to fifteen percent of general fund operating revenues. The Township currently maintains a 25% unreserved fund balance in the General Fund.

Internal Controls

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

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

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

In addition to the above controls, the Township maintains budgetary accounting controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual budget approved by the Board of Supervisors. Activities of all Township funds, with the exception of the pension trust funds, are included in the annual appropriation budget. The annual budget process officially begins in August of each year with the goal setting conference between staff and the Township Manager. Throughout the course of September and October requests for funding are submitted and reviewed, in public workshop meetings with the Board of Supervisors, culminating with a public hearing and vote for adoption by the governing body in December. The Township's fiscal year begins on January 1st and ends on December 31st. All annual appropriations lapse at year-end.

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

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

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

Awards and Acknowledgements

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery Township for its comprehensive annual financial report for the fiscal year ended December 31, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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


Lawrence J. Grogan
Township Manager


Shannon Q. Drosnack
Finance Director



Government Finance Officers Association

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

Presented to

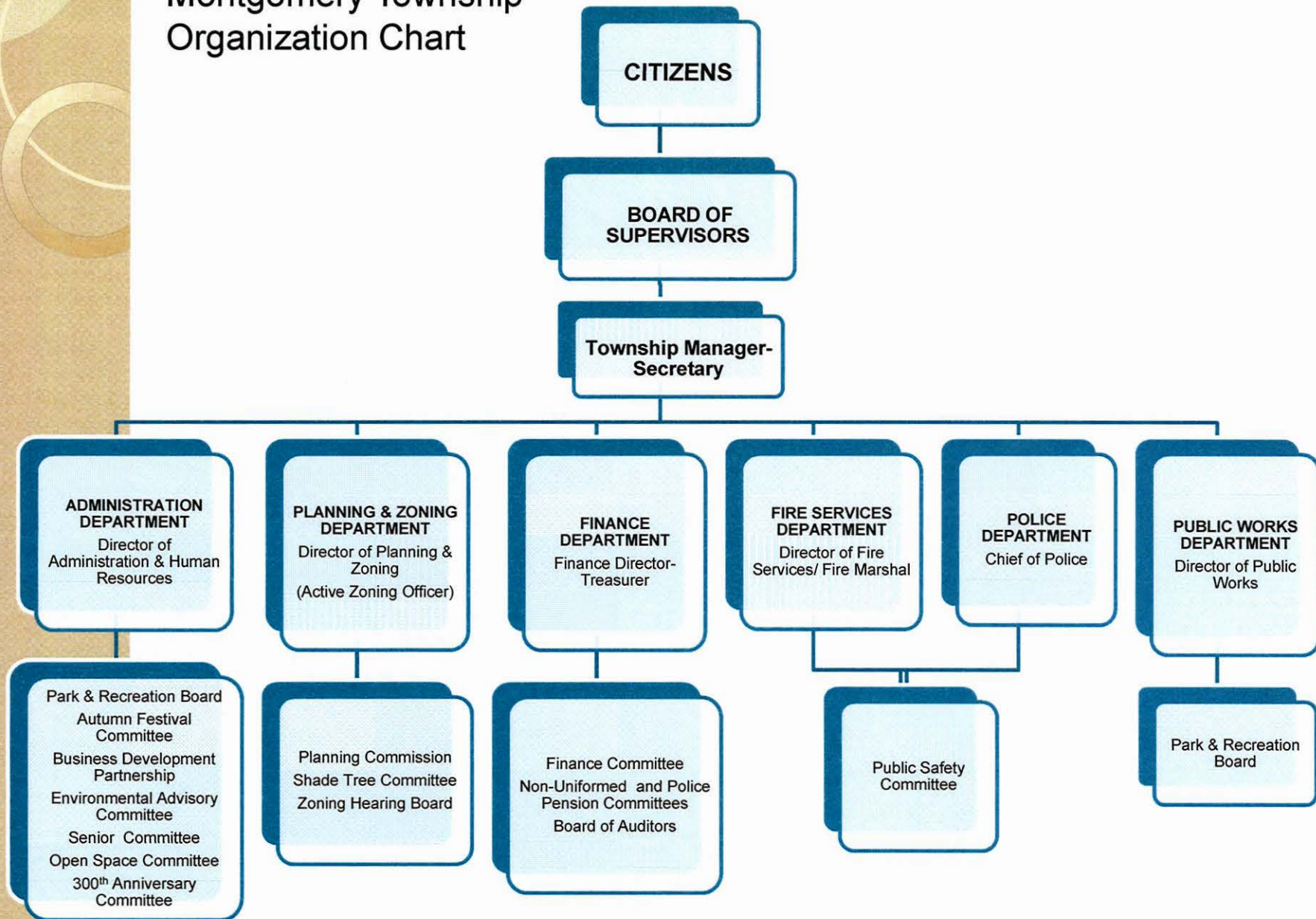
**Montgomery Township
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

Montgomery Township Organization Chart



PRINCIPAL OFFICIALS
AS OF DECEMBER 31, 2013
MONTGOMERY TOWNSHIP, PENNSYLVANIA

BOARD OF SUPERVISORS

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

APPOINTED OFFICIALS

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

OTHER MANAGEMENT OFFICIALS

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

OTHERS

Ken Amey, Planning Consultant
Conrad Siegel Actuaries, Pension Plan Actuary
Boucher & James, Inc., Landscape Engineer
George B. Ditter, Esquire, Zoning Hearing Board Solicitor
Morgan Stanley Smith Barney, Pension Plan Investment Advisor
Eckert Seamans Cherin & Mellott, LLC, Labor Law Attorneys
Traffic Planning & Design, Inc., Traffic Engineers
Univest National Bank, Banking Depository
Hladik, Onorato & Pearlstine, Special Counsel

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, 2013, 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 99.5%, 99.5% and 98.1%, 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, 2013, 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).

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 66 and 67, pension plan funding progress on page 68, postemployment benefits other than pension funding progress on page 69 and trend data on infrastructure condition on pages 70 and 71 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 17, 2014

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

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, 2013.

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 2013 by \$130,959,910 (net position), an increase of \$4,032,505 as compared to 2012.
- The Township's Capitalized Assets increased by \$1,682,447 due primarily to the dedication of park land.
- The Township's Governmental Funds (Fund Financial Statements) reported combined ending balances for all funds of \$20,706,429, an increase of \$1,279,447 from 2012. In accordance with GASB 54, the General Fund ending unassigned balance of \$3,006,135 is unassigned and available for use according to the Township's fiscal policies. This balance represents 24.47% of total budgeted General Fund expenses for 2014. The remainder of the combined ending balances has been classified in accordance with the GASB 54 designations.
- The Township's Governmental Funds Debt decreased by \$1,143,390 while the Business-Type Debt increased by \$8,745,000 during 2013. The increase was due to the issuance of a General Obligation Bond (Series 2013) for the purpose of financing the construction of a Recreation and Community Center in the Township. 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, 2013

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 Community and Recreation Center, the construction of which is expected to be completed in 2015. The Community and 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 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 the Township's 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 over \$1M led by an increase in cash as a result of increased tax receipts and cash proceeds from the Government Obligation Bond Series 2013 issuance.

MONTGOMERY TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended December 31, 2013*

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, 2012 and 2013**

	Governmental Activities	
	2012	2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Cash and equivalents	\$ 10,249,368	\$ 7,800,262
Other assets	10,615,461	14,637,382
Capital assets	<u>110,571,614</u>	<u>111,790,843</u>
TOTAL ASSETS	131,436,443	134,228,487
DEFERRED OUTFLOWS OF RESOURCES (1)		
Deferred amount on refunding	<u>-</u>	<u>-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 131,436,443</u>	<u>\$ 134,228,487</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Other liabilities	\$ 1,122,803	\$ 1,025,733
Long-term debt outstanding	<u>3,386,235</u>	<u>2,242,844</u>
TOTAL LIABILITIES	<u>4,509,038</u>	<u>3,268,577</u>
NET POSITION		
Net investment in capital assets	108,047,221	110,550,367
Restricted	2,774,921	2,630,718
Unrestricted	<u>16,105,263</u>	<u>17,778,825</u>
TOTAL NET POSITION	<u>126,927,405</u>	<u>130,959,910</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 131,436,443</u>	<u>\$ 134,228,487</u>

(1) In 2012, the Township applied GASB Statement No. 63 and began reporting Net Position.

Business-Type Activities		Component Units		Totals	
2012	2013	2012	2013	2012	2013
\$ -	\$ 7,472,953	\$ 8,701,569	\$ 6,006,108	\$ 18,950,937	\$ 21,279,323
-	-	3,733,786	7,795,400	14,349,247	22,432,782
-	463,218	34,729,944	33,636,125	145,301,558	145,890,186
-	7,936,171	47,165,299	47,437,633	178,601,742	189,602,291
-	-	441,751	386,532	441,751	386,532
\$ -	\$ 7,936,171	\$ 47,607,050	\$ 47,824,165	\$ 179,043,493	\$ 189,988,823
\$ -	\$ 83,112	\$ 1,161,123	\$ 1,286,588	\$ 2,283,926	\$ 2,395,433
-	8,990,889	6,047,472	5,441,236	9,433,707	16,674,969
-	9,074,001	7,208,595	6,727,824	11,717,633	19,070,402
-	(1,054,718)	29,166,379	28,215,224	137,213,600	137,710,873
-	-	-	-	2,774,921	2,630,718
-	(83,112)	11,232,076	12,881,117	27,337,339	30,576,830
-	(1,137,830)	40,398,455	41,096,341	167,325,860	170,918,421
\$ -	\$ 7,936,171	\$ 47,607,050	\$ 47,824,165	\$ 179,043,493	\$ 189,988,823

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

Cash and investments represent 15.7% of the Total Governmental Assets and 94.2% of total business-type assets. Of the governmental cash and investments amount, \$14,419,733 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, 86.5% reflects the Township's investment in capital assets (e.g., land, buildings, streets, equipment) less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

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

Table 2 is a condensed Statement of Activities for all Governmental Activities for the current fiscal year as compared to the prior fiscal year and shows changes in net position from the prior fiscal year to the current fiscal year for the Township's Governmental Activities and Component Units. In 2013, total revenues exceeded total expenses by 26.78% for all Governmental Activities resulting in the increase in net position over the prior year. This increase in net position from 2012 to 2013 was a result of overall increases in revenues, driven by a significant increase in Earned Income Tax revenues reported in the Taxes revenue category.

MONTGOMERY TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended December 31, 2013***Table 2****Changes in Net Position****Years Ended December 31, 2012 and 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
REVENUES		
Program revenues		
Charges for services	\$ 1,638,279	\$ -
Operating grants and contributions	1,079,469	-
Capital grants and contributions	-	-
General revenues		
Taxes	11,583,722	-
Cable TV franchise fees	502,002	-
Investment income	88,555	-
Proceeds from sale of fixed assets	20,840	-
	<u>14,912,867</u>	<u>-</u>
TOTAL REVENUES		
	<u>14,912,867</u>	<u>-</u>
EXPENSES		
Operating		
General government	1,975,461	-
Public safety	7,837,879	-
Highways and streets	3,250,223	-
Parks and recreation	758,403	-
Sewer Authority	-	-
Fire Department	-	-
Recreation center	-	-
Other employee benefits not allocated	-	-
Interest on long-term debt	56,927	-
Bond issuance costs	-	-
Depreciation, unallocated	877,568	-
	<u>14,756,461</u>	<u>-</u>
TOTAL EXPENSES		
	<u>14,756,461</u>	<u>-</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	156,406	-
TRANSFERS	-	-
CHANGE IN NET POSITION	156,406	-
NET POSITION, BEGINNING	126,770,999	-
NET POSITION, ENDING	<u>\$ 126,927,405</u>	<u>\$ -</u>

2012		2013			
Component Units	Totals	Governmental Activities	Business-Type Activities	Component Units	Totals
\$ 7,129,419	\$ 8,767,698	\$ 1,325,748	\$ -	\$ 6,372,778	\$ 7,698,526
87,650	1,167,119	1,351,862	-	84,448	1,436,310
-	-	1,770,813	-	-	1,770,813
-	11,583,722	12,970,889	-	-	12,970,889
-	502,002	536,820	-	-	536,820
17,113	105,668	97,683	3,912	40,977	142,572
-	20,840	36,403	-	-	36,403
<u>7,234,182</u>	<u>22,147,049</u>	<u>18,090,218</u>	<u>3,912</u>	<u>6,498,203</u>	<u>24,592,333</u>
-	1,975,461	1,977,589	-	-	1,977,589
-	7,837,879	8,172,869	-	-	8,172,869
-	3,250,223	2,954,258	-	-	2,954,258
-	758,403	848,254	-	-	848,254
5,729,387	5,729,387	-	-	5,738,312	5,738,312
69,808	69,808	-	-	62,005	62,005
-	-	-	1,841	-	1,841
-	-	6,516	-	-	6,516
-	56,927	226,821	18,940	-	245,761
-	-	-	120,961	-	120,961
-	877,568	871,406	-	-	871,406
<u>5,799,195</u>	<u>20,555,656</u>	<u>15,057,713</u>	<u>141,742</u>	<u>5,800,317</u>	<u>20,999,772</u>
1,434,987	1,591,393	3,032,505	(137,830)	697,886	3,592,561
-	-	1,000,000	(1,000,000)	-	-
1,434,987	1,591,393	4,032,505	(1,137,830)	697,886	3,592,561
<u>38,963,468</u>	<u>165,734,467</u>	<u>126,927,405</u>	<u>-</u>	<u>40,398,455</u>	<u>167,325,860</u>
\$ <u>40,398,455</u>	\$ <u>167,325,860</u>	\$ <u>130,959,910</u>	\$ <u>(1,137,830)</u>	\$ <u>41,096,341</u>	\$ <u>170,918,421</u>

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

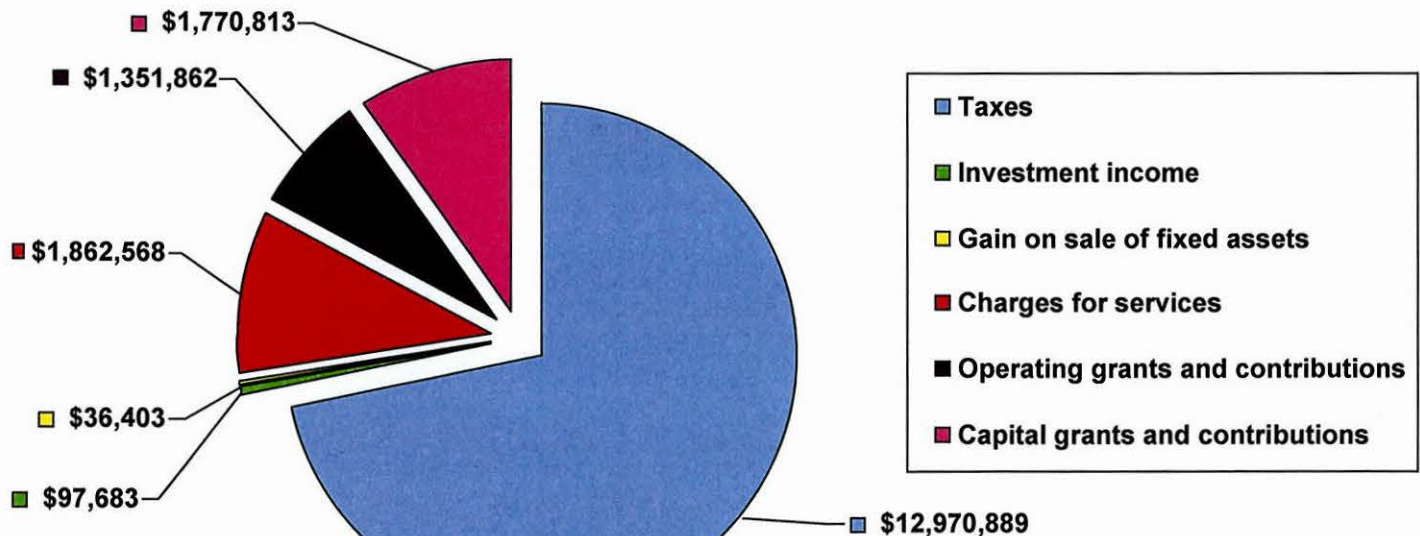
Governmental Activities

The Township generates revenues from a variety of sources. Total revenues for Governmental Activities for fiscal 2013 were \$18,090,218 compared to \$14,912,867 in 2012, an increase of \$3,177,351. The Township realized an increase in every major source of revenue with the exception of Charges for Services which realized a 13% decrease primarily in Charges for Services for Public Safety. Revenues for Taxes and Capital Grants and Contributions led the overall revenue increase. The increase in Capital Grants and Contributions is a result of the value of park land dedicated to the Township. Revenues by source were as follows:

Governmental Activities Revenues From Statement of Activities

Revenue	2012		2013	
	Amount	% of Total	Amount	% of Total
Taxes	\$ 11,583,722	77.68%	\$ 12,970,889	71.70%
Cable TV franchise fees	502,002	3.37%	536,820	2.97%
Investment income	88,555	0.59%	97,683	0.54%
Gain on sale of fixed assets	20,840	0.14%	36,403	0.20%
Charges for services	1,638,279	10.99%	1,325,748	7.33%
Operating grants and contributions	1,079,469	7.24%	1,351,862	7.47%
Capital grants and contributions	-	0.00%	1,770,813	9.79%
	<u>\$ 14,912,867</u>	<u>100.00%</u>	<u>\$ 18,090,218</u>	<u>100.00%</u>

Revenues by Source - Governmental Activities



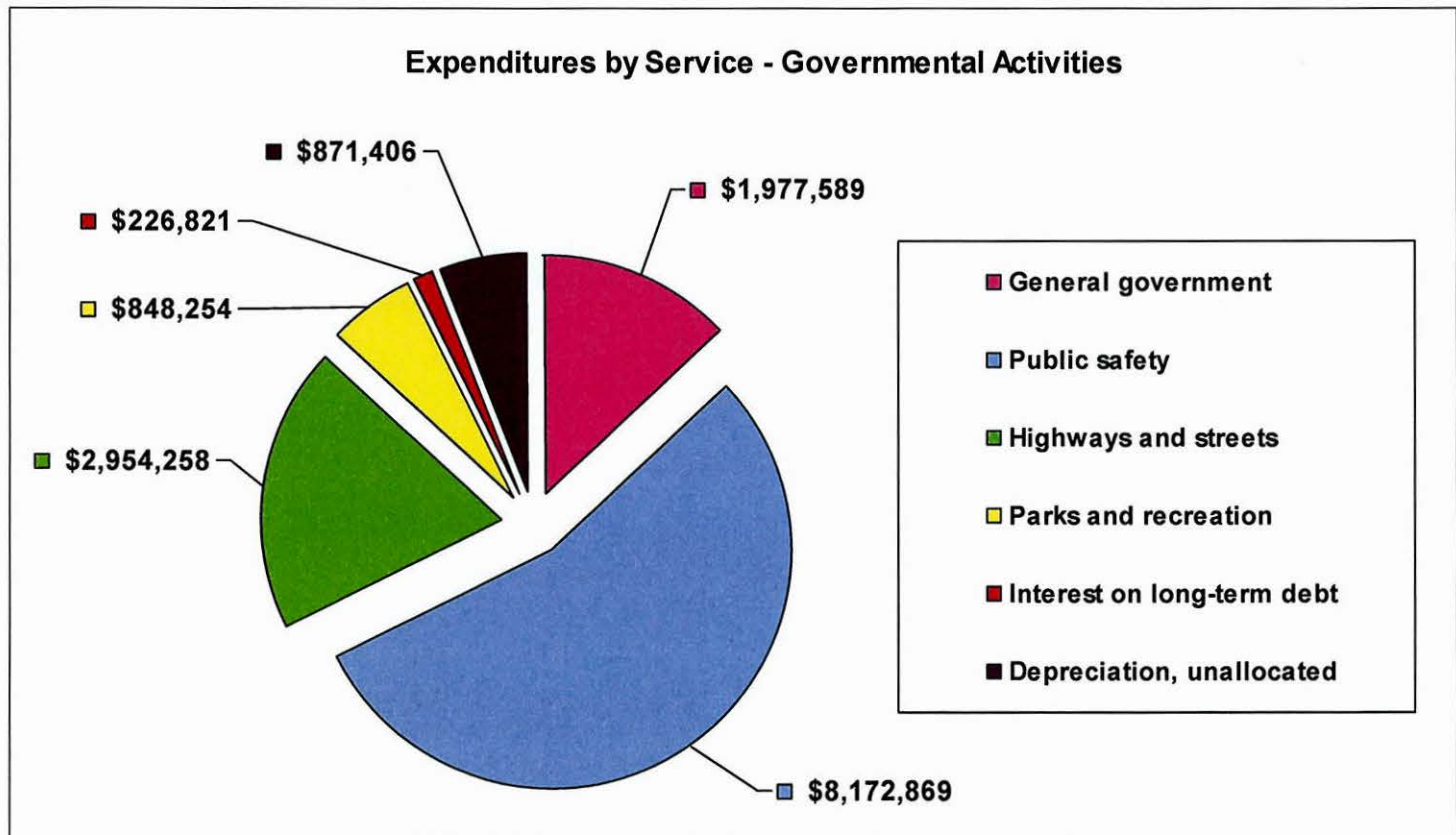
MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

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 2013 were \$15,057,713 compared to \$14,756,461 in expenses in 2012, an increase of \$301,252. This increase is primarily attributable to an increase in interest on long term debt resulting from the issue of the General Obligation Bond Series 2013 and is shown in the Statement of Activities section for Table 2 below.

Expenditures	2012		2013	
	Amount	% of Total	Amount	% of Total
General government	\$ 1,975,461	13.39%	\$ 1,977,589	13.13%
Public safety	7,837,879	53.11%	8,172,869	54.28%
Highways and streets	3,250,223	22.03%	2,954,258	19.62%
Parks and recreation	758,403	5.14%	848,254	5.63%
Other employee benefits not allocated	-	0.00%	6,516	0.04%
Interest on long-term debt	56,927	0.39%	226,821	1.51%
Depreciation, unallocated	877,568	5.95%	871,406	5.79%
	<u>\$ 14,756,461</u>	<u>100.00%</u>	<u>\$ 15,057,713</u>	<u>100.00%</u>



MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

GENERAL FUND BUDGETARY HIGHLIGHTS

The Township's approved General Fund Budget for 2013 included total revenues of \$11.60M, including transfers in of approximately \$232K and total expenses of \$11.76M. These budgeted amounts include budget amendments made throughout the fiscal year in accordance with the Second Class Township Code.

The 2013 General Fund budget, including transfers, was balanced with a projected surplus of \$40K. However, actual revenues, in particular Transfer Tax receipts and Earned Income Tax receipts exceeded budget estimates by 12% (\$1.3M) which, in combination with actual expenses below budget by 3.2% (\$368K), resulted in the surplus increasing to \$1,738,535. At year-end, the Board of Supervisors elected to transfer \$2,000,000 of this surplus to the Capital Fund for future designated capital projects. This resulted in an ending General Fund balance of \$3,006,135 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 2013 was positive when compared to budget. Actual revenues, excluding transfers in, were \$12.7 million for 2013. While Interest Income was slightly below budget, all other revenue categories exceeded budget. Total taxes exceeded budget by \$1.05M, led primarily by the Earned Income Tax, License and Permits exceeded budget by \$127K, Fines and Forfeits exceeded budget by \$43K and Intergovernmental Revenues exceeded budget by \$128K. Each of these revenue categories contributed to the \$1.37M surplus (excluding transfers in) in General Fund revenues. This surplus was then reduced by \$1.98M shown in Other Financing Sources which was the result of a Board approved transfer of surplus funds into the Capital 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 \$3M for fiscal year 2013.

Actual expenses, excluding Interfund Transfers were \$11.1M for 2013. While expenses were above the 2012 actual expenses, they were \$368K less than the 2013 budgeted expenses. This savings was achieved by practicing strict cost containment measures across all departments. The two primary departments contributing to the savings were General Government Expenses which were below budget by \$147K and Highways and Streets Expenses which were below budget by \$166K. The detail of this can be seen in the Schedule of Functional Expenditures by Activity and Other Financing Uses in this report.

While the economic downturn that began in 2008 is still affecting some Township revenues, as seen in the Business Tax receipts when compared to 2008 and prior receipts, the effect on other sources of revenues are beginning to stabilize and increase as seen in Earned Income Tax and Permits and Licenses. Overall, the Township outperformed the budgeted surplus of \$40K, ending the year with a surplus of \$1,738,535 before other financing sources and uses. As a result, the Board of Supervisors was able to adopt a 2014 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, 2013, totaled \$111,790,843 (net of accumulated depreciation), an increase of \$1,219,229 from 2012. This increase was the result of new Capital Assets acquired in 2012 including a parcel of park land dedicated to the Township.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

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 72.86 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, and document that the assets are being preserved approximately at or above the established condition level. 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, 2012 and 2013

	2012		
	Governmental Activities	Component Units	Totals
CAPITAL ASSETS NOT BEING DEPRECIATED			
Land	\$ 4,573,535	\$ 673,095	\$ 5,246,630
Infrastructure, as restated	95,523,493	-	95,523,493
Construction in progress	90,980	209,743	300,723
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>100,188,008</u>	<u>882,838</u>	<u>101,070,846</u>
CAPITAL ASSETS BEING DEPRECIATED			
Buildings and improvements	10,521,613	35,315,290	45,836,903
Land improvements	103,720	-	103,720
Infrastructure	2,902,982	18,981,314	21,884,296
Machinery and equipment	6,271,093	1,588,853	7,859,946
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>19,799,408</u>	<u>55,885,457</u>	<u>75,684,865</u>
Accumulated depreciation	<u>(9,415,802)</u>	<u>(22,038,351)</u>	<u>(31,454,153)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>10,383,606</u>	<u>33,847,106</u>	<u>44,230,712</u>
TOTAL CAPITAL ASSETS, net	<u>\$ 110,571,614</u>	<u>\$ 34,729,944</u>	<u>\$ 145,301,558</u>

2013

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Component Units</u>	<u>Totals</u>
\$ 6,389,518	\$ -	\$ 673,095	\$ 7,062,613
95,523,493	-	-	95,523,493
<u>-</u>	<u>463,218</u>	<u>527,603</u>	<u>990,821</u>
<u>101,913,011</u>	<u>463,218</u>	<u>1,200,698</u>	<u>103,576,927</u>
10,521,613	-	35,315,290	45,836,903
103,720	-	-	103,720
3,041,169	-	18,995,839	22,037,008
<u>6,160,273</u>	<u>-</u>	<u>1,694,823</u>	<u>7,855,096</u>
19,826,775	-	56,005,952	75,832,727
<u>(9,948,943)</u>	<u>-</u>	<u>(23,570,525)</u>	<u>(33,519,468)</u>
<u>9,877,832</u>	<u>-</u>	<u>32,435,427</u>	<u>42,313,259</u>
<u>\$ 111,790,843</u>	<u>\$ 463,218</u>	<u>\$ 33,636,125</u>	<u>\$ 145,890,186</u>

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

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 2013.

As of the close of the 2013 fiscal year, the Township reported combined ending balances for all Governmental Funds of \$20,706,429 an increase of \$1,279,447 from 2012 resulting primarily from the surplus of General Fund revenues over General Fund expenditures. Of this ending balance amount, \$14,419,733 or 69.6% is committed by the Board of Supervisors for uses such as construction of a Community/Recreation Center, Stormwater/NPDES projects, road paving, acquisition of open space and traffic improvements. Approximately 14.5%, 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 title 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. Expenses for the Department of Fire Services for 2013 were \$779K, revenues for 2013 were \$878K and net transfers out were \$98K. The fund posted a surplus of \$467 for the year and ended the year with a positive fund balance of \$247K.

Park and Recreation Fund - 05. Expenses for the Park and Recreation Fund for 2013 were \$787K, Revenues were \$771K and net transfers in were \$26K. The fund posted a surplus of \$10K for the year and ended the year with a positive fund balance of \$606K

Basin Maintenance Fund - 06. Expenses for the Basin Maintenance Fund for 2013 were \$74K and Revenues were \$0.6K. The fund posted a loss of \$73K for the year but ended the year with a positive fund balance of \$115K.

The current Township policy is that any new detention basins will remain the responsibility of the contractor or a Home Owner'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. Expenses for the Street Light Fund for 2013 were \$138K and Revenues were \$137K. The fund posted a deficit of \$1K for the year and ended the year with a positive fund balance of \$593K. There were no new street light facilities added in 2013.

Capital Projects Fund - 19. There were no expenses nor revenues for the Capital Projects Fund for 2013 and there is no fund balance for this fund as it is used to manage individual capital projects.

Debt Service Fund - 23. Expenses for the Debt Service Fund for 2013 were \$1.5M and Revenues were \$522K. The fund posted a deficit of \$988K which was offset by an interfund transfer of \$1M for the year and ended the year with a positive fund balance of \$713K. At year-end 2013, the Township's outstanding debt increased to \$10.98M as a result of the Government Obligation Bond Series 2013 issued in March 2013.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

Capital Reserve Fund - 30. Expenses for the Capital Reserve Fund for 2013 were \$688K for budgeted capital construction projects and capital equipment purchases plus the net interfund transfers of \$1.8M to various operating funds to reimburse those funds for capital replacement expenses from the 10 Year Equipment Replacement Reserve Fund. Revenues for this fund were \$402K including contributions from developers committed for traffic improvements. The fund balance in this fund is comprised of assigned and committed funds totaling \$13.57M. The major expense from the fund was for the annual curb/sidewalk replacement program. The road work is funded from the 14 Year Road Plan Reserve set aside annually for replacement and repair of the Township's road, curb and sidewalk infrastructure.

Park Development Fund - 31. There were no expenses for the Park Development Fund for 2013. Revenues to this fund were \$11K from developer contributions during 2013. The fund posted a surplus of \$11K for the year and ended the year with a positive fund balance of \$301K.

Liquid Fuels Fund - 35. Expenses from the Liquid Fuels Fund for 2013 were \$584K and Revenues for 2013 were \$474K. The fund posted a deficit of \$110K for the year but ended with a positive fund balance to \$117K. The fund balance has increased based on lower than budgeted cost of road paving materials.

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

300th Anniversary Fund - 45. Expenses for this fund were \$22K and Revenues were \$78K. This fund has been established to track fundraising efforts and associated expenses for the celebration of the Township's 300th anniversary in 2014.

Fire Relief Fund - 50. Expenses for the Fire Relief Fund for 2013 were \$268K and Revenues were \$268K 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. Expenses for the Environmental Fund for 2013 were \$43K and Revenues were \$4K consisting of interest earnings on the fund balance. In 2013, the Township did not receive any payments for the Recycling Performance Grants however payments are expected to be received in early 2014. Expenses from the fund in 2013 were for the Township's recycling collection costs including the costs for the bi-annual curbside leaf collection program. The fund posted a deficit of \$39K for the year and ended the year with a positive fund balance of \$703K.

Replacement Tree Fund - 94. Expenses for the Replacement Tree Fund for 2013 were \$16K and Revenues were \$33K. 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 \$17K for the year and ended the year with a positive fund balance of \$604K.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

Autumn Festival Fund - 95. Expenses for the Autumn Festival Fund for 2013 were \$20K and revenues were \$27K including a \$7K interfund transfer. Expenditures from this fund pay for the expenses of the annual Autumn Festival held each year in October. Revenues consist of voluntary community contributions, a township contribution and fees collected at the event. The fund posted a surplus of \$7K for the year and ended the year with a positive fund balance of \$44K.

Restoration Fund - 96. There were no expenses for the Restoration Fund for 2012 and Revenues were less than \$100 from interest earnings. 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 \$24K.

LONG-TERM DEBT

At year-end, the Township had \$10,987,844 outstanding non-electoral debt for governmental activities. This debt is secured by the full faith and credit of the Township's taxing authority. The Township also serves as guarantor for debt totaling \$5,441,235 for the Municipal Sewer Authority with the Township's full faith and credit pledge providing the ultimate bond security on this issue.

The current debt obligation of the Township is approximately 30.5% of the Township's available legal borrowing capacity which was calculated using year ending December 31, 2012 data. This again evidences the Township's fiscally responsible approach to funding Capital Improvement projects.

Table 4

Outstanding Debt at Year-End

	<u>2012</u>	<u>2013</u>
GOVERNMENTAL ACTIVITIES		
1999 Series Note	\$ 435,026	\$ 326,110
2003 Series Bond	175,000	-
2012 Series Note	<u>1,914,366</u>	<u>914,366</u>
	<u>\$ 2,524,392</u>	<u>\$ 1,240,476</u>
BUSINESS-TYPE ACTIVITIES		
2013 Series Bond	<u>\$ -</u>	<u>\$ 8,745,000</u>
COMPONENT UNITS		
2011 Series	<u>\$ 6,005,316</u>	<u>\$ 5,420,900</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, 2013

NEXT YEAR'S BUDGET

Beginning in 2011 and up through 2013, the Township finances began to stabilize and rebound from the economic downturn that began in 2009. Diverse streams of revenues such as Earned Income and Permits and Licenses generated higher than anticipated receipts for their respective budget accounts. In addition, the Board of Supervisors continued commitment to operate on a fiscally conservative basis resulting in lower than budgeted expenditures for the 2011, 2012 and 2013 fiscal years. This combination of strong revenues and lower than anticipated expenditures resulted in the transfer of \$1.2M (2011), \$1.3M (2012) and \$2.0M (2013) of surplus to the Capital Reserve Fund which the Board has committed for future capital projects.

Entering 2014, the Township has not increased its real estate tax millage rate for the eleventh year in a row while continuing to provide excellent levels of services to our residents and business community. Montgomery Township currently has nearly \$23.33M in net assets not invested in capital, which represents an amount nearly double the amount of its annual general operating budget. This places the Township in a financial position which is virtually unparalleled among our neighboring communities.

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 Recreation and Community Center. The design of the Center was completed in 2013 and the 2014 budget included funds to begin construction of the Recreation and Community Center. In addition to the bond proceeds, the Center will be financed through a combination of Capital Reserve funds that have been committed for Recreation, Open Space, Landscaping and Environmental Initiatives. The Board of Supervisors has committed that the undertaking for this project will be conducted in a manner consistent with the conservative fiscal policies of the Township. Additionally in 2014 the Township will be celebrating its 300th Anniversary and has budgeted for celebration events such as Commemoration Day, Historic Tours and Community Day.

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, 2013

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Sewer Authority	Fire Department
ASSETS					
Cash and cash equivalents	\$ 7,800,262	\$ 7,472,953	\$ 15,273,215	\$ 5,789,254	\$ 216,854
Investments	13,200,000	-	13,200,000	7,026,003	-
Taxes receivable	1,090,258	-	1,090,258	-	-
Accounts receivable	347,032	-	347,032	650,636	-
Due from police pension plan	92	-	92	-	-
Prepaid items	-	-	-	118,761	-
Capital assets					
Property, plant and equipment, Sewer Authority	-	-	-	33,636,125	-
Depreciable capital assets	9,877,832	-	9,877,832	-	-
Construction in progress	-	463,218	463,218	-	-
Nondepreciable capital assets	101,913,011	-	101,913,011	-	-
TOTAL ASSETS	134,228,487	7,936,171	142,164,658	47,220,779	216,854
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refunding	-	-	-	386,532	-
LIABILITIES					
Accounts payable and accrued expenses	389,455	60,004	449,459	1,158,209	-
Accrued payroll	636,278	-	636,278	-	-
Accrued interest	-	23,108	23,108	22,127	-
Developers' escrow deposits payable	-	-	-	106,252	-
Long-term liabilities					
Portion due or payable within one year					
Notes payable	135,427	-	135,427	-	-
Bonds payable	-	200,000	200,000	590,000	-
Portion due or payable after one year					
Notes payable	1,105,049	-	1,105,049	-	-
Bonds payable	-	8,545,000	8,545,000	4,830,901	-
Premium on bonds payable	-	245,889	245,889	-	-
Compensated absences	-	-	-	20,335	-
Net OPEB obligation	1,002,368	-	1,002,368	-	-
TOTAL LIABILITIES	3,268,577	9,074,001	12,342,578	6,727,824	-
NET POSITION					
Net investment in capital assets	110,550,367	(1,054,718)	109,495,649	28,215,224	-
Restricted					
Providing and maintaining street lights	593,217	-	593,217	-	-
Debt service	712,798	-	712,798	-	-
Basin maintenance	115,353	-	115,353	-	-
Park development projects	300,932	-	300,932	-	-
Highway and street projects	117,476	-	117,476	-	-
Environmental	703,110	-	703,110	-	-
Knapp Farm house	23,615	-	23,615	-	-
300th anniversary	64,217	-	64,217	-	-
Unrestricted	17,778,825	(83,112)	17,695,713	12,664,263	216,854
TOTAL NET POSITION	\$ 130,959,910	\$ (1,137,830)	\$ 129,822,080	\$ 40,879,487	\$ 216,854

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,977,589	\$ 71,054	\$ 145,566	\$ -
Public safety	8,172,869	991,234	378,688	-
Highways and streets	2,954,258	6,900	816,238	-
Parks and recreation	854,770	256,560	11,370	1,770,813
Interest on long-term debt	226,821	-	-	-
Depreciation, unallocated	871,406	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	15,057,713	1,325,748	1,351,862	1,770,813
BUSINESS-TYPE ACTIVITIES				
Recreation center	141,742	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 15,199,455	\$ 1,325,748	\$ 1,351,862	\$ 1,770,813
COMPONENT UNITS				
Sewer Authority	\$ 5,738,312	\$ 6,372,778	\$ -	\$ -
Fire Department	62,005	-	84,448	-
TOTAL COMPONENT UNITS	\$ 5,800,317	\$ 6,372,778	\$ 84,448	\$ -
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
\$ (1,760,969)	\$ -	\$ (1,760,969)	\$ -	\$ -
(6,802,947)	-	(6,802,947)	-	-
(2,131,120)	-	(2,131,120)	-	-
1,183,973	-	1,183,973	-	-
(226,821)	-	(226,821)	-	-
(871,406)	-	(871,406)	-	-
(10,609,290)	-	(10,609,290)	-	-
-	(141,742)	(141,742)	-	-
(10,609,290)	(141,742)	(10,751,032)	-	-
			634,466	-
			-	22,443
			634,466	22,443
5,346,611	-	5,346,611	-	-
3,039,351	-	3,039,351	-	-
1,060,556	-	1,060,556	-	-
2,667,002	-	2,667,002	-	-
857,369	-	857,369	-	-
536,820	-	536,820	-	-
97,683	3,912	101,595	40,977	-
36,403	-	36,403	-	-
1,000,000	(1,000,000)	-	-	-
14,641,795	(996,088)	13,645,707	40,977	-
4,032,505	(1,137,830)	2,894,675	675,443	22,443
126,927,405	-	126,927,405	40,204,044	194,411
\$ 130,959,910	\$ (1,137,830)	\$ 129,822,080	\$ 40,879,487	\$ 216,854

MONTGOMERY TOWNSHIP

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2013

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,131,850	\$ 5,495,889	\$ 1,172,523	\$ 7,800,262
Investments	2,082,867	8,105,365	3,011,768	13,200,000
Taxes receivable	1,056,427	-	33,831	1,090,258
Accounts receivable	296,667	13,491	36,966	347,124
TOTAL ASSETS	\$ 4,567,811	\$ 13,614,745	\$ 4,255,088	\$ 22,437,644
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 284,030	\$ 46,488	\$ 58,937	\$ 389,455
Accrued payroll	590,385	-	45,893	636,278
TOTAL LIABILITIES	874,415	46,488	104,830	1,025,733
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Property taxes	27,028	-	18,221	45,249
Income taxes	660,233	-	-	660,233
TOTAL DEFERRED INFLOWS OF RESOURCES	687,261	-	18,221	705,482
FUND BALANCES				
Restricted				
Providing and maintaining street lights	-	-	593,217	593,217
Debt service	-	-	712,798	712,798
Basin maintenance	-	-	115,353	115,353
Park development projects	-	-	300,932	300,932
Highway and street projects	-	-	117,476	117,476
Environmental	-	-	703,110	703,110
Knapp Farm house	-	-	23,615	23,615
300th anniversary	-	-	64,217	64,217
Committed to				
Arbor Day and shade tree commission	-	-	603,955	603,955
Fire protection capital purchases and/or infrastructure projects	-	-	247,521	247,521
Equipment plans	-	3,962,223	-	3,962,223
Highway and street projects	-	1,340,954	-	1,340,954
Building improvements	-	418,000	-	418,000
Storm water projects	-	683,908	-	683,908
Traffic engineering	-	473,556	-	473,556
Open space acquisition and improvement	-	3,285,115	-	3,285,115
Parks and recreation projects	-	1,660,603	-	1,660,603
Operating reserve fund	-	1,743,898	-	1,743,898
Assigned				
Park and recreation projects	-	-	605,902	605,902
Annual autumn fest	-	-	43,941	43,941
Unassigned	3,006,135	-	-	3,006,135
TOTAL FUND BALANCES	3,006,135	13,568,257	4,132,037	20,706,429
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,567,811	\$ 13,614,745	\$ 4,255,088	\$ 22,437,644

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

December 31, 2013

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 20,706,429
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	6,389,518
Buildings and building improvements	10,521,613
Land improvements	103,720
Infrastructure	98,564,662
Machinery and equipment	6,160,273
Accumulated depreciation	(9,948,943)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Notes payable	(1,240,476)
Net OPEB obligation	(1,002,368)
Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recognized in the funds.	
	<u>705,482</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>130,959,910</u></u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2013

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 10,602,384	\$ -	\$ 1,977,973	\$ 12,580,357
Licenses and permits	1,268,730	-	42,710	1,311,440
Fines and forfeits	178,452	-	-	178,452
Interest income, rents and royalties	16,610	60,179	22,599	99,388
Intergovernmental revenues	554,565	41,946	750,324	1,346,835
Charges for services	103,394	-	267,577	370,971
Contributions	1,421	300,000	138,654	440,075
	<u>12,725,556</u>	<u>402,125</u>	<u>3,199,837</u>	<u>16,327,518</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	1,868,077	62,867	94,380	2,025,324
Public safety	6,696,285	56,213	1,024,050	7,776,548
Highways and streets	1,762,129	506,370	797,370	3,065,869
Parks and recreation	-	62,659	787,012	849,671
Other, employee benefits not allocated	858,010	-	30,662	888,672
Debt service				
Principal retirement	-	-	1,283,917	1,283,917
Interest	-	-	226,727	226,727
	<u>11,184,501</u>	<u>688,109</u>	<u>4,244,118</u>	<u>16,116,728</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,541,055</u>	<u>(285,984)</u>	<u>(1,044,281)</u>	<u>210,790</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	42,957	25,700	-	68,657
Interfund transfers in	210,815	2,115,000	1,053,085	3,378,900
Interfund transfers out	(2,007,000)	(256,900)	(115,000)	(2,378,900)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,753,228)</u>	<u>1,883,800</u>	<u>938,085</u>	<u>1,068,657</u>
NET CHANGE IN FUND BALANCES	<u>(212,173)</u>	<u>1,597,816</u>	<u>(106,196)</u>	<u>1,279,447</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>3,218,308</u>	<u>11,970,441</u>	<u>4,238,233</u>	<u>19,426,982</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,006,135</u>	<u>\$ 13,568,257</u>	<u>\$ 4,132,037</u>	<u>\$ 20,706,429</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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1,279,447
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 (\$2,213,869) exceed depreciation (\$871,406) in the current period.	1,342,463
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.	390,532
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.	1,283,917
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(123,234)
Bond discounts are recorded as assets and amortized in the government-wide statements. This is the amount of amortization recorded as expense in the current period.	(678)
Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	584
The net change in the liability for the net OPEB obligation is reported in the government-wide statements but not in the Governmental Funds statements.	<u>(140,526)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>4,032,505</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2013

	<u>Recreation Center Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 7,472,953
NONCURRENT ASSETS	
Construction in progress	<u>463,218</u>
TOTAL ASSETS	<u>7,936,171</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	60,004
Accrued interest payable	23,108
Bonds payable, current	<u>200,000</u>
TOTAL CURRENT LIABILITIES	<u>283,112</u>
NONCURRENT LIABILITIES	
Bonds payable	8,545,000
Premium on bonds payable	<u>245,889</u>
TOTAL NONCURRENT LIABILITIES	<u>8,790,889</u>
TOTAL LIABILITIES	<u>9,074,001</u>
NET POSITION	
Net investment in capital assets	(1,054,718)
Unrestricted	<u>(83,112)</u>
TOTAL NET POSITION	<u>\$ (1,137,830)</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, 2013*

	<u>Recreation Center Fund</u>
OPERATING EXPENSES	
Contractual and professional services	\$ <u>1,841</u>
NONOPERATING REVENUES (EXPENSES)	
Bond issuance costs	(120,961)
Interest earned	3,912
Interest expense	<u>(18,940)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(135,989)</u>
LOSS BEFORE INTERFUND TRANSFERS	(137,830)
INTERFUND TRANSFERS	<u>(1,000,000)</u>
CHANGE IN NET POSITION	(1,137,830)
NET POSITION AT BEGINNING OF YEAR	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ (1,137,830)</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP**STATEMENT OF CASH FLOWS****PROPRIETARY FUND***Year Ended December 31, 2013*

	<u>Recreation Center Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash paid to vendors	\$ <u>(1,841)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to General Fund	<u>(1,000,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from bond issuance	8,874,096
Acquisition and construction of capital assets	<u>(403,214)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>8,470,882</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>3,912</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,472,953
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>7,472,953</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ <u>(1,841)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u><u>(1,841)</u></u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS***December 31, 2013*

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash	\$ 727,441	\$ 505,662
Investments		
Stocks	8,378,198	-
Mutual funds	<u>9,362,943</u>	<u>-</u>
TOTAL ASSETS	<u>18,468,582</u>	<u>\$ 505,662</u>
LIABILITIES		
Accounts payable	92	\$ -
Escrow and other deposits	<u>-</u>	<u>505,662</u>
TOTAL LIABILITIES	<u>92</u>	<u>\$ 505,662</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 18,468,490</u>	

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS***Year Ended December 31, 2013*

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Plan member contributions	\$ 289,646
Employer contributions	425,238
Other contributions, Commonwealth of Pennsylvania	435,048
TOTAL CONTRIBUTIONS	<u>1,149,932</u>
Investment earnings	
Interest income	434,593
Gain on investments	2,598,706
Investment expenses	(33,581)
INVESTMENT EARNINGS, net	<u>2,999,718</u>
TOTAL ADDITIONS	4,149,650
DEDUCTIONS	
Employee benefit payments	<u>1,023,994</u>
CHANGE IN NET POSITION	3,125,656
NET POSITION AT BEGINNING OF YEAR	<u>15,342,834</u>
NET POSITION AT END OF YEAR	<u>\$ 18,468,490</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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 funds 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.

The Township reports the following major Proprietary Fund:

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Additionally, the Township reports the following fund types:

Special Revenue Funds (Nonmajor) - Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Township's nonmajor Special Revenue Funds include the Fire Protection Fund, Park and Recreation Fund, Basin Maintenance Fund, Street Lights Fund, Liquid Fuels Fund, Fire Relief Fund, Environmental Fund, Replacement Tree Fund, 300th Anniversary Fund and Autumn Festival Fund.

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

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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.

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. 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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.

Investments, Township

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

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

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Deposits and Investments, Sewer Authority

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

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

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

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

Capital Assets

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

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, 2013.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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, 2010. 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

Effective January 1, 2012, the Township has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result, 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.

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 arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes and unavailable revenues from income taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Unavailable Revenue

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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

Compensated Absences

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

Governmental Funds' Bond Discounts - Township

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

Proprietary Funds' Unamortized Bond Premium - Township

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

Unamortized Bond Discount - Sewer Authority

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

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 lien 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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Net Position Flow Assumption

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

Fund Balance

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

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- ***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. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. 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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Use of Estimates

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

NOTE B DEPOSITS AND INVESTMENTS

Deposits

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

As of December 31, 2013, \$16,282,070 of the Township's bank balance of \$16,783,796 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>7,694,291</u>
Township proprietary activities	\$ <u>7,371,429</u>
Pension Trust Funds	\$ <u>717,558</u>
Escrow	\$ <u>498,792</u>

As of December 31, 2013, the following amounts of the component units were exposed to custodial credit risk.

Sewer Authority - At December 31, 2013, \$5,601,824 of the Sewer Authority's bank balance of \$5,851,824 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>5,601,824</u>
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MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Fire Department - At December 31, 2013, the bank deposits of the Fire Department were fully insured and not exposed to custodial credit risk.

Investments

As of December 31, 2013, the Township had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities	
		One Year or Less	2 to 5 Years
GOVERNMENTAL ACTIVITIES			
Certificate of deposit	\$ 13,200,000	\$ 5,070,000	\$ 8,130,000
PENSION ACTIVITIES			
Common stocks	\$ 8,378,198	\$ 8,378,198	\$ -
Domestic mutual funds	9,362,943	9,362,943	-
	\$ 17,741,141	\$ 17,741,141	\$ -

As of December 31, 2013, the Sewer Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities
		One Year or Less
Certificates of deposit	\$ 7,026,003	\$ 7,026,003

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 and domestic mutual funds. These investments are 53%, 22% and 25%, respectively, of the Township's and component units' total investments.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE C CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 4,573,535	\$ 1,815,983	\$ -	\$ 6,389,518
Infrastructure	95,523,493	-	-	95,523,493
Construction in progress	90,980	-	(90,980)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	100,188,008	1,815,983	(90,980)	101,913,011
Capital assets being depreciated				
Buildings and building improvements	10,521,613	-	-	10,521,613
Land improvements	103,720	-	-	103,720
Infrastructure	2,902,982	138,187	-	3,041,169
Machinery and equipment	6,271,093	259,699	(370,519)	6,160,273
TOTAL CAPITAL ASSETS BEING DEPRECIATED	19,799,408	397,886	(370,519)	19,826,775
Accumulated depreciation				
Buildings and building improve- ments	(3,842,488)	(315,916)	-	(4,158,404)
Land improvements	(66,317)	(3,716)	-	(70,033)
Infrastructure	(1,723,207)	(100,444)	-	(1,823,651)
Machinery and equipment	(3,783,790)	(451,330)	338,265	(3,896,855)
TOTAL ACCUMULATED DEPRECIATION	(9,415,802)	(871,406)	338,265	(9,948,943)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	10,383,606	(473,520)	(32,254)	9,877,832
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 110,571,614	\$ 1,342,463	\$ (123,234)	\$ 111,790,843
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 463,218	\$ -	\$ 463,218

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
COMPONENT UNIT, SEWER AUTHORITY				
Capital assets not being depreciated				
Land	\$ 673,095	\$ -	\$ -	\$ 673,095
Construction in progress	209,743	317,860	-	527,603
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	882,838	317,860	-	1,200,698
Capital assets being depreciated				
Wastewater treatment and collection systems				
Hatfield Waste Water Treatment Plant	13,644,363	-	-	13,644,363
Eureka Treatment Plant	21,670,927	-	-	21,670,927
Other sewer system improvements	5,163,089	14,525	-	5,177,614
Developer dedications	13,818,225	-	-	13,818,225
TOTAL WASTEWATER TREATMENT AND COLLECTION SYSTEMS	54,296,604	14,525	-	54,311,129
Equipment	1,588,853	105,970	-	1,694,823
TOTAL CAPITAL ASSETS BEING DEPRECIATED	55,885,457	120,495	-	56,005,952
Accumulated depreciation				
Wastewater treatment and collection systems				
Hatfield Waste Water Treatment Plant	(10,129,383)	(268,243)	-	(10,397,626)
Eureka Treatment Plant	(5,448,216)	(542,475)	-	(5,990,691)
Other sewer system improve- ments	(1,981,856)	(200,821)	-	(2,182,677)
Developer dedications	(3,669,740)	(434,370)	-	(4,104,110)
TOTAL WASTEWATER TREATMENT AND COLLECTION SYSTEMS ACCUMULATED DEPRECIATION	(21,229,195)	(1,445,909)	-	(22,675,104)
Equipment	(809,156)	(86,265)	-	(895,421)
TOTAL ACCUMULATED DEPRECIATION	(22,038,351)	(1,532,174)	-	(23,570,525)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	33,847,106	(1,411,679)	-	32,435,427
COMPONENT UNIT, SEWER AUTHORITY CAPITAL ASSETS, net				
	\$ 34,729,944	\$ (1,093,819)	\$ -	\$ 33,636,125

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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, 2013:

	<u>Original Principal</u>
GOVERNMENTAL ACTIVITIES	
Bonds and notes	
1999 Series Note	\$ 1,500,000
2003 Series Bonds	1,590,000
2012 Series Note	<u>5,500,000</u>
TOTAL BONDS AND NOTES	8,590,000
Net OPEB obligation	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	8,590,000
 BUSINESS-TYPE ACTIVITIES	
2013 Series Bonds	<u>8,745,000</u>
 TOTAL LONG-TERM LIABILITIES	 \$ <u>17,335,000</u>

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

1999 Series Note

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

2003 Series Bonds

On September 15, 2003, the Township issued \$1,590,000 of General Obligation Bonds, Series of 2003, for the purpose of currently refunding the General Obligation Bonds, Series of 1993, in the outstanding principal amount of \$1,495,000. The Township deposited \$1,529,250 in a Sinking Fund for the purpose of paying interest and principal of the Series of 1993 Bonds, which were called for redemption on December 1, 2003. This refunding was undertaken to reduce total debt service payments over the next ten years by approximately \$60,000, which was the approximate amount of the economic gain.

<u>Balance Outstanding January 1, 2013</u>	<u>Proceeds from New Obligations</u>	<u>Retired During Year</u>	<u>Balance Outstanding December 31, 2013</u>	<u>Due Within One Year</u>
\$ 435,026	\$ -	\$ (108,916)	\$ 326,110	\$ 109,050
175,000	-	(175,000)	-	-
<u>1,914,366</u>	<u>-</u>	<u>(1,000,000)</u>	<u>914,366</u>	<u>26,377</u>
2,524,392	-	(1,283,916)	1,240,476	135,427
861,842	140,526	-	1,002,368	-
<u>3,386,234</u>	<u>140,526</u>	<u>(1,283,916)</u>	<u>2,242,844</u>	<u>135,427</u>
-	8,745,000	-	8,745,000	200,000
\$ <u><u>3,386,234</u></u>	\$ <u><u>8,885,526</u></u>	\$ <u><u>(1,283,916)</u></u>	\$ <u><u>10,987,844</u></u>	\$ <u><u>335,427</u></u>

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.

2013 Series Bonds

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

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

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 335,427	\$ 300,805	\$ 636,232
2015	453,143	298,587	751,730
2016	241,966	296,018	537,984
2017	242,994	292,940	535,934
2018	248,988	289,608	538,596
2019 to 2023	1,310,731	1,376,296	2,687,027
2024 to 2028	1,469,764	1,218,888	2,688,652
2029 to 2033	1,727,871	958,100	2,685,971
2034 to 2038	1,789,592	223,500	2,013,092
2039 to 2043	2,165,000	223,500	2,388,500
	<u>\$ 9,985,476</u>	<u>\$ 5,478,242</u>	<u>\$ 15,463,718</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%.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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

A summary of changes in long-term debt for the Sewer Authority for the year ended December 31, 2013, is as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013	Due Within One Year
SEWER AUTHORITY					
Bonds					
2011 Series Bonds	\$ 5,890,000	\$ -	\$ (570,000)	\$ 5,320,000	\$ 590,000
Deferred amounts, 2011					
issuance premium	115,316	-	(14,416)	100,900	-
TOTAL BONDS	6,005,316	-	(584,416)	5,420,900	590,000
Compensated absences	42,156	-	(21,821)	20,335	-
TOTAL LONG-TERM LIABILITIES	\$ 6,047,472	\$ -	\$ (606,237)	\$ 5,441,235	\$ 590,000

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 590,000	\$ 167,723	\$ 757,723
2015	605,000	146,323	751,323
2016	630,000	122,716	752,716
2017	660,000	99,660	759,660
2018	680,000	78,590	758,590
Thereafter	2,155,000	108,235	2,263,235
	<u>\$ 5,320,000</u>	<u>\$ 723,247</u>	<u>\$ 6,043,247</u>

NOTE E POLICE PENSION PLAN

Summary of Significant Accounting Policies

Financial information of the Township's Police Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported using fair market value.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Plan Description

The Montgomery Township Police Pension Plan (the "Plan") is a single-employer public employee retirement system (PERS) established by the Township to provide pension benefits for its full-time sworn police officers working at least 40 hours per week. The Plan is managed and administered by the Township's Board of Supervisors with the assistance of an independent investment management company. The PERS 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.

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.

At January 1, 2013, the date of the most recent actuarial valuation, participants in the Plan consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	13
Disabled participants	2
Current active employees	<u>32</u>
TOTAL MEMBERSHIP	<u>47</u>

The Township follows GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. Under GASB Statement No. 25, a financial reporting framework is established for reporting of defined benefit pension plans, which requires the Township to present a statement of plan assets, a statement of changes in plan assets, a schedule of funding progress and a schedule of employees' contributions. Under GASB Statement No. 27, the Township is required to measure and disclose an amount for annual pension cost on the accrual basis of accounting equal to the Township's annual required contributions to the Plan unless the employee has a net pension obligation for past under or over contributions.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Funding Policy and Contribution Information

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 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 \$626,570 to the Plan for the year 2013. The Township's actual contributions for the Plan year 2013 were \$626,570.

Financial Requirement and Minimum Municipal Obligation Budget for 2013

Normal cost	\$ 389,437
Estimated administrative expenses	31,155
Estimated member contributions	(148,340)
Amortization requirement	<u>354,318</u>
MINIMUM MUNICIPAL OBLIGATION	\$ <u>626,570</u>
ACTUAL FUNDS DEPOSITED INTO PLAN	\$ <u>626,570</u>
STATE AID PORTION OF FUNDS DEPOSITED	\$ <u>240,147</u>

Annual Pension Cost

The Plan's annual pension cost for the current year and related information are as follows:

Contribution rates	
Municipal.....	17%
Plan members.....	5%
Annual pension cost (MMO)	\$626,570
State contributions made	\$240,147

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Three-Year Trend

<u>Year Ended December 31,</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>	<u>Percentage Contributed</u>
2011	\$ 432,497	100%	\$ -	100%
2012	464,060	100%	-	100%
2013	626,570	100%	-	100%

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the plan was 80.0% funded. The actuarial accrued liability for benefits was \$14.3 million and the actuarial value of assets was \$11.4 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.9 million. The covered payroll (annual payroll of active employees covered in the plan) was \$3.0 million, and the ratio of the UAAL to the covered payroll was 96.3%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation for the plan follows:

Valuation date.....	January 1, 2013
Actuarial cost method	Entry age normal
Amortization method.....	Level dollar, closed
Remaining amortization period	8 years
Asset valuation method	Fair market value
Actuarial assumptions	
Investment rate of return	8%
Projected salary increases	6%
Inflation rate	Based on long-term average rates

Investments that Represent 5% or More of Net Assets Available for Benefits

At December 31, 2013, 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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE F NON-UNIFORM EMPLOYEE PENSION PLAN

Plan Description

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

Funding Policy

Each eligible employee who elects to be 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 \$233,716, of which \$194,901 was funded by state-shared revenues and \$38,815 was funded by the Township. Employee contributions to the Plan were \$126,635.

At December 31, 2013, there were no investments in any one organization that represented 5% or more of total plan assets available for benefits other than mutual funds, which do not require disclosure of concentration per GASB Statement No. 40.

NOTE G DEFERRED COMPENSATION PLANS

Montgomery Township

The Township has a Deferred Compensation Plan (the "Plan") for its full-time and part-time permanent employees. The Plan, which is designed under the provisions of Section 457 of the Internal Revenue Code, permits employees to make voluntary contributions from their salary, which are excluded from federal taxable income. The Township contributes 1% to 7% of compensation to the Township Manager's and Department Heads' accounts based on completed years of service. Up to 25% of each participant's salary can be contributed and deferred under the Plan.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.

NOTE H POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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

Normal cost	\$ 123,094
Amortization of unfunded actuarial accrued liability	136,709
ANNUAL REQUIRED CONTRIBUTION (ARC)	<u>259,803</u>
Interest on net OPEB obligation	38,783
Adjustment to ARC	<u>(52,910)</u>
ANNUAL OPEB EXPENSE	<u>245,676</u>
Estimated pay-as-you-go contributions	<u>(105,150)</u>
INCREASE IN NET OPEB OBLIGATION	<u>140,526</u>
Net OPEB obligation at beginning of year	<u>861,842</u>
NET OPEB OBLIGATION AT END OF YEAR	<u><u>\$ 1,002,368</u></u>

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 249,195	33.82%	\$ 720,256
2012	246,492	42.56%	861,842
2013	245,676	42.80%	1,002,368

Funded Status and Funding Progress

As of January 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,226,846 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,188,430, and the ratio of the UAAL to the covered payroll was 69.84%.

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Methods and Assumptions

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

In the January 1, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual medical inflation rate of 7.0%, reduced by decrements of .5% to an ultimate rate of 5.5% in 2016. The healthcare cost trend rate is 7.0% in 2013, decreasing by .5% per year to 5.5% in 2016, followed by a decrease from 5.3% in 2017 to 4.2% in 2089 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2013, was 30 years.

NOTE I LEASE

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

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

As of December 31, 2013, sewer revenues exceeded sewer expenditures, and the Township has not been required to make the above-noted rental payments to the Sewer Authority. Additionally, the Sewer Authority's consulting engineer has estimated that the net revenues to be received from the sewer system will be sufficient to pay the debt service requirements on the bonds when due.

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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE J FIRE SERVICES AGREEMENT

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

NOTE K AGREEMENT WITH HATFIELD TOWNSHIP MUNICIPAL AUTHORITY

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

The Sewer Authority pays to Hatfield, in quarterly installments, an Annual Operating Charge, which is the Sewer Authority's pro rata share of the net operating and maintenance expense of the Hatfield Sewage Treatment Plant. The 2013 expenses were \$778,166. In addition, the Sewer Authority pays a Semi-Annual Lease Rental Charge representing its pro rata share of Hatfield's annual debt service on bonds issued and attributable to Hatfield's 1970 project to increase the Sewer Authority's reserve capacity.

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 (DWWCT) and the Delaware Valley Health Insurance Trust (DVHIT).

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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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.

DVHIT is an intergovernmental risk sharing pool authorized under the Pennsylvania Intergovernmental Cooperation Act. DVHIT serves as a vehicle to provide health insurance coverage to participating municipal employees and dependents. DVHIT 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. DVHIT maintains specific stop loss insurance/reinsurance coverage that limits losses on individual claims up to the maximum lifetime benefit of the plan. DVHIT may impose an assessment on current and former members to recover deficits.

There have been no significant reductions in insurance coverage during the year ended December 31, 2013, 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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE N COMBINING STATEMENTS OF FIDUCIARY FUNDS

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

	Police Pension Fund	Non-Uniform Employee Pension Fund	Total Pension Trust Funds
ASSETS			
Cash	\$ 727,441	\$ -	\$ 727,441
Investments			
Stocks	8,378,198	-	8,378,198
Mutual funds	4,537,535	4,825,408	9,362,943
TOTAL ASSETS	13,643,174	4,825,408	18,468,582
LIABILITIES			
Accounts payable	92	-	92
NET POSITION			
Held in trust for pension benefits	\$ 13,643,082	\$ 4,825,408	\$ 18,468,490

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
ADDITIONS			
Contributions			
Plan member contributions	\$ 163,011	\$ 126,635	\$ 289,646
Employer contributions	386,423	38,815	425,238
Other contributions			
Commonwealth of Pennsylvania	240,147	194,901	435,048
TOTAL CONTRIBUTIONS	789,581	360,351	1,149,932
Investment earnings			
Interest income	271,512	163,081	434,593
Gain on investments	1,962,963	635,743	2,598,706
Investment expenses	(31,696)	(1,885)	(33,581)
INVESTMENT EARNINGS, net	2,202,779	796,939	2,999,718
TOTAL ADDITIONS	2,992,360	1,157,290	4,149,650
DEDUCTIONS			
Employee benefit payments	559,521	464,473	1,023,994
CHANGE IN NET POSITION	2,432,839	692,817	3,125,656
NET POSITION AT BEGINNING OF YEAR	11,210,243	4,132,591	15,342,834
NET POSITION AT END OF YEAR	\$ 13,643,082	\$ 4,825,408	\$ 18,468,490

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Taxes	\$ 9,548,400	\$ 9,548,400	\$ 10,602,384	\$ 1,053,984
Licenses and permits	1,140,800	1,140,800	1,268,730	127,930
Fines and forfeits	135,000	135,000	178,452	43,452
Interest income, rents and royalties	29,550	29,550	16,610	(12,940)
Intergovernmental revenues	426,500	426,500	554,565	128,065
Charges for services	74,900	74,900	103,394	28,494
Contributions	-	-	1,421	1,421
TOTAL REVENUES	11,355,150	11,355,150	12,725,556	1,370,406
EXPENDITURES				
General government	2,215,920	2,015,920	1,868,077	147,843
Public safety	6,748,840	6,748,840	6,696,285	52,555
Highways and streets	1,928,780	1,928,780	1,762,129	166,651
Other, employee benefits not allocated	859,090	859,090	858,010	1,080
TOTAL EXPENDITURES	11,752,630	11,552,630	11,184,501	368,129
EXCESS (DEFICIENCY)				
OF REVENUES OVER				
EXPENDITURES	(397,480)	(197,480)	1,541,055	1,738,535
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	10,000	42,957	32,957
Interfund transfers in	432,220	232,220	210,815	(21,405)
Interfund transfers out	(7,000)	(7,000)	(2,007,000)	(2,000,000)
TOTAL OTHER FINANCING				
SOURCES (USES)	435,220	235,220	(1,753,228)	(1,988,448)
NET CHANGE IN FUND				
BALANCE	37,740	37,740	(212,173)	(249,913)
FUND BALANCE AT BEGINNING OF YEAR	2,792,961	2,792,961	3,218,308	425,347
FUND BALANCE AT END OF				
YEAR	\$ 2,830,701	\$ 2,830,701	\$ 3,006,135	\$ 175,434

See accompanying note to budgetary comparison schedule.

MONTGOMERY TOWNSHIP
NOTE TO BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2013

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 next 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
PENSION PLAN FUNDING PROGRESS
Year Ended December 31, 2013

POLICE PENSION PLAN

Schedule of Funding Progress

Dollar amounts in thousands.

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)
2009	\$ 8,818	\$ 10,982	\$ 2,164	80.3%	\$ 2,760	78.4%
2011	10,204	12,430	2,226	82.1%	2,566	86.8%
2013	11,461	14,332	2,871	80.0%	2,981	96.3%

Schedule of Employer and Other Entity Contributions

Calendar Year	Annual Required Contribution	Employer Contribution	Percentage	Commonwealth Contribution	Percentage
2008	\$ 325,257	\$ 98,121	30.2%	\$ 227,136	69.8%
2009	377,294	151,359	40.1%	225,935	59.9%
2010	371,881	142,441	38.3%	229,440	61.7%
2011	432,497	22,486	5.2%	410,011	94.8%
2012	464,060	259,417	55.9%	204,643	44.1%
2013	626,570	386,423	61.7%	240,147	38.3%

MONTGOMERY TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
Year Ended December 31, 2013

SCHEDULE OF FUNDING PROGRESS

Valuation Date <u>January 1,</u>	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b)-(a)	(d) Funded Ratio (a)/(b)	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll (c)/(e)
2006	\$ -	\$ 2,139,647	\$ 2,139,647	0%	\$ 2,383,163	89.8%
2010	-	2,308,499	2,308,499	0%	2,943,079	78.4%
2013	-	2,226,846	2,226,846	0%	3,188,430	69.8%

MONTGOMERY TOWNSHIP

TREND DATA ON INFRASTRUCTURE CONDITION

Year Ended December 31, 2013

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 14 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 14 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 14 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 14 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, 2013:

<u>Condition</u>	<u>% of Streets</u>
Excellent/Good - Rating of III - V	93%
Fair/Poor - Rating of II	7%
Very Poor/Failed - Rating of I	0%

MONTGOMERY TOWNSHIP

TREND DATA ON INFRASTRUCTURE CONDITION

Year Ended December 31, 2013

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>
2013	\$ 1,612,165	\$ 1,032,408
2012	1,672,900	1,245,015
2011	1,165,730	1,094,272
2010	1,034,870	866,043
2009	291,250	218,695

SUPPLEMENTARY INFORMATION SECTION

MONTGOMERY TOWNSHIP
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
GENERAL FUND
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Budget
REVENUES				
Taxes				
Real estate	\$ 1,584,400	\$ 1,584,400	\$ 1,600,662	\$ 16,262
Earned income	3,935,000	3,935,000	4,673,800	738,800
Transfer	650,000	650,000	1,060,556	410,556
Mercantile	1,930,000	1,930,000	1,898,579	(31,421)
Emergency municipal services	542,000	542,000	513,145	(28,855)
Amusement	77,000	77,000	79,232	2,232
Business privilege	830,000	830,000	776,410	(53,590)
TOTAL TAXES	9,548,400	9,548,400	10,602,384	1,053,984
Licenses and permits				
Building	380,000	380,000	306,773	(73,227)
Zoning	20,000	20,000	21,420	1,420
Electrical	20,000	20,000	34,969	14,969
Plumbing	15,000	15,000	17,111	2,111
Street	25,000	25,000	19,460	(5,540)
Fence	3,000	3,000	6,846	3,846
Use and occupancy	30,000	30,000	26,129	(3,871)
Roofing and siding	20,000	20,000	61,739	41,739
Grading	1,000	1,000	1,065	65
Demolition	1,000	1,000	8,350	7,350
Heat, vent and air conditioning	70,000	70,000	99,625	29,625
Sign	10,000	10,000	19,912	9,912
Licenses	65,800	65,800	108,511	42,711
Cable television franchise fees	480,000	480,000	536,820	56,820
TOTAL LICENSES AND PERMITS	1,140,800	1,140,800	1,268,730	127,930
Fines and forfeits, police	135,000	135,000	178,452	43,452
Interest income, rents and royalties	29,550	29,550	16,610	(12,940)
Intergovernmental revenues				
Public utility realty tax	15,000	15,000	14,747	(253)
State pension aid	375,500	375,500	435,048	59,548
Other state grants	36,000	36,000	102,379	66,379
County	-	-	2,391	2,391
TOTAL INTERGOVERNMENTAL REVENUES	426,500	426,500	554,565	128,065
Charges for services				
Administrative	24,000	24,000	38,399	14,399
Finance, street lights	6,900	6,900	6,900	-
Police services	44,000	44,000	58,095	14,095
TOTAL CHARGES FOR SERVICES	74,900	74,900	103,394	28,494
Contributions	-	-	1,421	1,421
TOTAL REVENUES	11,355,150	11,355,150	12,725,556	1,370,406
OTHER FINANCING SOURCES				
Proceeds from sale of fixed assets	10,000	10,000	42,957	32,957
Interfund transfers in				
Capital Reserve Fund	432,220	232,220	210,815	(21,405)
TOTAL OTHER FINANCING SOURCES	442,220	242,220	253,772	11,552
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 11,797,370	\$ 11,597,370	\$ 12,979,328	\$ 1,381,958

MONTGOMERY TOWNSHIP
SCHEDULE OF FUNCTIONAL EXPENDITURES BY
ACTIVITY AND OTHER FINANCING USES
GENERAL FUND
Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Over (Under) Budget
	Original	Final		
EXPENDITURES				
General government				
Administration	\$ 1,157,320	\$ 1,157,320	\$ 1,098,641	\$ (58,679)
Tax collection	210,790	210,790	202,086	(8,704)
Finance	847,810	647,810	567,350	(80,460)
TOTAL GENERAL GOVERNMENT	<u>2,215,920</u>	<u>2,015,920</u>	<u>1,868,077</u>	<u>(147,843)</u>
Public safety				
Police	5,640,160	5,640,160	5,556,507	(83,653)
Police vehicles	279,250	279,250	257,053	(22,197)
Fire protection	84,830	84,830	86,945	2,115
Planning and zoning	738,500	738,500	790,043	51,543
Emergency management	6,100	6,100	5,737	(363)
TOTAL PUBLIC SAFETY	<u>6,748,840</u>	<u>6,748,840</u>	<u>6,696,285</u>	<u>(52,555)</u>
Highways and streets				
Public works	1,669,050	1,669,050	1,541,038	(128,012)
Snow removal	89,000	89,000	77,755	(11,245)
Traffic lights	124,030	124,030	94,385	(29,645)
Street lighting	19,700	19,700	17,779	(1,921)
Repairs	27,000	27,000	31,172	4,172
TOTAL HIGHWAYS AND STREETS	<u>1,928,780</u>	<u>1,928,780</u>	<u>1,762,129</u>	<u>(166,651)</u>
Other, employee benefits not allocated				
Police pension	626,570	626,570	626,568	(2)
Non-uniform pension	212,370	212,370	209,572	(2,798)
Deferred compensation	20,150	20,150	21,870	1,720
TOTAL OTHER, EMPLOYEE BENEFITS NOT ALLOCATED	<u>859,090</u>	<u>859,090</u>	<u>858,010</u>	<u>(1,080)</u>
TOTAL EXPENDITURES	<u>11,752,630</u>	<u>11,552,630</u>	<u>11,184,501</u>	<u>(368,129)</u>
OTHER FINANCING USES				
Interfund transfers out				
Capital Reserve Fund	-	-	2,000,000	2,000,000
Autumn Festival Fund	7,000	7,000	7,000	-
TOTAL OTHER FINANCING USES	<u>7,000</u>	<u>7,000</u>	<u>2,007,000</u>	<u>2,000,000</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 11,759,630</u>	<u>\$ 11,559,630</u>	<u>\$ 13,191,501</u>	<u>\$ 1,631,871</u>

MONTGOMERY TOWNSHIP
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
December 31, 2013

	Special Revenue				
	Fire Protection Fund	Park and Recreation Fund	Basin Maintenance Fund	Street Lights Fund	Liquid Fuels Fund
ASSETS					
Cash and cash equivalents	\$ 290,572	\$ 178,469	\$ 15,826	\$ 36,368	\$ 117,336
Investments	153	431,684	99,662	562,381	140
Taxes receivable	9,586	10,713	-	-	-
Accounts receivable	<u>14,114</u>	<u>11,473</u>	<u>115</u>	<u>1,821</u>	<u>-</u>
TOTAL ASSETS	\$ <u>314,425</u>	\$ <u>632,339</u>	\$ <u>115,603</u>	\$ <u>600,570</u>	\$ <u>117,476</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 25,552	\$ 10,963	\$ 250	\$ 7,353	\$ -
Accrued payroll	<u>36,189</u>	<u>9,704</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>61,741</u>	<u>20,667</u>	<u>250</u>	<u>7,353</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues, property taxes	<u>5,163</u>	<u>5,770</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted					
Providing and maintaining street lights	-	-	-	593,217	-
Debt service	-	-	-	-	-
Basin maintenance	-	-	115,353	-	-
Park development projects	-	-	-	-	-
Highway and street projects	-	-	-	-	117,476
Environmental	-	-	-	-	-
Knapp Farm house	-	-	-	-	-
300th anniversary	-	-	-	-	-
Committed to					
Arbor Day and shade tree commission	-	-	-	-	-
Fire protection capital purchases and/or infrastructure projects	<u>247,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned					
Park and recreation projects	-	605,902	-	-	-
Annual autumn fest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>247,521</u>	<u>605,902</u>	<u>115,353</u>	<u>593,217</u>	<u>117,476</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>314,425</u>	\$ <u>632,339</u>	\$ <u>115,603</u>	\$ <u>600,570</u>	\$ <u>117,476</u>

Funds				Capital Projects Funds			Debt Service Fund	Total Other Governmental Funds
Environmental Fund	Replacement Tree Fund	300th Anniversary Fund	Autumn Festival Fund	Park Development Fund	Capital Projects Fund	Restoration Fund		
\$ 114,260	\$ 61,415	\$ 64,217	\$ 43,918	\$ 130,639	\$ -	\$ 23,601	\$ 95,902	\$ 1,172,523
602,684	542,242	-	23	170,099	-	14	602,686	3,011,768
-	-	-	-	-	-	-	13,532	33,831
678	605	-	-	194	-	-	7,966	36,966
<u>\$ 717,622</u>	<u>\$ 604,262</u>	<u>\$ 64,217</u>	<u>\$ 43,941</u>	<u>\$ 300,932</u>	<u>\$ -</u>	<u>\$ 23,615</u>	<u>\$ 720,086</u>	<u>\$ 4,255,088</u>
\$ 14,512	\$ 307	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,937
-	-	-	-	-	-	-	-	45,893
<u>14,512</u>	<u>307</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,830</u>
-	-	-	-	-	-	-	7,288	18,221
-	-	-	-	-	-	-	-	593,217
-	-	-	-	-	-	-	712,798	712,798
-	-	-	-	-	-	-	-	115,353
-	-	-	-	300,932	-	-	-	300,932
-	-	-	-	-	-	-	-	117,476
703,110	-	-	-	-	-	-	-	703,110
-	-	-	-	-	-	23,615	-	23,615
-	-	64,217	-	-	-	-	-	64,217
-	603,955	-	-	-	-	-	-	603,955
-	-	-	-	-	-	-	-	247,521
-	-	-	-	-	-	-	-	605,902
-	-	-	43,941	-	-	-	-	43,941
<u>703,110</u>	<u>603,955</u>	<u>64,217</u>	<u>43,941</u>	<u>300,932</u>	<u>-</u>	<u>23,615</u>	<u>712,798</u>	<u>4,132,037</u>
<u>\$ 717,622</u>	<u>\$ 604,262</u>	<u>\$ 64,217</u>	<u>\$ 43,941</u>	<u>\$ 300,932</u>	<u>\$ -</u>	<u>\$ 23,615</u>	<u>\$ 720,086</u>	<u>\$ 4,255,088</u>

MONTGOMERY TOWNSHIP

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS Year Ended December 31, 2013

	Special Revenue Funds					
	Fire Protection Fund	Park and Recreation Fund	Basin Maintenance Fund	Street Lights Fund	Liquid Fuels Fund	Fire Relief Fund
REVENUES						
Taxes	\$ 816,139	\$ 510,391	\$ -	\$ 133,054	\$ -	\$ -
Licenses and permits	42,710	-	-	-	-	-
Interest income, rents and royalties	78	4,726	671	3,799	267	-
Intergovernmental revenues	6,571	1,144	-	-	474,292	268,317
Charges for services	12,572	254,855	-	-	-	-
Contributions	-	26	-	-	-	-
TOTAL REVENUES	<u>878,070</u>	<u>771,142</u>	<u>671</u>	<u>136,853</u>	<u>474,559</u>	<u>268,317</u>
EXPENDITURES						
Current						
General government	-	-	-	-	-	-
Public safety	755,733	-	-	-	-	268,317
Highways and streets	-	-	73,929	138,095	584,657	-
Parks and recreation	-	780,621	-	-	-	-
Other, employee benefits not allocated	24,144	6,518	-	-	-	-
Debt service						
Principal retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>779,877</u>	<u>787,139</u>	<u>73,929</u>	<u>138,095</u>	<u>584,657</u>	<u>268,317</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>98,193</u>	<u>(15,997)</u>	<u>(73,258)</u>	<u>(1,242)</u>	<u>(110,098)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	2,274	41,054	-	-	-	-
Interfund transfers out	(100,000)	(15,000)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(97,726)</u>	<u>26,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	467	10,057	(73,258)	(1,242)	(110,098)	-
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>247,054</u>	<u>595,845</u>	<u>188,611</u>	<u>594,459</u>	<u>227,574</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 247,521</u>	<u>\$ 605,902</u>	<u>\$ 115,353</u>	<u>\$ 593,217</u>	<u>\$ 117,476</u>	<u>\$ -</u>

Environmental Fund	Replacement Tree Fund	300th Anniversary Fund	Autumn Festival Fund	Capital Projects Funds			Debt Service Fund	Total Other Governmental Funds
				Park Development Fund	Capital Projects Fund	Restoration Fund		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518,389	\$ 1,977,973
-	-	-	-	-	-	-	-	42,710
4,060	3,616	-	12	1,188	-	5	4,177	22,599
-	-	-	-	-	-	-	-	750,324
150	-	-	-	-	-	-	-	267,577
-	29,560	78,279	20,589	10,200	-	-	-	138,654
<u>4,210</u>	<u>33,176</u>	<u>78,279</u>	<u>20,601</u>	<u>11,388</u>	<u>-</u>	<u>5</u>	<u>522,566</u>	<u>3,199,837</u>
42,296	10,113	22,424	19,547	-	-	-	-	94,380
-	-	-	-	-	-	-	-	1,024,050
689	-	-	-	-	-	-	-	797,370
-	5,775	-	616	-	-	-	-	787,012
-	-	-	-	-	-	-	-	30,662
-	-	-	-	-	-	-	1,283,917	1,283,917
-	-	-	-	-	-	-	226,727	226,727
<u>42,985</u>	<u>15,888</u>	<u>22,424</u>	<u>20,163</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,510,644</u>	<u>4,244,118</u>
<u>(38,775)</u>	<u>17,288</u>	<u>55,855</u>	<u>438</u>	<u>11,388</u>	<u>-</u>	<u>5</u>	<u>(988,078)</u>	<u>(1,044,281)</u>
-	-	-	7,000	-	2,757	-	1,000,000	1,053,085
-	-	-	-	-	-	-	-	(115,000)
-	-	-	7,000	-	2,757	-	1,000,000	938,085
<u>(38,775)</u>	<u>17,288</u>	<u>55,855</u>	<u>7,438</u>	<u>11,388</u>	<u>2,757</u>	<u>5</u>	<u>11,922</u>	<u>(106,196)</u>
<u>741,885</u>	<u>586,667</u>	<u>8,362</u>	<u>36,503</u>	<u>289,544</u>	<u>(2,757)</u>	<u>23,610</u>	<u>700,876</u>	<u>4,238,233</u>
<u>\$ 703,110</u>	<u>\$ 603,955</u>	<u>\$ 64,217</u>	<u>\$ 43,941</u>	<u>\$ 300,932</u>	<u>\$ -</u>	<u>\$ 23,615</u>	<u>\$ 712,798</u>	<u>\$ 4,132,037</u>

MONTGOMERY TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Interest income, rents and royalties	\$ 58,000	\$ 58,000	\$ 60,179	\$ 2,179
Intergovernmental revenues	207,000	252,120	41,946	(210,174)
Contributions	-	-	300,000	300,000
TOTAL REVENUES	265,000	310,120	402,125	92,005
EXPENDITURES				
General government				
Administration	631,900	731,900	62,867	(669,033)
Public safety				
Police	45,925	45,925	46,726	801
Fire protection	15,000	28,120	9,487	(18,633)
TOTAL PUBLIC SAFETY	60,925	74,045	56,213	(17,832)
Highways and streets				
Public works	18,300	18,300	4,229	(14,071)
Traffic lights	27,500	27,500	13,830	(13,670)
Repairs	1,039,965	1,039,965	488,311	(551,654)
TOTAL HIGHWAYS AND STREETS	1,085,765	1,085,765	506,370	(579,395)
Parks and recreation	124,500	156,500	62,659	(93,841)
TOTAL EXPENDITURES	1,903,090	2,048,210	688,109	(1,360,101)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,638,090)	(1,738,090)	(285,984)	1,452,106
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	25,700	25,700
Interfund transfers in				
General Fund	-	-	2,000,000	2,000,000
Fire Protection Fund	100,000	100,000	100,000	-
Parks and Recreation Fund	15,000	15,000	15,000	-
TOTAL INTERFUND TRANSFERS IN	115,000	115,000	2,115,000	2,000,000
Interfund transfers out				
Capital Projects Funds	-	-	(2,757)	(2,757)
General Fund	(432,220)	(232,220)	(210,815)	21,405
Fire Protection Fund	(452,400)	(2,400)	(2,274)	126
Parks and Recreation Fund	(46,100)	(46,100)	(41,054)	5,046
TOTAL INTERFUND TRANSFERS OUT	(930,720)	(280,720)	(256,900)	23,820
TOTAL OTHER FINANCING SOURCES (USES)	(815,720)	(165,720)	1,883,800	2,049,520
NET CHANGE IN FUND BALANCE	(2,453,810)	(1,903,810)	1,597,816	3,501,626
FUND BALANCE AT BEGINNING OF YEAR	11,970,441	11,970,441	11,970,441	-
FUND BALANCE AT END OF YEAR	\$ 9,516,631	\$ 10,066,631	\$ 13,568,257	\$ 3,501,626

MONTGOMERY TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES--BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended December 31, 2013

	Fire Protection Fund		Park and Recreation Fund	
	Budget	Actual	Budget	Actual
REVENUES				
Taxes				
Real estate	\$ 361,600	\$ 367,193	\$ 402,900	\$ 410,391
Earned income	260,000	260,000	100,000	100,000
Local services	175,000	188,946	-	-
TOTAL TAXES	796,600	816,139	502,900	510,391
Licenses and permits, tipping fees	60,000	42,710	-	-
Interest income, rents and royalties	2,000	78	4,900	4,726
Intergovernmental revenues				
State	-	6,571	-	-
County	-	-	-	1,144
TOTAL INTERGOVERNMENTAL REVENUES	-	6,571	-	1,144
Charges for services				
Fire department services	10,400	12,572	-	-
Recreation fees	-	-	244,000	254,855
Recycling bins	-	-	-	-
TOTAL CHARGES FOR SERVICES	10,400	12,572	244,000	254,855
Contributions	-	-	-	26
TOTAL REVENUES	869,000	878,070	751,800	771,142
EXPENDITURES				
General government, administration	-	-	-	-
Public safety, fire protection	1,200,435	755,733	-	-
Highways and streets				
Public works	-	-	-	-
Street lighting	-	-	-	-
Repairs	-	-	-	-
TOTAL HIGHWAYS AND STREETS	-	-	-	-
Parks and recreation	-	-	776,885	780,621
Other, employee benefits not allocated				
Non-uniform pension	22,300	24,144	6,000	6,518
Deferred compensation	900	-	-	-
TOTAL OTHER, EMPLOYEE BENEFITS NOT ALLOCATED	23,200	24,144	6,000	6,518
TOTAL EXPENDITURES	1,223,635	779,877	782,885	787,139
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(354,635)	98,193	(31,085)	(15,997)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	7,000	-	-	-
Interfund transfers in				
General Fund	-	-	-	-
Capital Reserve Fund	2,400	2,274	46,100	41,054
TOTAL INTERFUND TRANSFERS IN	2,400	2,274	46,100	41,054
Interfund transfers out				
Capital Reserve Fund	(100,000)	(100,000)	(15,000)	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	(90,600)	(97,726)	31,100	26,054
NET CHANGE IN FUND BALANCES	(445,235)	467	15	10,057
FUND BALANCES AT BEGINNING OF YEAR	247,054	247,054	595,845	595,845
FUND BALANCES AT END OF YEAR	\$ (198,181)	\$ 247,521	\$ 595,860	\$ 605,902

Basin Maintenance Fund		Street Lights Fund		Liquid Fuels Fund		Fire Relief Fund		Environmental Fund		Replacement Tree Fund		300th Anniversary Fund		Autumn Festival Fund	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ -	\$ -	\$ 138,000	\$ 133,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	138,000	133,054	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,100	671	3,400	3,799	2,200	267	-	-	3,700	4,060	3,100	3,616	-	-	100	12
-	-	-	-	460,000	474,292	237,475	268,317	40,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	460,000	474,292	237,475	268,317	40,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	100	150	-	-	-	-	-	-
-	-	-	-	-	-	-	-	100	150	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	29,560	-	78,279	18,000	20,589
1,100	671	141,400	136,853	462,200	474,559	237,475	268,317	43,800	4,210	3,100	33,176	-	78,279	18,100	20,601
-	-	-	-	-	-	-	-	44,400	42,296	20,500	10,113	-	22,424	23,125	19,547
-	-	-	-	-	-	237,475	268,317	-	-	-	-	-	-	-	-
77,400	73,929	23,800	36,273	-	-	-	-	3,000	689	58,550	5,775	-	-	-	-
-	-	117,600	101,822	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	667,200	584,657	-	-	-	-	-	-	-	-	-	-
77,400	73,929	141,400	138,095	667,200	584,657	-	-	3,000	689	58,550	5,775	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,975	616
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
77,400	73,929	141,400	138,095	667,200	584,657	237,475	268,317	47,400	42,985	79,050	15,888	-	22,424	25,100	20,163
(76,300)	(73,258)	-	(1,242)	(205,000)	(110,098)	-	-	(3,600)	(38,775)	(75,950)	17,288	-	55,855	(7,000)	438
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000
(76,300)	(73,258)	-	(1,242)	(205,000)	(110,098)	-	-	(3,600)	(38,775)	(75,950)	17,288	-	55,855	-	7,438
188,611	188,611	594,459	594,459	227,574	227,574	-	-	741,885	741,885	586,667	586,667	8,362	8,362	36,503	36,503
\$ 112,311	\$ 115,353	\$ 594,459	\$ 593,217	\$ 22,574	\$ 117,476	\$ -	\$ -	\$ 738,285	\$ 703,110	\$ 510,717	\$ 603,955	\$ 8,362	\$ 64,217	\$ 36,503	\$ 43,941

MONTGOMERY TOWNSHIP**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES--BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS***Year Ended December 31, 2013*

	<u>Park Development Fund</u>	
	<u>Budget</u>	<u>Actual</u>
REVENUES		
Interest income, rents and royalties	\$ 1,300	\$ 1,188
Contributions	<u>-</u>	<u>10,200</u>
TOTAL REVENUES	1,300	11,388
EXPENDITURES		
General government		
Administration	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,300	11,388
OTHER FINANCING SOURCES		
Interfund transfers in		
Capital Reserve Fund	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,300	11,388
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>289,544</u>	<u>289,544</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 290,844</u>	<u>\$ 300,932</u>

Capital Projects Fund		Restoration Fund	
<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
\$ -	\$ -	\$ 100	\$ 5
-	-	-	-
-	-	100	5
-	-	23,600	-
-	-	(23,500)	5
-	2,757	-	-
-	2,757	(23,500)	5
(2,757)	(2,757)	23,610	23,610
\$ <u>(2,757)</u>	\$ <u>-</u>	\$ <u>110</u>	\$ <u>23,615</u>

MONTGOMERY TOWNSHIP**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE--BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
Year Ended December 31, 2013**

	Debt Service Fund	
	Budget	Actual
REVENUES		
Taxes, real estate	\$ 511,610	\$ 518,389
Interest income, rents and royalties	5,100	4,177
TOTAL REVENUES	516,710	522,566
EXPENDITURES		
Debt service		
Principal retirement	1,283,925	1,283,917
Interest	218,125	226,727
TOTAL EXPENDITURES	1,502,050	1,510,644
DEFICIENCY OF REVENUES OVER EXPENDITURES	(985,340)	(988,078)
OTHER FINANCING SOURCES		
Interfund transfers in		
Recreation Center Fund	1,000,000	1,000,000
NET CHANGE IN FUND BALANCE	14,660	11,922
FUND BALANCE AT BEGINNING OF YEAR	700,876	700,876
FUND BALANCE AT END OF YEAR	\$ 715,536	\$ 712,798

MONTGOMERY TOWNSHIP**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES****AGENCY FUND***Year Ended December 31, 2013*

		Escrow Fund			
		Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
ASSETS					
Cash	\$	<u>454,433</u>	<u>605,619</u>	<u>(554,390)</u>	<u>505,662</u>
LIABILITIES					
Escrow and other deposits	\$	<u>454,433</u>	<u>605,619</u>	<u>(554,390)</u>	<u>505,662</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)**

	2004	2005	2006	2007	2008	2009	2010	2011 (1)	2012 (2)	2013 (3)
Governmental activities										
Invested in capital assets, net of related debt	\$ 4,749,890	\$ 6,509,687	\$ 7,219,302	\$ 104,433,000	\$ 106,989,556	\$ 106,928,471	\$ 106,979,859	\$ 108,143,857	\$ 108,047,221	\$ 110,550,367
Restricted	-	-	-	-	-	-	-	2,573,872	2,774,921	2,630,718
Unrestricted	12,511,086	12,931,653	15,913,041	18,223,130	17,449,139	18,916,409	18,843,099	16,053,270	16,105,263	17,778,825
Total governmental activities net assets	<u>17,260,976</u>	<u>19,441,340</u>	<u>23,132,343</u>	<u>122,656,130</u>	<u>124,438,695</u>	<u>125,844,880</u>	<u>125,822,958</u>	<u>126,770,999</u>	<u>126,927,405</u>	<u>130,959,910</u>
Business-type activities										
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-	-	(1,054,718)
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-	-	-	-	(83,112)
Total business-type activities net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,137,830)</u>
Primary government										
Invested in capital assets, net of related debt	4,749,890	6,509,687	7,219,302	104,433,000	106,989,556	106,928,471	106,979,859	108,143,857	108,047,221	109,495,649
Restricted	-	-	-	-	-	-	-	2,573,872	2,774,921	2,630,718
Unrestricted	12,511,086	12,931,653	15,913,041	18,223,130	17,449,139	18,916,409	18,843,099	16,053,270	16,105,263	17,695,713
Total primary government net position	<u>\$ 17,260,976</u>	<u>\$ 19,441,340</u>	<u>\$ 23,132,343</u>	<u>\$ 122,656,130</u>	<u>\$ 124,438,695</u>	<u>\$ 125,844,880</u>	<u>\$ 125,822,958</u>	<u>\$ 126,770,999</u>	<u>\$ 126,927,405</u>	<u>\$ 129,822,080</u>

TABLE 2

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

	2004	2005	2006	2007	2008	2009	2010 (1)	2011	2012 (2)	2013 (3)
Expenditures -										
Governmental Activities										
General government	\$ 1,805,425	\$ 1,897,732	\$ 1,910,214	\$ 2,168,969	\$ 2,180,895	\$ 2,268,985	\$ 2,144,259	\$ 2,020,878	\$ 1,975,461	\$ 1,977,589
Public safety	5,436,013	5,739,513	5,975,129	6,208,820	6,829,457	6,700,787	7,168,920	7,337,227	7,837,879	8,172,869
Highways and Streets	2,350,724	2,449,733	2,637,855	2,401,078	2,644,118	1,974,513	2,938,385	3,051,214	3,250,223	2,954,258
Parks and Recreation	437,350	544,296	465,887	580,841	599,551	659,577	568,400	593,554	758,403	854,770
Police and Employee Pension Costs	318,059	459,437	469,714	493,693	549,772	616,193	-	-	-	-
Interest on long-term debt	129,641	104,656	85,226	77,977	69,723	60,857	44,694	35,704	51,755	226,143
Depreciation, Unallocated	539,304	487,727	629,136	673,598	745,437	820,828	776,908	819,214	877,568	871,406
Amortization of bond issue cost and discounts, unallocated	5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,172	678
Total governmental activities expenditures	11,021,688	11,688,266	12,178,333	12,610,148	13,624,125	13,106,912	13,646,738	13,862,963	14,756,461	15,057,713
Business -type Activities										
Recreation Center	-	-	-	-	-	-	-	-	-	141,742
Total business activities expenditures	-	-	-	-	-	-	-	-	-	141,742
Total primary government expenditures	11,021,688	11,688,266	12,178,333	12,610,148	13,624,125	13,106,912	13,646,738	13,862,963	14,756,461	15,199,455
Program Revenues										
Governmental Activities										
Charges for services										
General Government	71,017	97,152	65,171	32,416	72,866	50,953	62,533	43,405	70,852	71,054
Public Safety	1,155,933	1,015,045	995,194	1,239,465	1,165,861	755,515	825,034	956,892	1,316,137	991,234
Highways and Streets	-	11,499	-	-	6,375	6,376	6,375	-	12,750	6,900
Parks and Recreation	93,037	90,493	92,360	145,197	212,088	199,817	182,870	225,034	238,540	256,560
Operating Grants and Contributions	1,427,482	1,330,739	1,256,068	1,379,761	1,399,797	1,267,648	949,586	1,512,844	1,079,469	1,351,862
Capital Grants and Contributions	400,000	-	-	5,097,684	-	-	-	-	-	1,770,813
Total primary government program revenues	3,147,469	2,544,928	2,408,793	7,894,523	2,856,987	2,280,309	2,026,398	2,738,175	2,717,748	4,448,423
Net (expense)/revenue										
Governmental activities	(7,874,219)	(9,143,338)	(9,769,540)	(4,715,625)	(10,767,138)	(10,826,603)	(11,620,340)	(11,124,788)	(12,038,713)	(10,609,290)
Business Type Activities	-	-	-	-	-	-	-	-	-	(141,742)
Total Primary government net expense	(7,874,219)	(9,143,338)	(9,769,540)	(4,715,625)	(10,767,138)	(10,826,603)	(11,620,340)	(11,124,788)	(12,038,713)	(10,751,032)

TABLE 2

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

	2004	2005	2006	2007	2008	2009	2010 (1)	2011	2012 (2)	2013 (3)
General Revenues and other Changes in Net Assets										
Government Activities										
Taxes	10,696,611	10,550,460	12,240,669	11,536,073	11,501,265	10,645,490	10,485,766	11,486,880	11,583,722	12,970,889
Cable TV Franchise Fees	264,266	286,987	313,750	346,572	368,662	396,874	439,003	483,769	502,002	536,820
Investment Income	247,904	473,134	917,261	978,784	540,064	311,340	120,328	83,569	88,555	97,683
Gain (loss) on sale of capital assets	9,740	13,121	(11,137)	8,304	12,135	879,084	553,321	18,611	20,840	36,403
Refund of Prior year Expenditures	-	-	-	124,688	127,577	-	-	-	-	-
Transfers										1,000,000
Total Government Activities	11,218,521	11,323,702	13,460,543	12,994,421	12,549,703	12,232,788	11,598,418	12,072,829	12,195,119	14,641,795
Business- Type Activities										
Investment Income	-	-	-	-	-	-	-	-	-	3,912
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	-	(1,000,000)
Total Business Type Activities	-	-	-	-	-	-	-	-	-	(996,088)
Total primary government	11,218,521	11,323,702	13,460,543	12,994,421	12,549,703	12,232,788	11,598,418	12,072,829	12,195,119	13,645,707
Change in Net Position										
Government Activities	3,344,302	2,180,364	3,691,003	8,278,796	1,782,565	1,406,185	(21,922)	948,041	156,406	4,032,505
Business- Type Activities	-	-	-	-	-	-	-	-	-	(1,137,830)
Total primary government	\$ 3,344,302	\$ 2,180,364	\$ 3,691,003	\$ 8,278,796	\$ 1,782,565	\$ 1,406,185	\$ (21,922)	\$ 948,041	\$ 156,406	\$ 2,894,675

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

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

and as a result is reporting Net Position.

Note (3): Montgomery Township added a proprietary fund during fiscal year 2013 . The fund had no program revenue in 2013.

Source: Montgomery Township Records, Statement of Activities.

TABLE 3

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

	2004	2005	2006	2007	2008	2009	2010	2011 (1)	2012	2013
General Fund										
Reserved	111,676	113,037	3,200	3,200	3,200	3,200	3,200	-	-	-
Unreserved	1,552,357	1,552,832	2,137,051	2,348,124	2,196,009	2,294,563	2,538,375	-	-	-
Non-Spendable	-	-	-	-	-	-	-	3,200	3,200	-
Unassigned	-	-	-	-	-	-	-	2,789,761	3,215,108	3,006,135
Total General Fund	1,664,033	1,665,869	2,140,251	2,351,324	2,199,209	2,297,763	2,541,575	2,792,961	3,218,308	3,006,135
All other governmental funds										
Reserved	2,159,621	2,108,498	1,917,324	1,671,274	1,896,329	2,056,389	1,599,140	-	-	-
Unreserved, reported in :										
Special revenue funds	1,412,265	1,415,507	1,781,916	2,170,976	2,412,356	2,373,591	2,605,488	-	-	-
Capital projects funds	6,464,185	6,969,512	9,281,343	11,310,882	10,311,022	11,823,426	11,923,918	-	-	-
Restricted										
Street Light Fund	-	-	-	-	-	-	-	610,834	594,459	593,217
Debt Service Fund	-	-	-	-	-	-	-	704,870	700,876	712,798
Basin Maintenance Fund	-	-	-	-	-	-	-	261,327	188,611	115,353
Park Development Fund	-	-	-	-	-	-	-	171,518	289,544	300,932
Liquid Fuels Fund	-	-	-	-	-	-	-	152,279	227,574	117,476
Environmental Fund	-	-	-	-	-	-	-	649,527	741,885	703,110
Restoration Fund	-	-	-	-	-	-	-	23,517	23,610	23,615
300th Anniversary	-	-	-	-	-	-	-	-	8,362	64,217
Committed										
Replacement Tree Fund	-	-	-	-	-	-	-	635,572	586,667	603,955
Fire Services Fund	-	-	-	-	-	-	-	213,550	247,054	247,521
Capital Reserve Fund	-	-	-	-	-	-	-	11,800,878	11,970,441	13,568,257
Assigned										
Park and Recreation Fund	-	-	-	-	-	-	-	577,156	595,845	605,902
Autumn Festival Fund	-	-	-	-	-	-	-	26,464	36,503	43,941
Unassigned	-	-	-	-	-	-	-	-	(2,757)	-
Total all other governmental funds	10,036,071	10,493,517	12,980,583	15,153,132	14,619,707	16,253,406	16,128,546	15,825,148	16,208,674	17,700,294
Total all Governmental funds	11,700,104	12,159,386	15,120,834	17,504,456	16,818,916	18,551,169	18,670,121	18,618,109	19,426,982	20,706,429

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

Source : Montgomery Township Records, Balance Sheet Governmental Funds.

Table 4

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

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 10,631,552	\$ 10,582,878	\$ 12,214,440	\$ 11,603,372	\$ 11,387,431	\$ 10,658,866	\$ 10,558,172	\$ 11,479,869	\$ 11,992,652	\$ 12,580,357
Licenses and Permits	1,252,123	1,119,071	1,150,776	1,400,306	1,356,901	998,662	1,105,903	1,222,484	1,619,506	1,311,440
Fines and Forfeitures	125,740	151,169	142,042	158,394	158,616	129,191	135,190	179,842	179,435	178,452
Interest Income, Rents and Royalties	256,364	481,594	928,661	987,184	549,919	312,678	131,528	84,595	89,635	99,388
Intergovernmental revenues	1,099,054	1,085,802	1,116,409	1,179,194	1,265,989	1,239,390	1,234,924	1,691,974	1,296,844	1,346,835
Charges for Services	197,930	172,405	162,257	196,550	302,815	280,344	263,522	305,748	340,260	370,971
Contributions	669,898	244,937	139,659	200,567	131,473	28,258	73,729	437,351	158,117	440,075
Total Revenues	14,232,661	13,837,856	15,854,244	15,725,567	15,153,144	13,647,389	13,502,968	15,401,863	15,676,449	16,327,518
Expenditures										
Current										
General Government	2,172,428	1,924,205	1,998,062	2,301,878	2,305,366	2,346,523	2,147,085	3,079,371	3,859,155	2,025,324
Public Safety	5,722,491	7,464,682	6,763,846	6,515,130	8,853,157	6,720,338	7,030,217	7,447,466	7,460,701	7,776,548
Highways and Streets	2,371,597	2,664,230	2,795,551	2,794,257	3,129,374	2,383,845	3,212,200	3,263,340	3,469,225	3,065,869
Parks and Recreation	452,050	595,646	500,746	910,019	704,322	686,519	568,400	643,990	803,448	849,671
Other Employee Benefits not allocated	318,059	459,437	469,714	493,693	549,772	616,193	607,784	663,646	707,378	888,672
Debt Service										
Principal	353,182	375,466	397,188	383,044	379,446	318,914	340,510	349,200	451,262	1,283,917
Interest and other charges	128,516	103,531	84,109	76,916	68,704	59,888	43,792	29,662	51,613	226,727
Total Expenditures	11,518,323	13,587,197	13,009,216	13,474,937	15,990,141	13,132,220	13,949,988	15,476,675	16,802,782	16,116,728
Excess (deficiency) of revenues over expenditures	2,714,338	250,659	2,845,028	2,250,630	(836,997)	515,169	(447,020)	(74,812)	(1,126,333)	210,790
Other Financing Sources (Uses)										
Proceeds from sale of capital assets	9,740	15,624	28,572	8,304	23,880	1,217,084	565,972	22,800	20,840	68,657
Proceeds from loan issuance	-	-	-	-	-	-	-	-	1,914,366	-
Proceeds from county infrastructure loan	-	142,928	-	-	-	-	-	-	-	-
Refund of prior years' expenditures	58,530	50,071	87,848	124,688	127,577	-	-	-	-	-
Interfund transfers in	3,500,431	2,925,329	4,093,063	3,562,081	5,023,072	1,359,760	747,891	2,133,806	1,800,109	3,378,900
Interfund Transfers out	(3,500,431)	(2,925,329)	(4,093,063)	(3,562,081)	(5,023,072)	(1,359,760)	(747,891)	(2,133,806)	(1,800,109)	(2,378,900)
Total Other Financing Sources (Uses)	68,270	208,623	116,420	132,992	151,457	1,217,084	565,972	22,800	1,935,206	1,068,657
Net change in fund balance	2,782,608	459,282	2,961,448	2,383,622	(685,540)	1,732,253	118,952	(52,012)	808,873	1,279,447
Fund balance at beginning of year	8,917,496	11,700,104	12,159,386	15,120,834	17,504,456	16,818,916	18,551,169	18,670,121	18,618,109	19,426,982
Fund balance at end of year	11,700,104	12,159,386	15,120,834	17,504,456	16,818,916	18,551,169	18,670,121	18,618,109	19,426,982	20,706,429
Debt Service as a percentage of non-capital expenditures										
	4.36%	3.65%	3.84%	3.53%	2.88%	2.97%	2.83%	2.51%	3.09%	10.34%

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

Table 5

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

Year Ended 31-Dec	Real Estate Tax (1)	Earned Income Tax	Realty Transfer Tax	Business Gross Receipts	Total
2004	2,959,751	3,109,625	1,222,969	3,339,207	10,631,552
2005	2,932,778	3,139,545	1,183,697	3,326,858	10,582,878
2006	3,340,122	3,837,531	1,563,984	3,472,803	12,214,440
2007	2,960,726	4,079,116	1,066,042	3,497,488	11,603,372
2008	2,965,285	4,244,016	881,517	3,296,613	11,387,431
2009	2,902,742	4,147,313	607,113	3,001,698	10,658,866
2010	2,850,219	4,209,528	564,737	2,933,688	10,558,172
2011	2,898,651	4,285,766	759,294	3,536,158	11,479,869
2012	2,896,039	4,777,242	693,084	3,626,287	11,992,652
2013	\$ 3,029,689	\$ 5,033,800	\$ 1,060,556	\$ 3,456,312	12,580,357

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 Taxable Assessed Value (1)	Less: Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value (2)	Ratio of total Assessed value to Estimated Actual Value	Total Township Tax Rate (3)
2004	1,941,807,401	48,253,914	1,893,553,487	3,214,912,916	.604	1.51
2005	1,978,556,401	49,167,127	1,929,389,274	3,705,161,800	.534	1.50
2006	2,014,400,611	50,057,855	1,964,342,756	3,973,176,748	.507	1.49
2007	2,048,745,158	50,911,317	1,997,833,841	4,032,962,909	.508	1.49
2008	2,086,400,611	51,847,055	2,034,553,556	3,863,704,835	.540	1.49
2009	2,093,987,758	52,035,596	2,041,952,162	3,877,755,107	.540	1.49
2010	2,100,221,628	52,249,920	2,047,971,708	3,684,599,347	.570	1.49
2011	2,098,343,338	52,330,288	2,046,013,050	3,733,707,007	.562	1.49
2012	2,121,389,328	57,458,860	2,063,930,468	3,774,714,107	.562	1.49
2013	\$ 2,125,785,154	\$ 58,036,790	\$ 2,067,748,364	\$ 3,358,270,385	.633	1.49

Source: Montgomery County Board of Assessments .

Notes:

(1) Includes tax exempt properties.

(2) Estimated actual value is calculated by dividing assessed value by Common Level Ratio provided by State Equalization Board.

(3) Tax rates are per \$1,000 of assessed value.

Table 7

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

Fiscal Year	Montgomery Township				Total Township Millage	Overlapping Rates		Total Millage
	General Fund Millage	Park and Recreation Millage	Fire Protection Millage	Debt Service Millage		Total County Millage	Total School Millage	
2004	0.91	0.19	0.17	0.24	1.51	2.8400	17.7639	22.1139
2005	0.90	0.19	0.17	0.24	1.50	2.8900	18.3146	22.7046
2006	0.89	0.19	0.17	0.24	1.49	2.8900	19.0275	23.4075
2007	0.89	0.19	0.17	0.24	1.49	2.8400	19.6744	24.0044
2008	0.89	0.19	0.17	0.24	1.49	2.6950	20.5399	24.7249
2009	0.89	0.19	0.17	0.24	1.49	2.6950	21.3396	25.5246
2010	0.89	0.19	0.17	0.24	1.49	2.6950	21.9564	26.1414
2011	0.89	0.19	0.17	0.24	1.49	2.6950	21.9564	26.1414
2012	0.89	0.19	0.17	0.24	1.49	3.1520	22.3256	26.9676
2013	0.89	0.19	0.17	0.24	1.49	3.1520	22.7049	27.3469

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

Table 8

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

Taxpayer	Type of Business	<u>2013</u>			<u>2004</u>		
		Assessed Value	Rank	% of Total Assessment	Assessed Value	Rank	% of Total Assessment
Montgomeryville Associates, Inc..	Shopping Mall	\$ 90,694,606	1	4.27%	\$ 102,194,030	1	5.26%
Private Individual	Industrial Building	30,784,370	2	1.45%	31,029,950	2	1.60%
Nappen & Associates	Industrial Building	28,584,380	3	1.34%	26,385,500	3	1.36%
Avenel Realty Co Inco	Apartment Building	27,590,000	4	1.30%			
Kir Montgomeryville (formerly Montgomery Square Partnership)	Shopping Mall	35,888,080	5	1.69%	22,376,090	5	1.15%
Gateway DC Properties, Inc..	Shopping Mall	20,350,290	6	0.96%	23,582,090	4	1.21%
Water Tower Square Assoc.	Apartment Building	19,229,000	7	0.90%	19,229,000	6	0.99%
Private Individual	Rental Lots	14,794,330	8	0.70%	14,754,260	7	0.76%
213-36 Montgomery Holdings	Shopping Mall	12,595,840	9	0.59%			0.00%
Lowe's Home Center	Retail Store	11,247,440	10	0.53%	14,270,550	8	0.73%
Target Corp	Retail Store				9,751,090	9	0.50%
Rhees NW formerly Bell Run Associates	Apartment Building				9,750,070	10	0.50%
TOTAL		\$291,758,336		13.72%	\$273,322,630		14.08%

Source: Montgomery County Tax Assessment Duplicate

TABLE 9

Name of Government
Property Tax Levies and Collections
Last Ten Fiscal Years (Unaudited)

Fiscal Year Ended 31-Dec	Total Tax Levy for Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections Amount	Total Collections to Date	
		Amount (2)	Percentage of Levy		Amount	Percentage of Levy
2004	2,835,324	2,793,383	98.5%	41,921	2,835,304	100.00%
2005	2,825,412	2,779,010	98.4%	46,383	2,825,393	100.00%
2006	2,755,025	2,702,656	98.1%	52,367	2,755,023	100.00%
2007	2,818,611	2,780,966	98.7%	37,265	2,818,231	99.99%
2008	2,844,902	2,797,743	98.3%	46,494	2,844,237	99.98%
2009	2,811,938	2,746,015	97.7%	65,298	2,811,313	99.98%
2010	2,821,764	2,744,438	97.3%	76,741	2,821,179	99.98%
2011	2,808,794	2,731,699	97.3%	76,813	2,808,512	99.99%
2012	2,805,728	2,760,624	98.4%	35,830	2,796,455	99.67%
2013	2,840,055	2,811,419	99.0%	0	2,811,419	98.99%

Notes:

(1) The Township implemented a Homestead Exclusion starting in 2003 reducing assessments for single family owner occupied dwelling by \$10,000. The Exclusion was increased to \$15,000 in 2004, \$20,000 in 2005, \$25,000 in 2006 and \$30,000 in 2009 and forward.

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

Table 10

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

Year Ended	Number of		Taxes	
31-Dec	Returns	Taxable Sales	Collected	Tax rate
2004	1,053	1,911,474,667	2,867,212	1.5 Mills
2005	1,135	2,006,694,667	3,010,042	1.5 Mills
2006	1,254	2,040,210,000	3,060,315	1.5 Mills
2007	1,258	2,067,927,333	3,101,891	1.5 Mills
2008	1,422	1,943,085,333	2,914,628	1.5 Mills
2009	1,391	1,770,841,333	2,656,262	1.5 Mills
2010	1,437	1,727,391,333	2,591,087	1.5 Mills
2011	1,461	1,862,376,000	2,793,564	1.5 Mills
2012	1,488	1,868,025,333	2,802,038	1.5 Mills
2013	1,418	1,805,094,667	2,707,642	1.5 Mills

Source: Montgomery Township Business/Mercantile Tax Collection Records

Table 11

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

Description	<u>2013</u>		<u>2004</u>	
	Rank	% of Total	Rank	% of Total
Retail Store	1	6.90%	1	5.60%
Retail Store	2	3.08%	3	2.42%
Retail Stores - Auto	3	2.69%	9	1.63%
Retail Stores - Auto	4	2.56%	6	1.72%
Retail Store	5	2.54%	2	3.40%
Retail Stores - Auto	6	2.43%		
Retail Store	7	2.10%		
Retail Stores - Auto	8	2.09%		
Relocation Services	9	2.02%	7	1.52%
Department Store	10	1.59%	4	1.81%
Retail Store			5	2.07%
Retail Store			8	1.55%
Retail Store - Auto			10	1.34%
Percentage of Total Gross Collections		28.00%		23.06%

Source: Montgomery Township Business Tax Records

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

Table 12

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

Fiscal Year	General Obligation Bonds (1)	General Obligation Notes	Total Primary Government	Percentage of Per Capital Income (2)	Per Capita
2004	1,385,000	2,077,131	3,462,131	0.49%	157
2005	1,250,000	1,979,593	3,229,593	0.45%	147
2006	1,110,000	1,722,405	2,832,405	0.40%	129
2007	960,000	1,489,360	2,449,360	0.26%	103
2008	815,000	1,254,915	2,069,915	0.20%	88
2009	665,000	1,086,000	1,751,000	0.17%	74
2010	505,000	905,490	1,410,490	0.14%	57
2011	345,000	716,290	1,061,290	0.10%	43
2012	175,000	2,349,392	2,524,392	0.26%	103
2013	\$ 8,745,000	\$ 1,240,476	\$ 9,985,476	0.93%	397

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 American Community Survey 3-Year Estimates 2010-2012

Table 13

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

Year Ended 31-Dec	Population	Assessed Value	Gross General Obligation Debt	Debt Service Fund Balance	Net General Obligation Debt	Percentage of General Obligation Debt to Assessed Value	General Obligation Debt per Capita
2004	22,025	1,941,807,401	3,462,131	169,555	3,292,576	0.17%	\$149
2005	22,025	1,978,556,401	3,229,593	154,283	3,075,310	0.16%	\$140
2006	22,025	2,014,400,611	2,832,405	259,826	2,572,579	0.13%	\$117
2007	23,666	2,048,745,158	2,449,360	314,470	2,134,890	0.10%	\$90
2008	23,504	2,086,400,611	2,069,915	372,171	1,697,744	0.08%	\$72
2009	23,504	2,093,987,758	1,751,000	483,382	1,267,618	0.06%	\$54
2010	24,790	2,093,987,758	1,410,490	586,034	824,456	0.04%	\$33
2011	24,790	2,100,221,628	1,061,290	704,870	356,420	0.02%	\$14
2012	24,601	2,098,343,338	2,524,392	700,876	1,823,516	0.09%	\$74
2013	25,121	2,121,389,328	9,985,476	\$ 712,798	9,272,678	0.44%	\$369

Source:

Population 2000 - 2006 Bureau of Census - 2000 Census
 2007 - 2009 Bureau of Census 2005-2009 American Community Survey
 2010 Bureau of Census 2010 Population Total by Municipality
 2011-2012 Bureau of Census 2010-2012 American Community Survey

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

TABLE 14

Montgomery Township
Computation of Direct and Overlapping Debt
December 31, 2013 (Unaudited)

	Net Debt Outstanding		Debt Applicable to Montgomery
Direct Debt of the Township and Related Entities			
Montgomery Township	\$ 9,985,476		\$ 9,985,476
Overlapping Debt			
County of Montgomery	\$ 433,796,676	(1)	\$ 15,628,945
North Penn School District	\$ 98,190,000	(2)	\$ 29,865,130
Total Overlapping Debt	<u>\$ 531,986,676</u>		<u>\$ 45,494,075</u>
Total Direct and Overlapping Debt	<u>\$ 541,972,152</u>		<u>\$ 55,479,551</u>

Notes:

(1) Percentage of total Montgomery County debt as of December 31, 2013, based on the ratio of Montgomery Twp Assessed valuation to Montgomery County 2013 Assessed Value

(2) Percentage of total North Penn School district debt as of June 30, 2013, based on the ratio of Montgomery Twp Assessed Value to North Penn School District 2013 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, 2013 (Unaudited)**

Borrowing base revenues (1):	
2011	15,401,863
2012	15,676,449
2013	15,925,393
Total Revenues	<u>\$ 47,003,705</u>
Debt limit for General Obligation Bonds:	
Average borrowing base revenues	\$ 15,667,902
Debt limit percent	250%
Debt limit	<u>39,169,754</u>
Total amount of debt applicable to debt limit	<u>9,985,476</u>
Legal debt margin	<u>\$ 29,184,278</u>
Debt limit for General Obligation bonds and lease rental debt:	
Average borrowing base revenues	\$ 15,667,902
Debt limit percent	350%
Debt limit	<u>\$ 54,837,656</u>
Total amount of debt applicable to debt limit	<u>-</u>
Legal debt margin	<u>\$ 54,837,656</u>

Notes: Borrowing base represents total revenues per Act 177 of 1996 recodified Unit Debt Act.
Source: Montgomery Township Annual Financial Statements.

Table 16

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

Year Ended 31-Dec	Debt Limit	Gross General Obligation Debt	Legal Debt Margin	Total Gross General Obligation Debt as a Percentage of Debt Limit
2004	30,419,129	3,462,131	26,956,998	11.38%
2005	33,240,368	3,229,593	30,010,775	9.72%
2006	36,603,967	2,832,405	33,771,562	7.74%
2007	37,848,055	2,449,360	35,398,695	6.47%
2008	38,944,129	2,069,915	36,874,214	5.32%
2009	37,105,083	1,751,000	35,354,083	4.72%
2010	35,282,084	1,410,490	33,871,594	4.00%
2011	33,211,068	1,061,290	32,149,778	3.20%
2012	37,151,067	2,524,392	29,184,278	6.79%
2013	39,169,754	9,985,476	29,184,278	25.49%

Source: Montgomery Township Annual Financial Statements

Table 17

Montgomery Township
Ratio of Annual Debt Service Expenditures for General
Bonded Debt to Total General Governmental Expenditures
Last Ten Years (Unaudited)

Year Ended				Total General	Ratio of
31-Dec	Principal	Interest	Debt Services	Governmental	Debt Service
				Expenditures	to Total
					General
					Governmental
					Expenditures
2004	353,182	128,516	481,698	11,518,323	4.18%
2005	375,466	103,531	478,997	13,587,197	3.53%
2006	397,188	84,019	481,207	13,009,216	3.70%
2007	383,044	76,916	459,960	13,474,937	3.41%
2008	379,446	68,704	448,150	15,990,141	2.80%
2009	318,914	59,888	378,802	13,132,220	2.88%
2010	340,510	43,792	384,302	13,949,988	2.75%
2011	349,200	29,661	378,861	15,476,675	2.45%
2012	451,262	51,613	502,875	16,802,782	2.99%
2013	\$ 1,283,917	\$ 226,727	\$ 1,510,644	16,116,728	9.37%

Source: Montgomery Township Annual Financial Statements.

Table 18

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

Year Ended 31-Dec	Per Capita Income (1)	Population (1)	Per Capita Personal Income	Unemployment Rate (2)
2003	32,349	20,025	647,788,725	4.6
2004	32,349	20,025	647,788,725	5.2
2005	32,349	20,025	647,788,725	3.9
2006	32,349	20,025	647,788,725	3.5
2007	40,537	23,666	959,348,642	3.4
2008	44,142	23,504	1,037,513,568	4.3
2009	44,142	23,504	1,037,513,568	6.7
2010	41,095	24,790	1,018,745,050	6.8
2011	40,891	24,790	1,013,687,890	7
2012	\$42,539	25,121	\$ 1,068,622,219	4.3

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

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

Employer	Description	<u>2013</u>			<u>2004</u>		
		Employees	Rank	% of Total Township Employment	Employees	Rank	% of Total Township Employment
Teva Pharmaceutical	Pharmaceutical	794	1	3.84%			
Wegman's Food Markets	Grocery Store	570	2	2.76%			
Costco	Retail Store	546	3	2.64%	392	7	1.62%
Macy's	Retail Store	440	4	2.13%			
Sensor & Antenna Systems	Manufacturing	393	5	1.90%	473	5	1.96%
Harriet Carter Gifts	Catalog Sales	354	6	1.71%	671	2	
Capital Wine and Spirits	Distributor	341	7	1.65%	737	1	3.05%
Gemalto, Inc	Manufacturing	315	8	1.52%			
McCallion Temps, Inc	Employment Agency	295	9	1.43%			
American Pool Management	Manufacturing	287	10	1.39%	624	3	2.59%
Target	Retail Store				533	4	2.21%
Sears	Department Store				396	6	1.64%
Strawbridge's	Department Store				364	9	1.51%
Home Depot	Retail Store				367	8	1.52%
JC Penny	Department Store				316	10	1.31%
TOTAL		<u>4,335</u>		<u>20.95%</u>	<u>4,873</u>		<u>17.42%</u>

Notes:

Total Number of individuals employed in the Township in 2013: 20,700

Total Number of individuals employed in the Township in 2004: 24,125

Source: 2004 and 2013 Township Occupation Privilege/Local Services Tax Records

Table 20

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government	7.0	7.0	8.0	8.0	8.4	8.0	8.0	8.0	7.5	7.5
Finance and Tax Collection	7.5	7.8	7.8	8.5	7.5	7.5	7.5	6.5	6.5	6.5
Public Safety										
Officers	34.0	34.0	35.0	35.0	35.0	35.0	35.0	36.0	36.0	36.0
Civilians	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Fire Safety										
Officers	3.4	3.4	5.0	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Clerical	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5	0.5
Code Enforcement, Building & Zoning	5.8	5.8	6.3	6.3	6.3	6.3	6.3	6.3	5.0	5.0
Public Works										
Highway, Storm Sewers, Street Lights, Traffic Signals, Facilities and Parks	15.0	19.0	20.3	20.3	21.3	21.3	21.3	23.3	22.3	21.3
Culture and Recreation	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0
Totals:	81.65	86.90	92.21	93.75	95.73	95.33	95.33	97.40	94.60	93.60

Source: Montgomery Township, Montgomery County, Pennsylvania Records

Table 21

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Police										
Part I Crimes	555	611	597	656	540	561	479	531	443	418
Part II Crimes	1,425	1,434	1,423	1,401	1,212	1,127	1,226	1113	1028	1142
Total Calls for Service	25,315	25,854	24,974	26,399	26,092	26,028	26,607	29,306	26,250	28,966
Fire Safety										
Total Responses	674	634	683	659	700	570	572	599	588	565
Code Enforcement & Zoning										
Total Permits	2193	1481	1026	959	940	928	1160	1374	1349	1314
Land Development Submittals	14	13	9	7	7	7	3	1	10	9
Zoning Hearing Board Applications	8	8	14	14	15	19	14	15	15	17
Rezoning Requests	1	4	2	2	0	0	0	0	0	1
Conditional Use Applications	1	0	2	4	0	1	0	2	2	2
Highway and Streets										
Streets Resurfaced (miles)	5.13	4.56	5.02	5.45	5.7	0 (1)	4.34	5.02	5.47	5.43

Source: Montgomery Township, Montgomery County, Pennsylvania Records

Notes:

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

Table 22

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

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicle Units	18	18	19	19	20	20	19	19	19	19
Fire										
Stations	1	2	2	2	2	2	2	2	2	2
Apparatus	5	5	5	5	5	5	5	5	5	5
Highway and Streets										
Street Miles	70	70	71	71	73	73	73	73	73	73
Traffic Signals	40	40	42	43	43	43	42	41	48	48
Stormwater Detention Basins	50	58	60	60	61	63	63	63	63	63
Culture and Recreation										
Park Sites	10	10	11	11	11	11	11	11	13	13
Acres	303	303	306	306	306	306	306	314	326	326
Playgrounds	8	8	8	8	8	8	8	8	8	8
Soccer Fields	10	10	10	10	10	11	11	11	11	11
Baseball Fields	11	13	13	13	14	14	14	14	14	14
Tennis Courts	12	16	16	16	16	16	16	16	16	16
Basketball Courts	6	6	6	6	6	7	9	9	9	8.5
Street Hockey	3	4	4	4	4	4	4	4	4	4
Disc Golf Course				1.00	1	1	1	1	1	1
Volleyball Courts	2	2	2	2	2	2	2	2	2	2
Dog Park	1	1	1	1	1	1	1	1	1	1

Source: Montgomery Township, Montgomery County, Pennsylvania Records

Table 23

SCHEDULE OF INSURANCE COVERAGES 12/31/2013
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	\$25,000,000	Each Occurrence
	(excluding flood coverage for locations in Flood Zones A, AE, V and all other 100 year floodplains)		
c.	Automatic Acquisitions for Ninety (90) Days	\$100,000,000	Each Occurrence
	(excluding flood coverage for locations in Flood Zones A, AE, V and all other 100 year floodplains)		
d.	Automatic Acquisitions After Ninety (90) Days	\$25,000,000	Each Occurrence
	(excluding flood coverage for locations in Flood Zones A, AE, V and all other 100 year floodplains)		
e.	Errors and Omissions	\$50,000,000	Each Occurrence
f.	Course of Construction (Builders Risk), if values reported	\$25,000,000	Each Occurrence, Each Project
g.	Course of Construction (Builders Risk), if values not reported	\$25,000,000	Each Occurrence, Each Project
h.	Increased Cost of Construction Due to Ordinance or Law (no sublimit for Demolition Costs)	\$25,000,000	Each Occurrence
i.	Transit	\$25,000,000	Each Occurrence
j.	Unscheduled Animals (not to exceed \$50,000 per Animal)	\$2,500,000	Each Occurrence
k.	Expediting Expense	\$50,000,000	Each Occurrence
1	Valuable Papers and Records	\$25,000,000	Each Occurrence
m.	Accounts Receivable	\$25,000,000	Each Occurrence
n.	Unscheduled Landscaping, Tees, Sand Traps, Greens and Athletic Fields with sublimits per item per form	\$1,000,000	Each Occurrence

o. Scheduled Landscaping, Tees, Sand Traps, Greens and Athletic Fields with sublimits per item per form	\$5,000,000	Each Occurrence
p. Unscheduled Fine Arts	\$2,500,000	Each Occurrence
q. Furs, Jewelry, Precious Metals and Stones	\$500,000	Each Occurrence, Each Participant
r. Watercraft (under twenty-seven feet in length, unless scheduled)	\$2,500,000	Each Occurrence
s. Off Premises Service Interruption including Extra Expense Resulting from a Covered Peril at Non-Owned/Operated Locations	\$25,000,000	Each Interruption
t. Business Interruption, including Rental Income, Tuition and Related Fees Income and Tax Interruption, if values have been reported	\$100,000,000	Each Interruption for All Participants Combined
u. Business Interruption, including Rental Income, Tuition and Related Fees Income and Tax Interruption, if values have not been reported	\$500,000	Each Interruption, Each Participant
v. Business Interruption, including Rental Income, Tuition and Related Fees Income and Tax Interruption, if values have not been reported	\$2,500,000	Each Interruption for All Participants Combined
w. Extended Period of Indemnity	180	Days
x. Contingent Business Interruption (including Rental Income, Tuition and Fees Income, Tax Interruption) Resulting from a Covered Peril at Direct Supplier or Direct Customer Locations	\$3,000,000	Each Interruption for All Participants Combined
Y. Contingent Extra Expense Resulting from a Covered Peril at Direct Supplier or Direct Customer Locations	\$3,000,000	Each Interruption for All Participants Combined
z. Leasehold Interest	\$500,000	Each Occurrence
aa. Claims Preparation Expense	\$1,000,000	Each Occurrence
bb. Accidental Contamination of Land When Resulting from a Named Peril	\$250,000	Each Occurrence, Annual Aggregate Each Participant
cc. Accidental Contamination of Land When Resulting from a Named Peril	\$500,000	Annual Aggregate for All Participants Combined

dd. Earthquake Shock	\$50,000,000	Annual Aggregate for All Participants Combined
ee. Flood	\$100,000,000	Annual Aggregate for All Participants Combined
f f. Flood - Zones A, AE, V and all other 100 year Floodplains	\$50,000,000	Annual Aggregate for All Participants Combined *
gg. Terrorism **	\$25,000,000	Annual Aggregate for All Participants Combined

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

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

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

BOILER COVERAGE

1	Limit of Liability		
	The following Limit of Liability applies:		
	All Coverages Combined (Property Damage and Business Interruption and Extra Expense)	\$100,000,000	Each Accident
2	Sublimits of Liability		
	The following Sublimits of Liability apply. These are part of and not in addition to the Limit of Liability:		
	a. Expediting Expense	\$25,000,000	Each Accident
	b. Errors and Omissions	\$25,000,000	Each Accident
	c. Hazardous Substances	\$1,000,000	Each Accident
	d. Ammonia Contamination	\$10,000,000	Each Accident
	e. Water Damage	\$10,000,000	Each Accident
	f. Consequential Damage	\$10,000,000	Each Accident
	g. Ordinance or Law - Value of Undamaged Portion of Building, Demolition and Increased Cost of Construction Due to Ordinance or Law	\$25,000,000	Each Accident
	h. EDP Media	\$10,000,000	Each Accident
	i. Earthquake Resultant Damage	\$2,000,000	Annual Aggregate
	j. Utility Interruption for Utilities Owned by Others and For Covered Objects and Covered Perils	\$10,000,000	Each Accident
	k. Automatic Acquisitions	\$25,000,000	Each Accident
3	Deductibles		
	a. a. All Coverages Combined	\$1,000	Each Accident
	b. Off Premises Service Interruption (Property Damage and Time Element)		24 Hours Waiting Period Time Element)

CRIME COVERAGE

1	Limits of Liability		
a.	Public Employee Dishonesty Coverage with Faithful Performance of Duty included without sublimit	\$2,000,000	Each Occurrence
b.	Forgery or Alteration Coverage	\$2,000,000	Each Occurrence
c.	Theft, Disappearance and Destruction Coverage (Inside and Outside for Money and Securities excluding checks)	\$250,000	Each Occurrence
d.	Theft, Disappearance and Destruction Coverage (Inside and Outside for Money and Securities - Checks)	\$1,000,000	Each Occurrence
e.	Computer Fraud Coverage	\$2,000,000	Each Occurrence
f.	Wire Transfer Communication Fraud Coverage	\$2,000,000	Each Occurrence
g.	Money Orders and Counterfeit Currency Coverage	\$2,000,000	Each Occurrence
2	Deductibles		
a.	Public Employee Dishonesty Coverage	\$1,000	Each Loss
b.	Faithful Performance of Duty	\$1,000	Each Loss
c.	Forgery or Alteration Coverage	\$0	Each Loss
d.	Theft, Disappearance and Destruction Coverage (Inside and Outside for Money and Securities)	\$1,000	Each Loss
e.	Computer Fraud Coverage	\$1,000	Each Loss
f.	Wire Transfer Communication Fraud Coverage	\$1,000	Each Loss
g.	Money Orders and Counterfeit Currency Coverage	\$1,000	Each Loss

LIABILITY COVERAGE

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

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

WORKERS COMPENSATION COVERAGE

1

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

SCHEDULE OF PREMIUMS CONTRIBUTIONS PAID IN 2013

DELAWARE VALLEY INSURANCE TRUST

Property	\$34,236
Crime	\$2,074
Auto Liability	\$31,133
Auto Physical Damage	\$15,092
General Liability	\$64,785
Law Enforcement Liability	\$44,287
Public Officials Liability	\$38,185
Sub Total	<u>\$229,792</u>
Less 2% Multi-trust Discount	(\$9,192)
Less Rate Stabilization Contribution	(\$57,447)
Less Prior Year Dividend	<u>(\$40,330)</u>
Net Contribution	<u><u>\$122,823</u></u>

DELAWARE VALLEY WORKERS COMPENSATION TRUST

Annual contribution	\$245,015
Less 4% Multi-trust Discount	(\$9,801)
Less Rate Stabilization Contribution	(\$50,819)
Less Prior Year Dividend	<u>(\$15,541)</u>
Net Contribution	<u><u>\$168,854</u></u>

Source: Montgomery Township Insurance Records

Table 24

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

Year Ended 31-Dec	Number of Active Members	Contributions				Number of Retired Members (1)
		Members	Township	State	Total	
2004	34	-	-	144,324	144,324	2
2005	34	-	92,863	199,021	291,884	4
2006	34	128,934	92,901	216,197	438,032	4
2007	34	128,856	88,399	226,507	443,762	5
2008	34	134,828	98,121	227,136	460,085	5
2009	32	143,224	151,359	225,935	520,518	7
2010	32	135,123	142,441	229,440	507,004	11
2011	32	134,351	22,489	410,011	566,851	13
2012	33	122,216	259,417	204,643	586,276	14
2013	33	\$ 148,340	\$ 386,423	\$ 240,147	\$ 774,910	16

Notes: (1) Includes Officers participating in DROP.

Source: Montgomery Township, Montgomery County, Pennsylvania Records

<div> <div>Table 25</div> <div> Montgomery Township Employee Pension Plans Annual Contributions by Township Last Ten Years (Unaudited) </div> </div>				
Year Ended 31-Dec	Primary Plan (1)		Secondary Plan	Total
	Non Uniform	Police	Non Uniform	All
2004	-	92,863	3,632	3,632
2005	29,046	90,500	3,877	125,786
2006	36,982	92,901	-	129,883
2007	44,024	90,083	6,881	139,304
2008	71,512	98,121	20,455	190,088
2009	88,615	151,359	22,752	262,726
2010	62,550	142,441	21,028	137,627
2011	13,683	22,489	17,466	290,566
2012	48,201	259,417	21,050	455,674
2013	\$ 45,769	\$ 386,423	\$ 20,150	\$ 452,342
Notes: (1) Contributions Net of State Aid Source: Montgomery Township, Montgomery County, Pennsylvania Records				

Table 26

**Montgomery Township
Salaries of Elected Officials
December 31, 2013
(Unaudited)**

Official Title	Annual Salary
Supervisor, Chairman	\$4,250
Supervisor, Vice-Chairman	\$4,250
Supervisor	\$4,250
Supervisor	\$4,250
Supervisor	\$4,250
Tax Collector	\$10,000

Source: Montgomery Township, Montgomery County Pennsylvania Records

**Montgomery Township
Miscellaneous Statistics
December 31, 2013 (Unaudited)**

<u>Date Founded</u>	Incorporated 1714	
<u>Form of Government</u>	2nd Class Township Governed by 5 Board Member of Supervisors Elected at Large	
<u>Area</u>	10.82 Square Miles	
<u>Miles of Road</u>	72.74 Maintained by the Township	
<u>Fire Protection</u>	Combination Department with 4 Career and over 30 Volunteer Fire Fighters manning two (2) stations with five (5) apparatus	
<u>Police Protection</u>	36 Officers Including Chief of Police. 9 Civilian Support/Dispatch Staff.	
<u>Recreation</u>		
<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 eh crossroads of Rt 309, Rt 202 and the Rt 202 Parkway.	
<u>Education:</u>		
<u>Number of Schools (Fall 2013)</u>	Public	Nonpublic
<u>Elementary</u>	2	1
<u>Middle</u>	0	0
<u>Secondary</u>	0	0

Hospitals:

The following hospitals serve the greater North Penn area:

Lansdale Hospital of the Abington Health System.

Grandview Hospital, Sellersville

Abington Hospital, Abington

Township Employees:**2013****Full Time**

86

Part Time

15

Seasonal

22

Population:**2013**

25,121

2004

20,025

Age Group Comparisons:**Township****State****US****2013****2004****2013****2004****2013****2004****% Under 18**

24.5%

29.8%

22.0%

26.5%

27.0%

28.6%

% 18-64

62.5%

58.9%

62.8%

53.7%

60.1%

55.1%

% Over 65

13.1%

11.3%

15.3%

19.8%

12.8%

16.3%

Median (years)

41.3

36.8

41.0

38.0

36.8

35

Average Household Size (persons):**2013****2004****Montgomery Township**

2.76

2.74

U.S.

2.58

2.58

Number of Married couple families as a percentage of all households:**2013****2004****Montgomery Township**

76.1%

68.5%

U.S.

48.4%

51.9%

Married couple families by presence of children under 18:**2013****2004****With children**

2,580

2,946

Without children under 18

3,237

2,484

Difference

657

462

Source : United States Bureau of the Census - 2002/2010-2012 Data and Montgomery Township, Montgomery County, Pennsylvania records.