

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2012

PAST



PRESENT



FUTURE



PREPARED BY THE
MONTGOMERY TOWNSHIP FINANCE DEPARTMENT



MONTGOMERY TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA



INTRODUCTORY SECTION

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**MONTGOMERY TOWNSHIP
BOARD OF SUPERVISORS**

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TOWNSHIP MANAGER

June 10, 2013

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, 2012. 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, 2012. 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 24,790 in 2011. 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 2012:

- Land Acquisition – In 2006, the Board of Supervisors adopted an Open Space Plan which identified parcels of land targeted by the Township for open space and for park and recreation purposes. In late 2010 and through and into mid-2013 the Board of Supervisors has made the acquisition of these parcels a priority. During that period over 65 acres of land were acquired by the Township. Specifically during 2012 the Township made settlement on approximately 12 acres of land immediately adjacent the Township Building and the Board of Supervisors commissioned a study to determine the feasibility of constructing a Community/Recreation Center on that parcel. That study was presented to the public in December of 2012 and in the first quarter of 2013, the Board voted to move forward with the project.
- The Park System Expansion – In 2012, construction began on the development of Friendship Park, a 20 acre multi-purpose park that will add an additional little league field, multi-purpose/soccer field, playgrounds and bocce courts to the Township's

sizeable park system. Development of the park is being provided by the Cutler Group as part of a development agreement with the Township. Construction is expected to be completed in 2013.

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 is 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 many of the

Township's revenues are dependent upon a strong business community and real estate market, the result of which is that revenue sources are diversified and proportionate, with no one revenue source bearing the lion's share of the budget. 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 2003-2012 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 five 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, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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


Lawrence J. Gregan
Township Manager


Shannon Q. Drosnock
Finance Director

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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



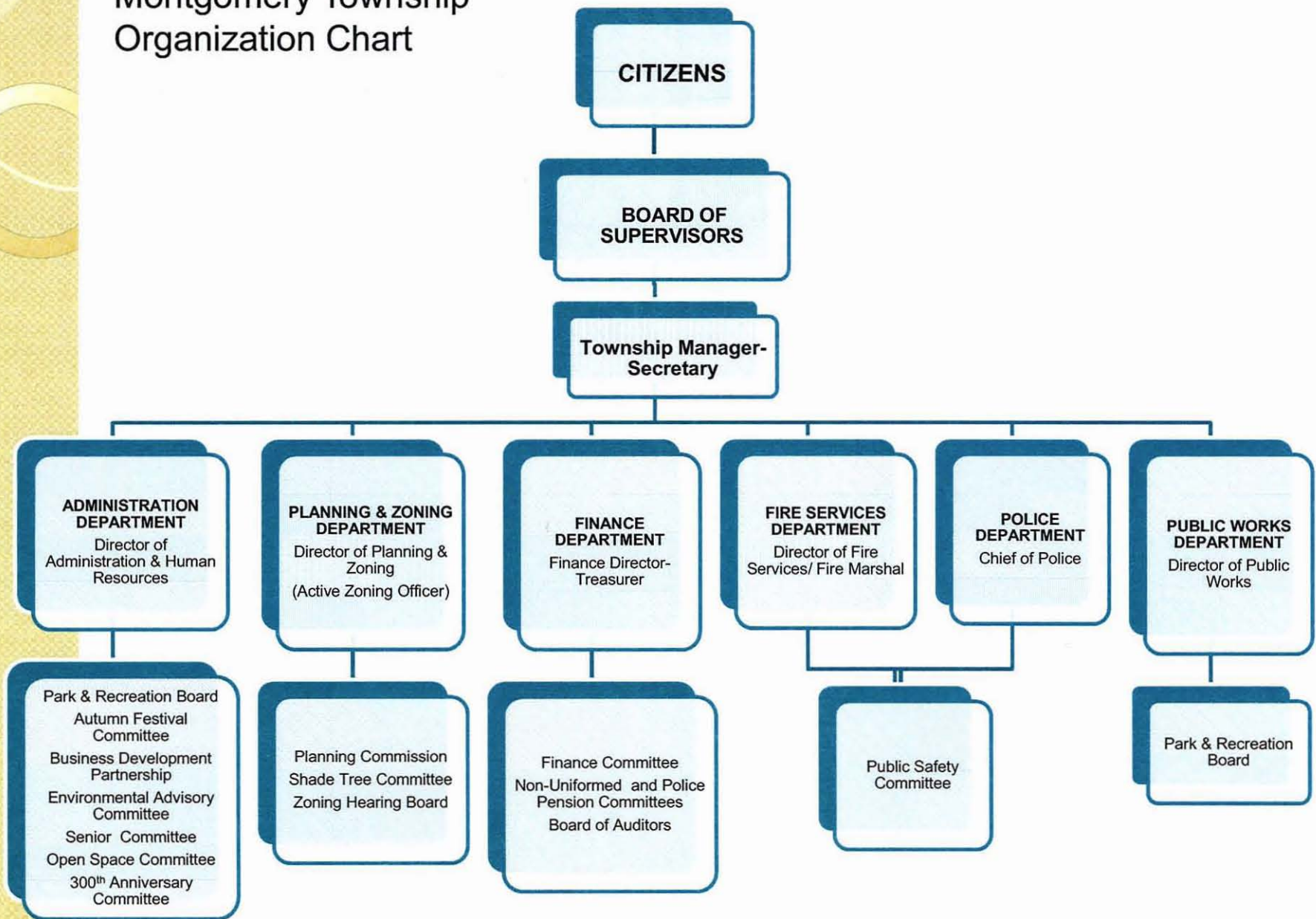
Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

Montgomery Township Organization Chart



PRINCIPAL OFFICIALS

AS OF DECEMBER 31, 2012
MONTGOMERY TOWNSHIP, PENNSYLVANIA

BOARD OF SUPERVISORS

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

APPOINTED OFFICIALS

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

OTHER MANAGEMENT OFFICIALS

J. Scott Bendig, Chief of Police
Kevin Costello, Director of Public Works
Stacy Crandell, Assistant to the Township Manager
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

Conrad Siegel Actuaries, Pension Plan Actuary
Boucher & James, Inc., Landscape Engineer
Kerns, Pearlstine, Hladik, 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

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 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, 2012, and the related notes to the financial statements, which collectively comprise the 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 26%, 24% and 32%, respectively, of the assets, net position and revenues of the governmental activities and component units. 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 aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Montgomery Township as of December 31, 2012, and the respective changes in financial position 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 27, budgetary comparison information on pages 62 and 63, pension plan funding progress on page 64, postemployment benefits other than pension funding progress on page 65 and trend data on infrastructure condition on pages 66 and 67 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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 it.

Emphasis of Matter

As discussed in Note A to the financial statements, for the year ended December 31, 2012, Montgomery Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Maillie LLP

Oaks, Pennsylvania
June 10, 2013

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

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, 2012.

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 2012 by \$126,927,405 (net position), an increase of \$156,406 as compared to 2011.
- The Township's Capitalized Assets increased by \$1,366,467 due primarily to the acquisition of a 12+/- acre parcel of land purchased by the Township in March 2012.
- The Township's Governmental Funds (Fund Financial Statements) reported combined ending balances for all funds of \$19,426,982, an increase of \$808,873 from 2011. In accordance with GASB 54, the General Fund ending unassigned balance of \$3,215,108 is unassigned and available for use according to the Township's fiscal policies. This balance represents 27.17% of total budgeted General Fund expenses for 2013. The remainder of the combined ending balances has been classified in accordance with the GASB 54 designations.
- The Township's Governmental Funds Debt increased by \$1,604,689 during 2012. The increase was primarily due to the issuance of a General Obligation Note (Series 2012) for the purpose of financing the acquisition of open/recreation space in the Township.

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, 2012

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 two 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.
- **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 slightly in 2012.

MONTGOMERY TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2012

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, 2011 and 2012						
	Governmental Activities		Component Units		Totals	
	2011	2012	2011	2012	2011	2012
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
ASSETS						
Cash and equivalents	\$ 5,843,740	\$ 10,249,368	\$ 6,720,118	\$ 8,701,569	\$ 12,563,858	\$ 18,950,937
Other assets	14,488,308	10,615,461	3,608,332	3,733,786	18,096,640	14,349,247
Capital assets	109,205,147	110,571,614	35,957,198	34,729,944	145,162,345	145,301,558
TOTAL ASSETS	129,537,195	131,436,443	46,285,648	47,165,299	175,822,843	178,601,742
DEFERRED OUTFLOWS OF RESOURCES (1)						
Deferred amount on refunding	-	-	-	441,751	-	441,751
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 129,537,195	\$ 131,436,443	\$ 46,285,648	\$ 47,607,050	\$ 175,822,843	\$ 179,043,493
LIABILITIES AND NET POSITION						
LIABILITIES						
Other liabilities	\$ 984,650	\$ 1,122,803	\$ 1,756,047	\$ 1,161,123	\$ 2,740,697	\$ 2,283,926
Long-term debt outstanding	1,781,546	3,386,235	5,566,133	6,047,472	7,347,679	9,433,707
TOTAL LIABILITIES	2,766,196	4,509,038	7,322,180	7,208,595	10,088,376	11,717,633
NET POSITION						
Net investment in capital assets	108,143,857	108,047,221	29,884,437	29,166,379	138,028,294	137,213,600
Restricted	2,573,872	2,774,921	-	-	2,573,872	2,774,921
Unrestricted	16,053,270	16,105,263	9,079,031	11,232,076	25,132,301	27,337,339
TOTAL NET POSITION	126,770,999	126,927,405	38,963,468	40,398,455	165,734,467	167,325,860
TOTAL LIABILITIES AND NET POSITION	\$ 129,537,195	\$ 131,436,443	\$ 46,285,648	\$ 47,607,050	\$ 175,822,843	\$ 179,043,493
(1) In 2012, the Township applied GASB Statement No. 63 and began reporting Net Position.						

Cash and investments represent 7.80% of Montgomery Township's Total Governmental Assets. Of this amount, \$12,804,162 is classified as committed by the Montgomery Township Board of Supervisors in accordance with GASB 54 designations.

The largest portion of the Township's assets, 84.1% 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.

MONTGOMERY TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended December 31, 2012

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 2012, total revenues exceeded total expenses by 1.1% for all Governmental Activities resulting in the increase in net position over the prior year. This increase in net position from 2011 to 2012 was a result of overall increases in revenues, driven by a significant increase in building permits reported in the Charges for Services revenue category.

Table 2						
Changes in Net Position						
Years Ended December 31, 2011 and 2012						
	2011			2012		
	Governmental Activities	Component Units	Totals	Governmental Activities	Component Units	Totals
REVENUES						
Program revenues						
Charges for services	\$ 1,225,331	\$ 5,297,271	\$ 6,522,602	\$ 1,638,279	\$ 7,129,419	\$ 8,767,698
Operating grants and contributions	1,512,844	96,853	1,609,697	1,079,469	87,650	1,167,119
Capital grants and contributions	-	82,824	82,824	-	-	-
General revenues						
Taxes	11,486,880	-	11,486,880	11,583,722	-	11,583,722
Cable TV franchise fees	483,769	-	483,769	502,002	-	502,002
Investment income	83,569	8,706	92,275	88,555	17,113	105,668
Proceeds from sale of fixed assets	18,611	-	18,611	20,840	-	20,840
TOTAL REVENUES	14,811,004	5,485,654	20,296,658	14,912,867	7,234,182	22,147,049
EXPENSES						
Operating						
General government	2,020,878	-	2,020,878	1,975,461	-	1,975,461
Public safety	7,337,227	-	7,337,227	7,837,879	-	7,837,879
Highways and streets	3,051,214	-	3,051,214	3,250,223	-	3,250,223
Parks and recreation	593,554	-	593,554	758,403	-	758,403
Sewer Authority	-	5,975,087	5,975,087	-	5,729,387	5,729,387
Fire Department	-	54,675	54,675	-	69,808	69,808
Interest on long-term debt	35,704	-	35,704	56,927	-	56,927
Depreciation, unallocated	824,386	-	824,386	877,568	-	877,568
TOTAL EXPENSES	13,862,963	6,029,762	19,892,725	14,756,461	5,799,195	20,555,656
CHANGE IN NET POSITION	948,041	(544,108)	403,933	156,406	1,434,987	1,591,393
NET POSITION, BEGINNING	125,822,958	39,507,576	165,330,534	126,770,999	38,963,468	165,734,467
NET POSITION, ENDING	\$ 126,770,999	\$ 38,963,468	\$ 165,734,467	\$ 126,927,405	\$ 40,398,455	\$ 167,325,860

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

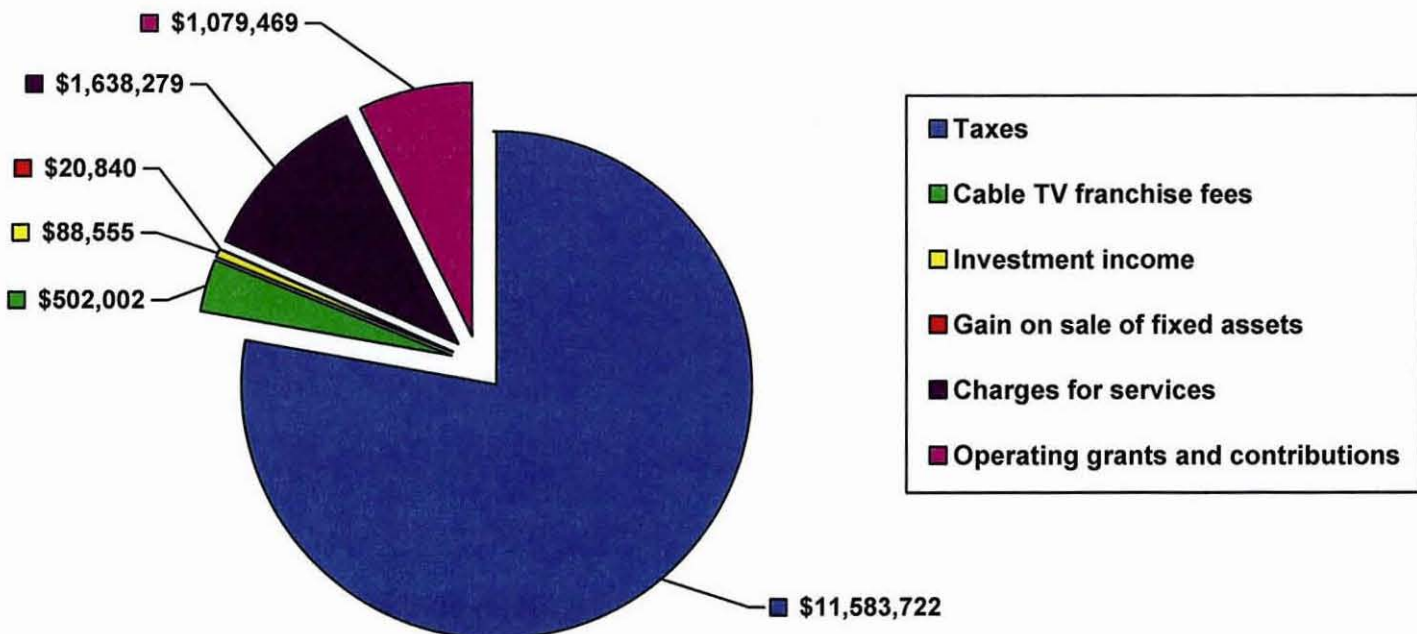
Governmental Activities

The Township generates revenues from a variety of sources. Total revenues for Governmental Activities for fiscal 2012 were \$14,912,867 compared to \$14,811,004 in 2011, an increase of \$101,863. The Township realized an increase in every major source of revenue with the exception of Operating Grants and Contributions which had a one-time increase in 2011 as a result of a donation of land. Revenues for Charges for Services led the overall revenue increase. This is a solid indication that the economic downward trend of 2009 has continued to stabilize and possibly rebound within the Township. Revenues by source were as follows:

Governmental Activities Revenues From Statement of Activities

Revenue	2011		2012	
	Amount	% of Total	Amount	% of Total
Taxes	\$ 11,486,880	77.56%	\$ 11,583,722	77.68%
Cable TV franchise fees	483,769	3.27%	502,002	3.37%
Investment income	83,569	0.56%	88,555	0.59%
Gain on sale of fixed assets	18,611	0.13%	20,840	0.14%
Charges for services	1,225,331	8.27%	1,638,279	10.99%
Operating grants and contributions	1,512,844	10.21%	1,079,469	7.24%
	<u>\$ 14,811,004</u>	<u>100.00%</u>	<u>\$ 14,912,867</u>	<u>100.00%</u>

Revenues by Source - Governmental Activities



MONTGOMERY TOWNSHIP

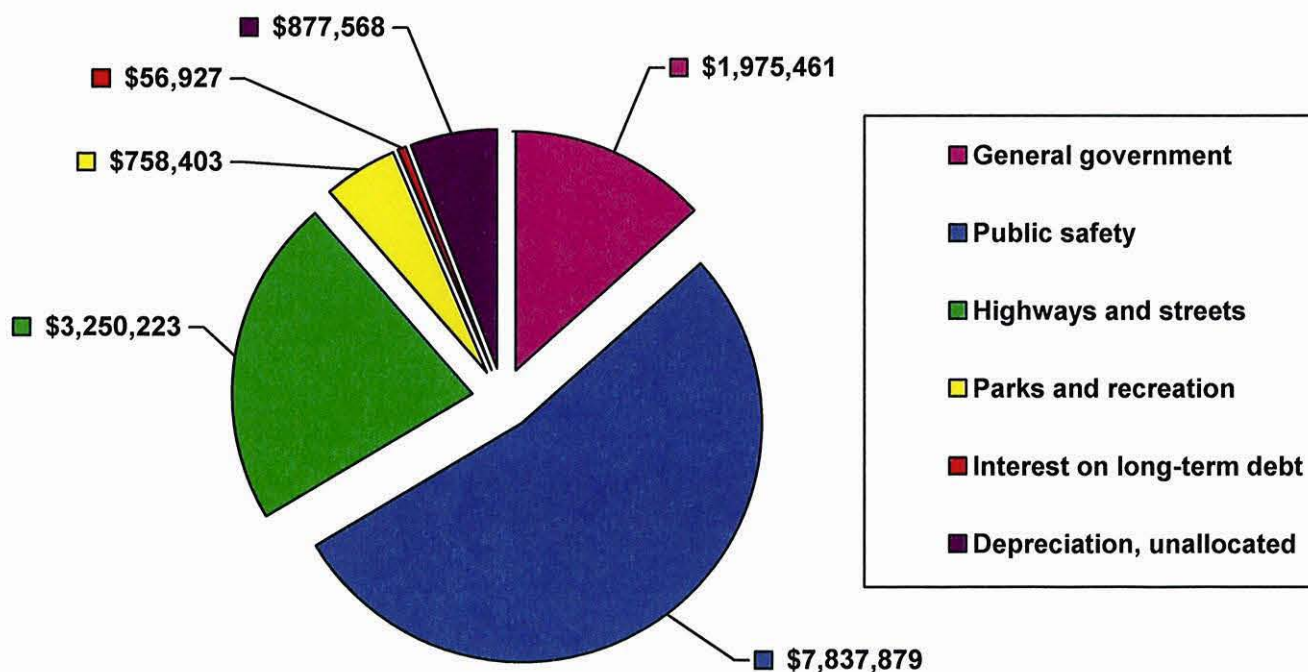
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

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 2012 were \$14,756,461 compared to \$13,862,963 in expenses in 2011, an increase of \$893,498. This increase is primarily attributable to cost of living increases in personnel and non-personnel related expenses and is shown in the Statement of Activities section for Table 2 below.

Expenditures	2011		2012	
	Amount	% of Total	Amount	% of Total
General government	\$ 2,020,878	14.58%	\$ 1,975,461	13.39%
Public safety	7,337,227	52.93%	7,837,879	53.11%
Highways and streets	3,051,214	22.01%	3,250,223	22.03%
Parks and recreation	593,554	4.28%	758,403	5.14%
Interest on long-term debt	35,704	0.26%	56,927	0.39%
Depreciation, unallocated	824,386	5.95%	877,568	5.95%
	<u>\$ 13,862,963</u>	<u>100.00%</u>	<u>\$ 14,756,461</u>	<u>100.00%</u>

Expenditures by Service - Governmental Activities



MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

GENERAL FUND BUDGETARY HIGHLIGHTS

The Township's approved General Fund Budget for 2012 included total revenues of \$11.42M, including transfers in of approximately \$387K and total expenses of \$11.39M. These budgeted amounts include budget amendments made throughout the fiscal year in accordance with the Second Class Township Code.

The 2012 General Fund budget, including transfers, was balanced with a projected surplus of \$29K. However, actual revenues, in particular Transfer Tax receipts, Earned Income Tax receipts, Mercantile Tax receipts and a one-time increase in State Pension Aid, exceeded budget estimates by 11.68% (\$1.3M) which, in combination with actual expenses below budget by 3.2% (\$362K), resulted in the surplus increasing to \$1,696,129. At year-end, the Board of Supervisors elected to transfer \$1,300,000 of this surplus to the Capital Fund for future designated capital projects. This resulted in an ending General Fund balance of \$3,218,308 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 2012 was positive when compared to budget. Actual revenues, excluding transfers in, were \$12.4 million for 2012. While Real Estate Tax collections were slightly below budget, all other revenue categories exceeded budget. Total taxes exceeded budget by \$813K, led primarily by the Earned Income Tax, License and Permits exceeded budget by \$459K, Fines and Forfeits exceeded budget by \$52K and Intergovernmental Revenues exceeded budget by \$27K. Each of these revenue categories contributed to the \$1.3M surplus (excluding transfers in) in General Fund revenues. This surplus was then reduced slightly (\$33K) by Other Financing Sources reporting below budget to create the 11.68% budgetary surplus as described above. The decrease in Other Financing Sources was related to Interfund Revenues less than budget based on actual need.

Actual expenses, excluding Interfund Transfers were \$11M for 2012. While expenses were above the 2011 actual expenses, they were \$362K less than the 2012 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 \$121K and Highways and Streets Expenses which were below budget by \$157K. 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 Transfer 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 \$70K, ending the year with a surplus of \$1,696,129. As a result, the Board of Supervisors was able to adopt a 2013 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, 2012, totaled \$110,571,614 (net of accumulated depreciation), an increase of \$1,366,467 from 2011. This increase was the result of new Capital Assets acquired in 2012 including a parcel of land totaling approximately 12.9 acres.

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, 2011 and 2012

	2011			2012		
	Governmental Activities	Component Units	Totals	Governmental Activities	Component Units	Totals
CAPITAL ASSETS NOT BEING DEPRECIATED						
Land	\$ 2,882,312	\$ 673,095	\$ 3,555,407	\$ 4,573,535	\$ 673,095	\$ 5,246,630
Infrastructure, as restated	95,523,493	-	95,523,493	95,523,493	-	95,523,493
Construction in progress	-	2,071,421	2,071,421	90,980	209,743	300,723
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	98,405,805	2,744,516	101,150,321	100,188,008	882,838	101,070,846
CAPITAL ASSETS BEING DEPRECIATED						
Buildings and improvements	10,521,613	33,804,455	44,326,068	10,521,613	35,315,290	45,836,903
Land improvements	103,720	-	103,720	103,720	-	103,720
Infrastructure	2,868,564	18,644,051	21,512,615	2,902,982	18,981,314	21,884,296
Machinery and equipment	5,888,165	1,268,957	7,157,122	6,271,093	1,588,853	7,859,946
TOTAL CAPITAL ASSETS BEING DEPRECIATED	19,382,062	53,717,463	73,099,525	19,799,408	55,885,457	75,684,865
Accumulated depreciation	(8,582,720)	(20,504,781)	(29,087,501)	(9,415,802)	(22,038,351)	(31,454,153)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	10,799,342	33,212,682	44,012,024	10,383,606	33,847,106	44,230,712
TOTAL CAPITAL ASSETS, net	\$ 109,205,147	\$ 35,957,198	\$ 145,162,345	\$ 110,571,614	\$ 34,729,944	\$ 145,301,558

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

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 2012.

As of the close of the 2012 fiscal year, the Township reported combined ending balances for all Governmental Funds of \$19,426,982 an increase of \$808,873 from 2011 resulting primarily from the proceeds of the Series 2012 General Obligation Note. Of this ending balance amount, \$12,804,162 or 65.9% 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 16.5%, or \$3.21M, 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 2012 were \$751K and Revenues for 2012 were \$860K. The fund posted a surplus of \$109K 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 2012 were \$716K and Revenues were \$734K. The fund posted a surplus of \$18K for the year and ended the year with a positive fund balance of \$596K

Basin Maintenance Fund - 06. Expenses for the Basin Maintenance Fund for 2012 were \$74K and Revenues were \$.8K. The fund posted a loss of \$73K for the year but ended the year with a positive fund balance of \$189K.

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 2012 were \$150K and Revenues were \$133K. The fund posted a deficit of \$16K for the year and ended the year with a positive fund balance of \$594K. There were no new street light facilities added in 2012.

Capital Projects Fund - 19. Expenses for the Capital Projects Fund for 2012 were \$.4K for final expenses of the Whistle Stop Park renovation project. There were no revenues to this fund for 2012 and, as such, the expenses reduced the fund balance.

Debt Service Fund - 23. Expenses for the Debt Service Fund for 2012 were \$503K and Revenues were \$499K. The fund posted a deficit of \$4K for the year but ended the year with a positive fund balance of \$701K. At year-end 2012, the Township's outstanding debt is \$2.5M.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

Capital Reserve Fund - 30. Expenses for the Capital Reserve Fund for 2012 were \$2.83M for budgeted capital construction projects, capital equipment purchases and the purchase of land plus the interfund transfers of \$371K 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 \$3.37M including proceeds from the Series 2012 General Obligation Note and an end of year transfer of the General Fund surplus of \$1.3M. The fund balance in this fund is comprised of assigned and committed funds totaling \$11.97M. The major expenses from the fund were for the annual curb/sidewalk replacement program and the acquisition of Park and Recreation/Open Space land. 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 2012. Revenues to this fund were \$118K from developer contributions during 2012. The fund posted a surplus of \$118K for the year and ended the year with a positive fund balance of \$290K.

Liquid Fuels Fund - 35. Expenses from the Liquid Fuels Fund for 2012 were \$408K and Revenues for 2012 were \$483K. The fund posted a surplus of \$75K for the year increasing the fund balance to \$228K. The fund balance has increased based on lower than budgeted cost of road paving materials. The majority of the fund balance has been budgeted for use in the 2013 road paving plan.

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 \$5.3K and Revenues, including interfund transfers, were \$13.7K. 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 2012 were \$237K and Revenues were \$237K 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 2012 were \$43K and Revenues were \$136K consisting of the annual DEP Recycling Performance Grant and interest earnings on the fund balance. In 2012, the Township received payment for the 2010 and 2011 Recycling Performance Grants in the total of \$133K. Expenses from the fund in 2012 were for the Township's recycling collection costs including the costs for the bi-annual curbside leaf collection program. The fund posted a surplus of \$92K for the year and ended the year with a positive fund balance of \$742K.

Replacement Tree Fund - 94. Expenses for the Replacement Tree Fund for 2012 were \$51K and Revenues were \$2.3K. 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 loss of \$49K for the year but still ended the year with a positive fund balance of \$587K.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2012

Autumn Festival Fund - 95. Expenses for the Autumn Festival Fund for 2012 were \$20K and revenues were \$30K. Expenditure 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 \$10K for the year and ended the year with a positive fund balance of \$37K.

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 \$2,524,392 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 \$6,047,472 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 3.2% of the Township's available borrowing capacity which was calculated using year ending December 31, 2011 data. This again evidences the Township's fiscally responsible approach to funding Capital Improvement projects.

Table 4
Outstanding Debt at Year-End

	<u>2011</u>	<u>2012</u>
GOVERNMENTAL ACTIVITIES		
1999 Series Note	\$ 543,833	\$ 435,026
2002 Series Note	172,456	-
2003 Series Bond	345,000	175,000
2012 Series Note	-	1,914,366
	<u>\$ 1,061,289</u>	<u>\$ 2,524,392</u>
COMPONENT UNITS		
2011 Series	<u>\$ 6,569,731</u>	<u>\$ 6,005,316</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, 2012

NEXT YEAR'S BUDGET

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

Entering 2013, the Township has not increased its real estate tax millage rate for the tenth year in a row while continuing to provide excellent levels of services to our residents and business community. Montgomery Township currently has nearly \$18.88M 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 2012, the Township acquired a 12+/- acre parcel of land for the construction of a Community/Recreation Center. The purchase was financed through the Series 2012 General Obligation Note as shown in Table 4 on the previous page. The 2013 budget included funds to begin the necessary steps to design of the Community/Recreation Center. The Center will likely be financed through a combination of Capital Reserve funds that have been committed for Recreation, Open Space, Landscaping and Environmental Initiatives and the issuance of a General Obligation Bond offering. 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.

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, 2012

	Primary Government Governmental Activities	Component Units		
		Sewer Authority	Fire Department	Totals
ASSETS				
Cash and cash equivalents	\$ 10,249,368	\$ 8,507,158	\$ 194,411	\$ 18,950,937
Investments	9,000,000	2,983,399	-	11,983,399
Taxes receivable	985,338	-	-	985,338
Accounts receivable	364,495	658,370	-	1,022,865
Due from police pension plan	261,750	-	-	261,750
Prepaid items	3,200	92,017	-	95,217
Bond discount, net of accumulated amortization of \$11,479	678	-	-	678
Capital assets				
Property, plant and equipment, Sewer Authority	-	34,729,944	-	34,729,944
Depreciable capital assets	10,383,606	-	-	10,383,606
Construction in progress	90,980	-	-	90,980
Nondepreciable capital assets	100,097,028	-	-	100,097,028
TOTAL ASSETS	<u>131,436,443</u>	<u>46,970,888</u>	<u>194,411</u>	<u>178,601,742</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	-	441,751	-	441,751
LIABILITIES				
Accounts payable and accrued expenses	511,570	1,027,054	-	1,538,624
Accrued payroll	610,649	-	-	610,649
Accrued interest	584	24,889	-	25,473
Developers' escrow deposits payable	-	109,180	-	109,180
Long-term liabilities				
Portion due or payable within one year				
Notes payable	108,925	-	-	108,925
Bonds payable	175,000	570,000	-	745,000
Portion due or payable after one year				
Notes payable	2,240,468	-	-	2,240,468
Bonds payable	-	5,435,316	-	5,435,316
Compensated absences	-	42,156	-	42,156
Net OPEB obligation	861,842	-	-	861,842
TOTAL LIABILITIES	<u>4,509,038</u>	<u>7,208,595</u>	<u>-</u>	<u>11,717,633</u>
NET POSITION				
Net investment in capital assets	108,047,221	29,166,379	-	137,213,600
Restricted				
Providing and maintaining street lights	594,459	-	-	594,459
Debt service	700,876	-	-	700,876
Basin maintenance	188,611	-	-	188,611
Park development projects	289,544	-	-	289,544
Highway and street projects	227,574	-	-	227,574
Environmental	741,885	-	-	741,885
Knapp Farm house	23,610	-	-	23,610
300th anniversary	8,362	-	-	8,362
Unrestricted	16,105,263	11,037,665	194,411	27,337,339
TOTAL NET POSITION	<u>\$ 126,927,405</u>	<u>\$ 40,204,044</u>	<u>\$ 194,411</u>	<u>\$ 167,325,860</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		Totals
					Governmental Activities	Sewer Authority	Fire Department	
PRIMARY GOVERNMENT								
Governmental activities								
General government	\$ 1,975,461	\$ 70,852	\$ 49,489	\$ -	\$ (1,855,120)	\$ -	\$ -	\$ (1,855,120)
Public safety	7,837,879	1,316,137	427,350	-	(6,094,392)	-	-	(6,094,392)
Highways and streets	3,250,223	12,750	485,718	-	(2,751,755)	-	-	(2,751,755)
Parks and recreation	758,403	238,540	116,912	-	(402,951)	-	-	(402,951)
Interest on long-term debt	56,927	-	-	-	(56,927)	-	-	(56,927)
Depreciation, unallocated	877,568	-	-	-	(877,568)	-	-	(877,568)
TOTAL PRIMARY GOVERNMENT	\$ 14,756,461	\$ 1,638,279	\$ 1,079,469	\$ -	(12,038,713)	-	-	(12,038,713)
COMPONENT UNITS								
Sewer Authority	\$ 5,729,387	\$ 7,129,419	\$ -	\$ -	-	1,400,032	-	1,400,032
Fire Department	69,808	-	87,650	-	-	-	17,842	17,842
TOTAL COMPONENT UNITS	\$ 5,799,195	\$ 7,129,419	\$ 87,650	\$ -	-	1,400,032	17,842	1,417,874
GENERAL REVENUES								
Taxes								
Earned income tax					4,444,741	-	-	4,444,741
Real property tax					2,891,072	-	-	2,891,072
Real estate transfer taxes					693,084	-	-	693,084
Business privilege and mercantile tax					2,802,038	-	-	2,802,038
Miscellaneous taxes					752,787	-	-	752,787
Cable TV franchise fees					502,002	-	-	502,002
Investment income					88,555	17,113	-	105,668
Gain on sale of fixed assets					20,840	-	-	20,840
TOTAL GENERAL REVENUES					12,195,119	17,113	-	12,212,232
CHANGE IN NET POSITION					156,406	1,417,145	17,842	1,591,393
NET POSITION AT BEGINNING OF YEAR					126,770,999	38,786,899	176,569	165,734,467
NET POSITION AT END OF YEAR					\$ 126,927,405	\$ 40,204,044	\$ 194,411	\$ 167,325,860

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	General Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,570,380	\$ 6,309,171	\$ 2,369,817	\$ 10,249,368
Investments	1,360,838	5,682,535	1,956,627	9,000,000
Taxes receivable	964,585	-	20,753	985,338
Accounts receivable	591,295	7,138	27,812	626,245
Due from other funds	-	2,757	-	2,757
Prepaid items	3,200	-	-	3,200
TOTAL ASSETS	\$ 4,490,298	\$ 12,001,601	\$ 4,375,009	\$ 20,866,908
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 397,657	\$ 31,160	\$ 82,753	\$ 511,570
Accrued payroll	573,713	-	36,936	610,649
Due to other funds	-	-	2,757	2,757
TOTAL LIABILITIES	971,370	31,160	122,446	1,124,976
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Property taxes	9,233	-	14,330	23,563
Income taxes	291,387	-	-	291,387
TOTAL DEFERRED INFLOWS OF RESOURCES	300,620	-	14,330	314,950
FUND BALANCES				
Nonspendable, prepaid expenses	3,200	-	-	3,200
Restricted				
Providing and maintaining street lights	-	-	594,459	594,459
Debt service	-	-	700,876	700,876
Basin maintenance	-	-	188,611	188,611
Park development projects	-	-	289,544	289,544
Highway and street projects	-	-	227,574	227,574
Environmental	-	-	741,885	741,885
Knapp Farm house	-	-	23,610	23,610
300th anniversary	-	-	8,362	8,362
Committed to				
Arbor Day and shade tree commission	-	-	586,667	586,667
Fire protection capital purchases and/or infrastructure projects	-	-	247,054	247,054
Equipment plans	-	3,998,961	-	3,998,961
Highway and street projects	-	1,154,010	-	1,154,010
Building improvements	-	418,000	-	418,000
Storm water projects	-	331,805	-	331,805
Traffic engineering	-	192,970	-	192,970
Open space acquisition and improvement	-	3,327,815	-	3,327,815
Parks and recreation projects	-	731,152	-	731,152
Operating reserve fund	-	1,815,728	-	1,815,728
Assigned				
Park and recreation projects	-	-	595,845	595,845
Annual autumn fest	-	-	36,503	36,503
Unassigned	3,215,108	-	(2,757)	3,212,351
TOTAL FUND BALANCES	3,218,308	11,970,441	4,238,233	19,426,982
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,490,298	\$ 12,001,601	\$ 4,375,009	\$ 20,866,908

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

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

December 31, 2012

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 19,426,982

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

Land	4,573,535
Construction in progress	90,980
Buildings and improvements	10,521,613
Land improvements	103,720
Infrastructure	98,426,475
Machinery and equipment	6,271,093
Accumulated depreciation	(9,415,802)

Bond issue costs and bond discounts are not recorded as assets in the Governmental Funds; however, these items are capitalized and amortized in the government-wide financial statements.

678

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest	(584)
Notes payable	(2,349,393)
Bonds payable	(175,000)
Net OPEB obligation	(861,842)

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.

314,950

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 126,927,405

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, 2012*

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 10,092,664	\$ -	\$ 1,899,988	\$ 11,992,652
Licenses and permits	1,556,044	-	63,462	1,619,506
Fines and forfeits	179,435	-	-	179,435
Interest income, rents and royalties	23,497	45,545	20,593	89,635
Intergovernmental revenues	438,208	4,152	854,484	1,296,844
Charges for services	92,195	-	248,065	340,260
Contributions	14,449	-	143,668	158,117
	<u>12,396,492</u>	<u>49,697</u>	<u>3,230,260</u>	<u>15,676,449</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	1,939,852	1,837,291	82,012	3,859,155
Public safety	6,423,646	68,403	968,652	7,460,701
Highways and streets	1,958,979	877,144	633,102	3,469,225
Parks and recreation	-	52,753	750,695	803,448
Other, employee benefits not allocated	686,094	-	21,284	707,378
Debt service				
Principal retirement	-	-	451,262	451,262
Interest	-	-	51,613	51,613
	<u>11,008,571</u>	<u>2,835,591</u>	<u>2,958,620</u>	<u>16,802,782</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,387,921</u>	<u>(2,785,894)</u>	<u>271,640</u>	<u>(1,126,333)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from loan issuance	-	1,914,366	-	1,914,366
Proceeds from sale of fixed assets	20,840	-	-	20,840
Interfund transfers in	333,586	1,412,100	54,423	1,800,109
Interfund transfers out	(1,317,000)	(371,009)	(112,100)	(1,800,109)
	<u>(962,574)</u>	<u>2,955,457</u>	<u>(57,677)</u>	<u>1,935,206</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	425,347	169,563	213,963	808,873
FUND BALANCES AT BEGINNING OF YEAR	<u>2,792,961</u>	<u>11,800,878</u>	<u>4,024,270</u>	<u>18,618,109</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,218,308</u>	<u>\$ 11,970,441</u>	<u>\$ 4,238,233</u>	<u>\$ 19,426,982</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, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 808,873
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 (\$2,244,035) exceed depreciation (\$877,568) in the current period.	1,366,467
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 taxes deferred decreased by the following in the current period.	(408,930)
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.	451,263
Proceeds from the note issue are a revenue item in the Governmental Funds, but this amount increases the long-term liabilities in the statement of net position.	(1,914,366)
Bond issue costs and 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.	(5,853)
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.	538
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>(141,586)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>156,406</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2012

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash	\$ 766,408	\$ 454,433
Investments		
Stocks	6,316,306	-
Mutual funds	<u>8,521,870</u>	<u>-</u>
TOTAL ASSETS	<u>15,604,584</u>	<u>\$ 454,433</u>
LIABILITIES		
Accounts payable	261,750	\$ -
Escrow and other deposits	<u>-</u>	<u>454,433</u>
TOTAL LIABILITIES	<u>261,750</u>	<u>\$ 454,433</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 15,342,834</u>	

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS***Year Ended December 31, 2012*

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Plan member contributions	\$ 256,017
Employer contributions	308,946
Other contributions, Commonwealth of Pennsylvania	375,492
TOTAL CONTRIBUTIONS	<u>940,455</u>
Investment earnings	
Interest income	368,100
Gain on investments	1,464,782
Investment expenses	(44,060)
INVESTMENT EARNINGS, net	<u>1,788,822</u>
TOTAL ADDITIONS	2,729,277
DEDUCTIONS	
Employee benefit payments	<u>741,516</u>
CHANGE IN NET POSITION	1,987,761
NET POSITION AT BEGINNING OF YEAR	<u>13,355,073</u>
NET POSITION AT END OF YEAR	<u>\$ 15,342,834</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

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 of 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, 2012

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 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.

Additionally, the Township reports the following fund types:

Special Revenue Funds - 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 Special Revenue Funds include the Fire Protection Fund, Park and Recreation Fund, Basin Maintenance Fund, Street Lights Fund, Liquid Fuels Fund, 300th Anniversary Fund, Environmental Fund, Replacement Tree Fund and Autumn Festival Fund.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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 - 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.

Basis of Presentation and Accounting

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each discretely presented component unit of the Township and for each function or program of the Township's governmental activities. 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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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.

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

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

Encumbrance Accounting

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

Cash and Cash Equivalents

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

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Investments, Township

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

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

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

Deposits and Investments, Sewer Authority

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

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

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

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

Capital Assets

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

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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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, 2012.

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.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Unavailable Revenue

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

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

Compensated Absences

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

Governmental Funds' Bond Discounts - Township

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

Unamortized Bond Discount - Sewer Authority

Bond discount and issuance costs 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, and the issuance costs are presented as deferred charges.

Real Estate Property Tax

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

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

Tax Collection

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

Net Position Flow Assumption

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

Fund Balance

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

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Township itself, using its highest level of decision-making authority (the Board of Supervisors). To be reported as committed, amounts cannot be used for any other purpose unless the Township takes the same highest level action to remove or change the constraint.
- ***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.
- ***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, 2012

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, 2012, \$11,285,752 of the Township's bank balance of \$11,787,477 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>10,084,543</u>
Pension Trust Funds	\$ <u>754,083</u>
Escrow	\$ <u>447,126</u>

As of December 31, 2012, the following amounts of the component units were exposed to custodial credit risk.

Sewer Authority - At December 31, 2012, \$8,325,154 of the Sewer Authority's bank balance of \$8,575,154 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>8,325,154</u>
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Fire Department - At December 31, 2012, the bank deposits of the Fire Department were fully insured and not exposed to custodial credit risk.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

Investments

As of December 31, 2012, the Township had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities One Year or Less</u>
GOVERNMENTAL ACTIVITIES		
Certificate of deposit	\$ <u>9,000,000</u>	\$ <u>9,000,000</u>
PENSION ACTIVITIES		
Common stocks	\$ 6,316,306	\$ 6,316,306
Domestic mutual funds	7,698,356	7,698,356
Closed-end mutual funds	<u>823,514</u>	<u>823,514</u>
	\$ <u>14,838,176</u>	\$ <u>14,838,176</u>

As of December 31, 2012, the Sewer Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities One Year or Less</u>
U.S. Government agency obligations	\$ <u>2,983,399</u>	\$ <u>2,983,399</u>

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 - 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 investment policy does not further limit its investment choices.

Concentration of Credit Risk - More than 5% of the Township's and component units' investments are in certificates of deposit, common stocks, domestic mutual funds and U.S. Government agency obligations. These investments are 34%, 24%, 29% and 11%, respectively, of the Township's and component units' total investments.

NOTE C CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 2,882,312	\$ 1,691,223	\$ -	\$ 4,573,535
Infrastructure	95,523,493	-	-	95,523,493
Construction in progress	-	90,980	-	90,980
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	98,405,805	1,782,203	-	100,188,008
Capital assets being depreciated				
Buildings and building improvements	10,521,613	-	-	10,521,613
Land improvements	103,720	-	-	103,720
Infrastructure	2,868,564	34,418	-	2,902,982
Machinery and equipment	5,888,165	427,414	(44,486)	6,271,093
TOTAL CAPITAL ASSETS BEING DEPRECIATED	19,382,062	461,832	(44,486)	19,799,408
Accumulated depreciation				
Buildings and building improvements	(3,526,572)	(315,916)	-	(3,842,488)
Land improvements	(62,601)	(3,716)	-	(66,317)
Infrastructure	(1,625,201)	(98,006)	-	(1,723,207)
Machinery and equipment	(3,368,346)	(459,930)	44,486	(3,783,790)
TOTAL ACCUMULATED DEPRECIATION	(8,582,720)	(877,568)	44,486	(9,415,802)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	10,799,342	(415,736)	-	10,383,606
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 109,205,147	\$ 1,366,467	\$ -	\$ 110,571,614

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
COMPONENT UNIT, SEWER AUTHORITY				
Capital assets not being depreciated				
Land	\$ 673,095	\$ -	\$ -	\$ 673,095
Construction in progress	2,071,421	241,586	(2,103,264)	209,743
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	2,744,516	241,586	(2,103,264)	882,838
Capital assets being depreciated				
Wastewater treatment and collection systems				
Hatfield Waste Water Treatment Plant	13,644,363	-	-	13,644,363
Eureka Treatment Plant	20,160,092	1,510,835	-	21,670,927
Other sewer system improvements	4,825,826	337,263	-	5,163,089
Developer dedications	13,818,225	-	-	13,818,225
TOTAL WASTEWATER TREATMENT AND COLLECTION SYSTEMS	52,448,506	1,848,098	-	54,296,604
Equipment	1,268,957	332,163	(12,267)	1,588,853
TOTAL CAPITAL ASSETS BEING DEPRECIATED	53,717,463	2,180,261	(12,267)	55,885,457
Accumulated depreciation				
Wastewater treatment and collection systems				
Hatfield Waste Water Treatment Plant	(9,861,140)	(268,243)	-	(10,129,383)
Eureka Treatment Plant	(4,905,741)	(542,475)	-	(5,448,216)
Other sewer system improvements	(1,752,277)	(229,579)	-	(1,981,856)
Developer dedications	(3,240,716)	(429,024)	-	(3,669,740)
TOTAL WASTEWATER TREATMENT AND COLLECTION SYSTEMS				
ACCUMULATED DEPRECIATION	(19,759,874)	(1,469,321)	-	(21,229,195)
Equipment	(744,907)	(76,516)	12,267	(809,156)
TOTAL ACCUMULATED DEPRECIATION	(20,504,781)	(1,545,837)	12,267	(22,038,351)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	33,212,682	634,424	-	33,847,106
COMPONENT UNIT, SEWER AUTHORITY CAPITAL ASSETS, net	\$ 35,957,198	\$ 876,010	\$ (2,103,264)	\$ 34,729,944

NOTE D LONG-TERM DEBT

The following is a summary of changes in long-term debt for governmental activities for the year ended December 31, 2012:

	<u>Original Principal</u>	<u>Balance Outstanding January 1, 2012</u>	<u>Proceeds from New Obligations</u>	<u>Retired During Year</u>	<u>Balance Outstanding December 31, 2012</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES						
Bonds and notes						
1999 Series Note	\$ 1,500,000	\$ 543,833	\$ -	\$ (108,807)	\$ 435,026	\$ 108,925
2002 Series Note	725,000	172,456	-	(172,456)	-	-
2003 Series Bonds	1,590,000	345,000	-	(170,000)	175,000	175,000
2012 Series Note	5,500,000	-	1,914,366	-	1,914,366	-
TOTAL BONDS AND NOTES	9,315,000	1,061,289	1,914,366	(451,263)	2,524,392	283,925
Net OPEB obligation	-	720,256	141,586	-	861,842	-
TOTAL LONG-TERM LIABILITIES	\$ 9,315,000	\$ 1,781,545	\$ 2,055,952	\$ (451,263)	\$ 3,386,234	\$ 283,925

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.

2002 Series Note and Interest Rate Swap

On December 4, 2002, the Township issued a General Obligation Note "A" and obtained a \$725,000 floating rate loan from a bank for the purpose of acquiring fire equipment.

Objective of the Interest Rate Swap - The Township has entered into a ten-year interest rate swap agreement to reduce the impact of changes in interest rates on its \$725,000 floating rate debt. The intention of the swap was to effectively fix the rate under the terms of the swap agreement, whereby the Township pays a fixed rate of 4.47% on the debt.

The note was completely paid off and the swap agreement has ended as of December 31, 2012.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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.

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.

The bonds and loans have varying maturities from December 2003 to March 2034, 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>
2013	\$ 283,925	\$ 50,671	\$ 334,596
2014	169,336	48,798	218,134
2015	286,743	47,213	333,956
2016	66,937	45,460	112,397
2017	64,545	43,631	108,176
2018 to 2022	421,192	187,203	608,395
2023 to 2027	506,968	125,948	632,916
2028 to 2032	575,830	57,086	632,916
2033 to 2034	148,916	2,435	151,351
	<u>\$ 2,524,392</u>	<u>\$ 608,445</u>	<u>\$ 3,132,837</u>

Montgomery Township Municipal Sewer Authority

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

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

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

A summary of changes in long-term debt for the Sewer Authority for the year ended December 31, 2012, is as follows:

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012	Due Within One Year
SEWER AUTHORITY					
Bonds					
2011 Series Bonds	\$ 6,440,000	\$ -	\$ (550,000)	\$ 5,890,000	\$ 570,000
Deferred amounts, 2011 issuance premium	129,731	-	(14,415)	115,316	-
TOTAL BONDS	6,569,731	-	(564,415)	6,005,316	570,000
Compensated absences	43,372	-	(1,216)	42,156	-
TOTAL LONG-TERM LIABILITIES	\$ 6,613,103	\$ -	\$ (565,631)	\$ 6,047,472	\$ 570,000

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

Year Ending December 31,	Principal	Interest	Totals
2013	\$ 570,000	\$ 185,573	\$ 755,573
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
Thereafter	2,835,000	186,825	3,021,825
	\$ 5,890,000	\$ 908,820	\$ 6,798,820

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE E FUND BALANCE

The Township has adopted GASB Statement No. 54, which redefined how fund balances of the Governmental Funds are presented in the financial statements. Fund balances are classified as follows:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of state or federal laws or externally imposed conditions by grantors or creditors.
- ***Committed*** - Amounts that can be used only for specific purposes determined by a formal action by a Board of Supervisors resolution. This includes the budget reserve account.
- ***Assigned*** - Amounts that are intended to be used for a specific purpose, as expressed by the Board of Supervisors or by an official or body to which the Board of Supervisors delegates the authority. The Board would delegate this authority by passage of a resolution. As of December 31, 2012, the Board has not delegated the authority to assign fund balance.
- ***Unassigned*** - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 30). As discussed in Note A, restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Board of Supervisors. The Township does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

NOTE F 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 an asset smoothing method. This method calculates investments as the fair market value of assets as of the most recent actuarial valuation, adjusted by a weighted average of the unrealized gains and losses of the last three years.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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, 2011, 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	10
Disabled participants	2
Current employees	
Vested	17
Nonvested	13
TOTAL MEMBERSHIP	<u>42</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, 2012

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 \$464,060 to the Plan for the year 2012. The Township's actual contributions for the Plan year 2012 were \$464,060.

Financial Requirement and Minimum Municipal Obligation Budget for 2012

Normal cost	\$ 339,354
Estimated administrative expenses	29,255
Estimated member contributions	(134,351)
Amortization requirement	<u>229,802</u>
MINIMUM MUNICIPAL OBLIGATION	\$ <u>464,060</u>
 ACTUAL FUNDS DEPOSITED INTO PLAN	 \$ <u>464,060</u>
 STATE AID PORTION OF FUNDS DEPOSITED	 \$ <u>204,643</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).....	\$464,060
State contributions made	\$204,643

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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>
2010	\$ 371,881	100%	\$ -	100%
2011	432,497	100%	-	100%
2012	464,060	100%	-	100%

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was 82.1% funded. The actuarial accrued liability for benefits was \$12.4 million and the actuarial value of assets was \$10.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.2 million. The covered payroll (annual payroll of active employees covered in the plan) was \$2.6 million, and the ratio of the UAAL to the covered payroll was 86.8%.

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, 2011
Actuarial cost method	Entry age normal
Amortization method.....	Level dollar, closed
Remaining amortization period	9 years
Asset valuation method.....	4-year smoothing
Actuarial assumptions	
Investment rate of return	4%
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, 2012, 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, 2012

NOTE G NON-UNIFORM EMPLOYEE PENSION PLAN

Plan Description

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

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 \$220,378, of which \$170,849 was funded by state-shared revenues and \$49,529 was funded by the Township. Employee contributions to the plan were \$113,371.

At December 31, 2012, there were no investments in any one organization that represented 5% or more of total plan assets available for benefits other than mutual funds, which do not require disclosure of concentration per GASB Statement No. 40.

NOTE H DEFERRED COMPENSATION PLANS

Montgomery Township

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

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

MONTGOMERY TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2012

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 I POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

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	\$ 116,576
Amortization of unfunded actuarial accrued liability	141,722
ANNUAL REQUIRED CONTRIBUTION (ARC)	258,298
Interest on net OPEB obligation	32,412
Adjustment to ARC	(44,218)
ANNUAL OPEB EXPENSE	246,492
Estimated pay-as-you-go contributions	(104,906)
INCREASE IN NET OPEB OBLIGATION	141,586
Net OPEB obligation at beginning of year	720,256
NET OPEB OBLIGATION AT END OF YEAR	\$ 861,842

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 252,252	26.08%	\$ 555,342
2011	249,195	33.82%	720,256
2012	246,492	42.56%	861,842

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,308,499 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 \$2,943,079, and the ratio of the UAAL to the covered payroll was 78.44%.

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, 2012

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, 2010 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 7.5%, reduced by decrements of .5% to an ultimate rate of 5.5% in 2014. The healthcare cost trend rate is 7.5% in 2010, decreasing by .5% per year to 5.5% in 2014, followed by a decrease from 5.3% in 2015 to 4.2% in 2099 and latter 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, 2010, was 28 years.

NOTE J LEASE

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

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

As of December 31, 2012, 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, 2012

NOTE K FIRE SERVICES AGREEMENT

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

NOTE L AGREEMENT WITH HATFIELD TOWNSHIP MUNICIPAL AUTHORITY

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

The Sewer Authority pays to Hatfield, in quarterly installments, an Annual Operating Charge, which is the Sewer Authority's pro rata share of the net operating and maintenance expense of the Hatfield Sewage Treatment Plant. The 2012 expenses were \$787,860. 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 M RISK MANAGEMENT

Montgomery Township

The Township is exposed to various risks of loss related to third-party liability claims, damage to and loss of Township-owned property, errors and omissions by public officials, injuries to employees and claims for medical benefits provided by the Township to its employees and dependents. As a method of financing these risks, the Township joined the Delaware Valley Insurance Trust (DVIT), Delaware Valley Workers' Compensation Trust (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, 2012

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, 2012, and settlements have not exceeded coverage in the past three years.

Montgomery Township Municipal Sewer Authority

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

NOTE N COMMITMENTS AND CONTINGENCIES

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

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2012

NOTE O COMBINING STATEMENTS OF FIDUCIARY FUNDS

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

	<u>Police Pension Fund</u>	<u>Non-Uniform Employee Pension Fund</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash	\$ 766,408	\$ -	\$ 766,408
Investments			
Stocks	6,316,306	-	6,316,306
Mutual funds	<u>4,389,279</u>	<u>4,132,591</u>	<u>8,521,870</u>
TOTAL ASSETS	11,471,993	4,132,591	15,604,584
LIABILITIES			
Accounts payable	<u>261,750</u>	<u>-</u>	<u>261,750</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 11,210,243</u>	<u>\$ 4,132,591</u>	<u>\$ 15,342,834</u>

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

	<u>Police Pension Fund</u>	<u>Non-Uniform Employee Pension Fund</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions			
Plan member contributions	\$ 142,646	\$ 113,371	\$ 256,017
Employer contributions	259,417	49,529	308,946
Other contributions			
Commonwealth of Pennsylvania	<u>204,643</u>	<u>170,849</u>	<u>375,492</u>
TOTAL CONTRIBUTIONS	<u>606,706</u>	<u>333,749</u>	<u>940,455</u>
Investment earnings			
Interest income	290,345	77,755	368,100
Gain on investments	1,084,391	380,391	1,464,782
Investment expenses	<u>(42,974)</u>	<u>(1,086)</u>	<u>(44,060)</u>
INVESTMENT EARNINGS, net	<u>1,331,762</u>	<u>457,060</u>	<u>1,788,822</u>
TOTAL ADDITIONS	1,938,468	790,809	2,729,277
DEDUCTIONS			
Employee benefit payments	<u>508,222</u>	<u>233,294</u>	<u>741,516</u>
CHANGE IN NET POSITION	1,430,246	557,515	1,987,761
NET POSITION AT BEGINNING OF YEAR	<u>9,779,997</u>	<u>3,575,076</u>	<u>13,355,073</u>
NET POSITION AT END OF YEAR	<u><u>\$ 11,210,243</u></u>	<u><u>\$ 4,132,591</u></u>	<u><u>\$ 15,342,834</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY TOWNSHIP
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 9,279,700	\$ 9,279,700	\$ 10,092,664	\$ 812,964
Licenses and permits	1,097,300	1,097,300	1,556,044	458,744
Fines and forfeits	127,000	127,000	179,435	52,435
Interest income, rents and royalties	34,100	34,100	23,497	(10,603)
Intergovernmental revenues	411,000	411,000	438,208	27,208
Charges for services	78,875	78,875	92,195	13,320
Contributions	1,983	1,983	14,449	12,466
TOTAL REVENUES	11,029,958	11,029,958	12,396,492	1,366,534
EXPENDITURES				
General government	2,061,335	2,061,335	1,939,852	121,483
Public safety	6,488,855	6,490,255	6,423,646	66,609
Highways and streets	2,115,810	2,115,810	1,958,979	156,831
Other, employee benefits not allocated	703,550	703,550	686,094	17,456
TOTAL EXPENDITURES	11,369,550	11,370,950	11,008,571	362,379
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(339,592)	(340,992)	1,387,921	1,728,913
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of fixed assets	10,000	10,000	20,840	10,840
Interfund transfers in	375,810	377,210	333,586	(43,624)
Interfund transfers out	(7,000)	(17,000)	(1,317,000)	(1,300,000)
TOTAL OTHER FINANCING SOURCES (USES)	378,810	370,210	(962,574)	(1,332,784)
NET CHANGE IN FUND BALANCE	39,218	29,218	425,347	396,129
FUND BALANCE AT BEGINNING OF YEAR	2,792,961	2,792,961	2,792,961	-
FUND BALANCE AT END OF YEAR	\$ 2,832,179	\$ 2,822,179	\$ 3,218,308	\$ 396,129

See accompanying note to budgetary comparison schedule.

MONTGOMERY TOWNSHIP
NOTE TO BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2012

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, 2012

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)
2007	\$ 7,980	\$ 9,094	\$ 1,114	87.8%	\$ 2,458	45.3%
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%

Schedule of Employer and Other Entity Contributions

Calendar Year	Annual Required Contribution	Employer Contribution	Percentage	Commonwealth Contribution	Percentage
2007	\$ 314,306	\$ 88,399	28.1%	\$ 226,507	72.1%
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%

MONTGOMERY TOWNSHIP
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
Year Ended December 31, 2012

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%

MONTGOMERY TOWNSHIP
TREND DATA ON INFRASTRUCTURE CONDITION
Year Ended December 31, 2012

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, 2012:

<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, 2012

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>
2011	\$ 1,165,730	\$ 1,094,272
2010	1,034,870	866,043
2009	291,250	218,695
2008	1,143,378	973,964
2007	874,734	807,772

SUPPLEMENTARY INFORMATION SECTION

MONTGOMERY TOWNSHIP
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
GENERAL FUND
Year Ended December 31, 2012

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Budget
REVENUES				
Taxes				
Real estate	\$ 1,555,700	\$ 1,555,700	\$ 1,525,638	\$ (30,062)
Earned income	3,800,000	3,800,000	4,417,242	617,242
Transfer	650,000	650,000	693,084	43,084
Mercantile	1,870,000	1,870,000	1,972,410	102,410
Emergency municipal services	540,000	540,000	542,785	2,785
Amusement	79,000	79,000	77,991	(1,009)
Business privilege	785,000	785,000	863,514	78,514
TOTAL TAXES	<u>9,279,700</u>	<u>9,279,700</u>	<u>10,092,664</u>	<u>812,964</u>
Licenses and permits				
Building	370,000	370,000	561,222	191,222
Zoning	13,000	13,000	27,080	14,080
Electrical	27,500	27,500	35,066	7,566
Plumbing	15,000	15,000	20,419	5,419
Street	20,000	20,000	61,490	41,490
Fence	4,000	4,000	4,500	500
Use and occupancy	30,000	30,000	35,349	5,349
Roofing and siding	20,000	20,000	47,851	27,851
Grading	1,000	1,000	1,750	750
Demolition	500	500	4,085	3,585
Heat, vent and air conditioning	45,000	45,000	134,685	89,685
Sign	10,000	10,000	19,297	9,297
Licenses	66,300	66,300	101,248	34,948
Cable television franchise fees	475,000	475,000	502,002	27,002
TOTAL LICENSES AND PERMITS	<u>1,097,300</u>	<u>1,097,300</u>	<u>1,556,044</u>	<u>458,744</u>
Fines and forfeits				
Police	125,000	125,000	179,435	54,435
Code	2,000	2,000	-	(2,000)
TOTAL FINES AND FORFEITS	<u>127,000</u>	<u>127,000</u>	<u>179,435</u>	<u>52,435</u>
Interest income, rents and royalties	<u>34,100</u>	<u>34,100</u>	<u>23,497</u>	<u>(10,603)</u>
Intergovernmental revenues				
Public utility realty tax	15,000	15,000	15,458	458
State pension aid	359,000	359,000	375,492	16,492
Other state grants	37,000	37,000	39,983	2,983
County	-	-	7,275	7,275
TOTAL INTERGOVERNMENTAL REVENUES	<u>411,000</u>	<u>411,000</u>	<u>438,208</u>	<u>27,208</u>
SUBTOTAL FORWARD	<u>\$ 10,949,100</u>	<u>\$ 10,949,100</u>	<u>\$ 12,289,848</u>	<u>\$ 1,340,748</u>

MONTGOMERY TOWNSHIP
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
GENERAL FUND
Year Ended December 31, 2012

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Budget
REVENUES				
SUBTOTAL FORWARDED	\$ 10,949,100	\$ 10,949,100	\$ 12,289,848	\$ 1,340,748
Charges for services				
Administrative	28,000	28,000	36,911	8,911
Finance, street lights	6,375	6,375	12,750	6,375
Police services	44,000	44,000	42,534	(1,466)
Public works services	500	500	-	(500)
TOTAL CHARGES FOR SERVICES	78,875	78,875	92,195	13,320
Contributions	1,983	1,983	14,449	12,466
TOTAL REVENUES	11,029,958	11,029,958	12,396,492	1,366,534
OTHER FINANCING SOURCES				
Proceeds from sale of fixed assets	10,000	10,000	20,840	10,840
Interfund transfers in				
Capital Reserve Fund	375,810	377,210	333,586	(43,624)
TOTAL OTHER FINANCING SOURCES	385,810	387,210	354,426	(32,784)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 11,415,768	\$ 11,417,168	\$ 12,750,918	\$ 1,333,750

MONTGOMERY TOWNSHIP
SCHEDULE OF FUNCTIONAL EXPENDITURES BY
ACTIVITY AND OTHER FINANCING USES
GENERAL FUND
Year Ended December 31, 2012

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Budget
EXPENDITURES				
General government				
Administration	\$ 1,298,735	\$ 1,298,735	\$ 1,211,963	\$ (86,772)
Tax collection	208,075	208,075	171,805	(36,270)
Finance	554,525	554,525	556,084	1,559
TOTAL GENERAL GOVERNMENT	<u>2,061,335</u>	<u>2,061,335</u>	<u>1,939,852</u>	<u>(121,483)</u>
Public safety				
Police	5,402,115	5,403,515	5,369,546	(33,969)
Police vehicles	207,150	207,150	164,463	(42,687)
Fire protection	84,795	84,795	86,826	2,031
Planning and zoning	785,495	785,495	798,935	13,440
Emergency management	9,300	9,300	3,876	(5,424)
TOTAL PUBLIC SAFETY	<u>6,488,855</u>	<u>6,490,255</u>	<u>6,423,646</u>	<u>(66,609)</u>
Highways and streets				
Public works	1,855,365	1,855,365	1,762,347	(93,018)
Snow removal	113,150	113,150	58,892	(54,258)
Traffic lights	100,095	100,095	83,826	(16,269)
Street lighting	20,200	20,200	13,973	(6,227)
Repairs	27,000	27,000	39,941	12,941
TOTAL HIGHWAYS AND STREETS	<u>2,115,810</u>	<u>2,115,810</u>	<u>1,958,979</u>	<u>(156,831)</u>
Other, employee benefits not allocated				
Police pension	476,200	476,200	464,060	(12,140)
Non-uniform pension	207,700	207,700	201,215	(6,485)
Deferred compensation	19,650	19,650	20,819	1,169
TOTAL OTHER, EMPLOYEE BENEFITS NOT ALLOCATED	<u>703,550</u>	<u>703,550</u>	<u>686,094</u>	<u>(17,456)</u>
TOTAL EXPENDITURES	<u>11,369,550</u>	<u>11,370,950</u>	<u>11,008,571</u>	<u>(362,379)</u>
OTHER FINANCING USES				
Interfund transfers out				
Capital Reserve Fund	-	-	1,300,000	1,300,000
300th Anniversary Fund	-	10,000	10,000	-
Autumn Festival Fund	7,000	7,000	7,000	-
TOTAL OTHER FINANCING USES	<u>7,000</u>	<u>17,000</u>	<u>1,317,000</u>	<u>1,300,000</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 11,376,550</u>	<u>\$ 11,387,950</u>	<u>\$ 12,325,571</u>	<u>\$ 937,621</u>

MONTGOMERY TOWNSHIP
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
December 31, 2012

	<u>Fire Protection Fund</u>	<u>Park and Recreation Fund</u>	<u>Basin Maintenance Fund</u>
ASSETS			
Cash and cash equivalents	\$ 294,219	\$ 316,666	\$ 131,147
Investments	-	282,120	66,039
Taxes receivable	5,880	6,572	-
Accounts receivable	<u>12,750</u>	<u>8,706</u>	<u>129</u>
TOTAL ASSETS	<u>\$ 312,849</u>	<u>\$ 614,064</u>	<u>\$ 197,315</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)			
LIABILITIES			
Accounts payable and accrued expenses	\$ 31,133	\$ 7,347	\$ 8,704
Accrued payroll	30,602	6,334	-
Due to other funds	-	-	-
TOTAL LIABILITIES	<u>61,735</u>	<u>13,681</u>	<u>8,704</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues, property taxes	<u>4,060</u>	<u>4,538</u>	<u>-</u>
FUND BALANCES (DEFICIT)			
Restricted			
Providing and maintaining street lights	-	-	-
Debt service	-	-	-
Basin maintenance	-	-	188,611
Park development projects	-	-	-
Highway and street projects	-	-	-
Environmental	-	-	-
Knapp Farm house	-	-	-
300th anniversary	-	-	-
Committed to			
Arbor Day and shade tree commission	-	-	-
Fire protection capital purchases and/or infrastructure projects	247,054	-	-
Assigned			
Park and recreation projects	-	595,845	-
Annual autumn fest	-	-	-
Unassigned	-	-	-
TOTAL FUND BALANCES (DEFICIT)	<u>247,054</u>	<u>595,845</u>	<u>188,611</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)	<u>\$ 312,849</u>	<u>\$ 614,064</u>	<u>\$ 197,315</u>

Special Revenue Funds						Capital Projects Funds			Debt Service Fund	Total Other Governmental Funds
Street Lights Fund	Liquid Fuels Fund	Environmental Fund	Replacement Tree Fund	300th Anniversary Fund	Autumn Festival Fund	Park Development Fund	Capital Projects Fund	Restoration Fund		
\$ 236,771	\$ 227,574	\$ 365,614	\$ 247,954	\$ 8,362	\$ 36,479	\$ 177,568	\$ -	\$ 23,595	\$ 303,868	\$ 2,369,817
365,523	-	391,050	349,059	-	-	111,786	-	-	391,050	1,956,627
-	-	-	-	-	-	-	-	-	8,301	20,753
1,695	-	496	391	-	24	190	-	15	3,416	27,812
<u>\$ 603,989</u>	<u>\$ 227,574</u>	<u>\$ 757,160</u>	<u>\$ 597,404</u>	<u>\$ 8,362</u>	<u>\$ 36,503</u>	<u>\$ 289,544</u>	<u>\$ -</u>	<u>\$ 23,610</u>	<u>\$ 706,635</u>	<u>\$ 4,375,009</u>
\$ 9,530	\$ -	\$ 15,275	\$ 10,737	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ 82,753
-	-	-	-	-	-	-	-	-	-	36,936
-	-	-	-	-	-	-	2,757	-	-	2,757
<u>9,530</u>	<u>-</u>	<u>15,275</u>	<u>10,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,757</u>	<u>-</u>	<u>27</u>	<u>122,446</u>
-	-	-	-	-	-	-	-	-	5,732	14,330
594,459	-	-	-	-	-	-	-	-	-	594,459
-	-	-	-	-	-	-	-	-	700,876	700,876
-	-	-	-	-	-	-	-	-	-	188,611
-	-	-	-	-	-	289,544	-	-	-	289,544
-	227,574	-	-	-	-	-	-	-	-	227,574
-	-	741,885	-	-	-	-	-	-	-	741,885
-	-	-	-	-	-	-	-	23,610	-	23,610
-	-	-	-	8,362	-	-	-	-	-	8,362
-	-	-	586,667	-	-	-	-	-	-	586,667
-	-	-	-	-	-	-	-	-	-	247,054
-	-	-	-	-	-	-	-	-	-	595,845
-	-	-	-	-	36,503	-	-	-	-	36,503
-	-	-	-	-	-	-	(2,757)	-	-	(2,757)
<u>594,459</u>	<u>227,574</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>\$ 603,989</u>	<u>\$ 227,574</u>	<u>\$ 757,160</u>	<u>\$ 597,404</u>	<u>\$ 8,362</u>	<u>\$ 36,503</u>	<u>\$ 289,544</u>	<u>\$ -</u>	<u>\$ 23,610</u>	<u>\$ 706,635</u>	<u>\$ 4,375,009</u>

MONTGOMERY TOWNSHIP**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS***Year Ended December 31, 2012*

	<u>Fire Protection Fund</u>	<u>Park and Recreation Fund</u>	<u>Basin Maintenance Fund</u>
REVENUES			
Taxes	\$ 780,829	\$ 492,565	\$ -
Licenses and permits	63,462	-	-
Interest income, rents and royalties	1,667	4,133	792
Intergovernmental revenues	3,430	-	-
Charges for services	10,435	237,460	-
Contributions	-	-	-
	<u>859,823</u>	<u>734,158</u>	<u>792</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	-	-	-
Public safety	731,831	-	-
Highways and streets	-	-	73,508
Parks and recreation	-	713,996	-
Other, employee benefits not allocated	19,163	2,121	-
Debt service			
Principal retirement	-	-	-
Interest	-	-	-
	<u>750,994</u>	<u>716,117</u>	<u>73,508</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>108,829</u>	<u>18,041</u>	<u>(72,716)</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	24,675	12,748	-
Interfund transfers out	(100,000)	(12,100)	-
	<u>(75,325)</u>	<u>648</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	33,504	18,689	(72,716)
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>213,550</u>	<u>577,156</u>	<u>261,327</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 247,054</u>	<u>\$ 595,845</u>	<u>\$ 188,611</u>

Special Revenue Funds							Capital Projects Funds				Total Other Governmental Funds
Street Lights Fund	Liquid Fuels Fund	Fire Relief Fund	Environmental Fund	Replacement Tree Fund	300th Anniversary Fund	Autumn Festival Fund	Park Development Fund	Capital Projects Fund	Restoration Fund	Debt Service Fund	
\$ 130,723	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 495,871	\$ 1,899,988
-	-	-	-	-	-	-	-	-	-	-	63,462
2,597	1,713	-	3,003	2,348	-	123	1,114	-	93	3,010	20,593
-	481,566	236,821	132,667	-	-	-	-	-	-	-	854,484
-	-	-	170	-	-	-	-	-	-	-	248,065
-	-	-	-	-	3,708	23,048	116,912	-	-	-	143,668
<u>133,320</u>	<u>483,279</u>	<u>236,821</u>	<u>135,840</u>	<u>2,348</u>	<u>3,708</u>	<u>23,171</u>	<u>118,026</u>	<u>-</u>	<u>93</u>	<u>498,881</u>	<u>3,230,260</u>
-	-	-	41,567	15,081	5,346	19,605	-	413	-	-	82,012
-	-	236,821	-	-	-	-	-	-	-	-	968,652
149,695	407,984	-	1,915	-	-	-	-	-	-	-	633,102
-	-	-	-	36,172	-	527	-	-	-	-	750,695
-	-	-	-	-	-	-	-	-	-	-	21,284
-	-	-	-	-	-	-	-	-	-	451,262	451,262
-	-	-	-	-	-	-	-	-	-	51,613	51,613
<u>149,695</u>	<u>407,984</u>	<u>236,821</u>	<u>43,482</u>	<u>51,253</u>	<u>5,346</u>	<u>20,132</u>	<u>-</u>	<u>413</u>	<u>-</u>	<u>502,875</u>	<u>2,958,620</u>
<u>(16,375)</u>	<u>75,295</u>	<u>-</u>	<u>92,358</u>	<u>(48,905)</u>	<u>(1,638)</u>	<u>3,039</u>	<u>118,026</u>	<u>(413)</u>	<u>93</u>	<u>(3,994)</u>	<u>271,640</u>
-	-	-	-	-	10,000	7,000	-	-	-	-	54,423
-	-	-	-	-	-	-	-	-	-	-	(112,100)
-	-	-	-	-	10,000	7,000	-	-	-	-	(57,677)
(16,375)	75,295	-	92,358	(48,905)	8,362	10,039	118,026	(413)	93	(3,994)	213,963
<u>610,834</u>	<u>152,279</u>	<u>-</u>	<u>649,527</u>	<u>635,572</u>	<u>-</u>	<u>26,464</u>	<u>171,518</u>	<u>(2,344)</u>	<u>23,517</u>	<u>704,870</u>	<u>4,024,270</u>
<u>\$ 594,459</u>	<u>\$ 227,574</u>	<u>\$ -</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>

MONTGOMERY TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Interest income, rents and royalties	\$ 63,000	\$ 63,000	\$ 45,545	\$ (17,455)
Intergovernmental revenues	211,200	211,200	4,152	(207,048)
TOTAL REVENUES	274,200	274,200	49,697	(224,503)
EXPENDITURES				
General government				
Administration	88,025	5,740,580	1,836,421	(3,904,159)
Finance	-	-	870	870
TOTAL GENERAL GOVERNMENT	88,025	5,740,580	1,837,291	(3,903,289)
Public safety				
Police	63,825	63,825	58,968	(4,857)
Police vehicles	-	-	2,600	2,600
Fire protection	8,700	8,700	6,835	(1,865)
TOTAL PUBLIC SAFETY	72,525	72,525	68,403	(4,122)
Highways and streets				
Public works	10,000	10,000	4,180	(5,820)
Traffic lights	70,000	70,000	35,931	(34,069)
Repairs	1,214,200	1,214,200	837,033	(377,167)
TOTAL HIGHWAYS AND STREETS	1,294,200	1,294,200	877,144	(417,056)
Parks and recreation	60,200	62,700	52,753	(9,947)
TOTAL EXPENDITURES	1,514,950	7,170,005	2,835,591	(4,334,414)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,240,750)	(6,895,805)	(2,785,894)	4,109,911
OTHER FINANCING SOURCES (USES)				
Proceeds from loan issuance	-	5,500,000	1,914,366	(3,585,634)
Interfund transfers in				
General Fund	-	-	1,300,000	1,300,000
Fire Protection Fund	100,000	100,000	100,000	-
Parks and Recreation Fund	12,100	12,100	12,100	-
TOTAL INTERFUND TRANSFERS IN	112,100	112,100	1,412,100	1,300,000
Interfund transfers out				
General Fund	(375,810)	(377,210)	(333,586)	43,624
Fire Protection Fund	(27,500)	(27,500)	(24,675)	2,825
Parks and Recreation Fund	(12,800)	(12,800)	(12,748)	52
TOTAL INTERFUND TRANSFERS OUT	(416,110)	(417,510)	(371,009)	46,501
TOTAL OTHER FINANCING SOURCES (USES)	(304,010)	5,194,590	2,955,457	(2,239,133)
NET CHANGE IN FUND BALANCE	(1,544,760)	(1,701,215)	169,563	1,870,778
FUND BALANCE AT BEGINNING OF YEAR	11,800,878	11,800,878	11,800,878	-
FUND BALANCE AT END OF YEAR	\$ 10,256,118	\$ 10,099,663	\$ 11,970,441	\$ 1,870,778

MONTGOMERY TOWNSHIP
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES--BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
Year Ended December 31, 2012

	Fire Protection Fund		Park and Recreation Fund	
	Budget	Actual	Budget	Actual
REVENUES				
Taxes				
Real estate	\$ 359,010	\$ 351,242	\$ 399,220	\$ 392,565
Earned income	260,000	260,000	100,000	100,000
Local services	175,000	169,587	-	-
TOTAL TAXES	794,010	780,829	499,220	492,565
Licenses and permits, tipping fees	75,000	63,462	-	-
Fines and forfeits	1,000	-	-	-
Interest income, rents and royalties	2,000	1,667	5,000	4,133
Intergovernmental revenues				
State	1,000	-	-	-
County	2,160	3,430	-	-
TOTAL INTERGOVERNMENTAL REVENUES	3,160	3,430	-	-
Charges for services				
Fire department services	10,000	10,435	-	-
Recreation fees	-	-	228,325	237,460
Recycling bins	-	-	-	-
TOTAL CHARGES FOR SERVICES	10,000	10,435	228,325	237,460
Contributions	-	-	-	-
TOTAL REVENUES	885,170	859,823	732,545	734,158
EXPENDITURES				
General government, administration	-	-	-	-
Public safety, fire protection	753,155	731,831	-	-
Highways and streets				
Public works	-	-	-	-
Street lighting	-	-	-	-
Repairs	-	-	-	-
TOTAL HIGHWAYS AND STREETS	-	-	-	-
Parks and recreation	-	-	729,145	713,996
Other, employee benefits not allocated				
Non-uniform pension	22,000	19,163	3,300	2,121
Deferred compensation	900	-	-	-
TOTAL OTHER, EMPLOYEE BENEFITS	22,900	19,163	3,300	2,121
NOT ALLOCATED	22,900	19,163	3,300	2,121
TOTAL EXPENDITURES	776,055	750,994	732,445	716,117
EXCESS (DEFICIENCY) OF REVENUES	109,115	108,829	100	18,041
OVER EXPENDITURES				
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of fixed assets	1,000	-	-	-
Interfund transfers in				
General Fund	-	-	-	-
Capital Reserve Fund	27,500	24,675	12,800	12,748
TOTAL INTERFUND TRANSFERS IN	27,500	24,675	12,800	12,748
Interfund transfers out				
Capital Reserve Fund	(100,000)	(100,000)	(12,100)	(12,100)
TOTAL OTHER FINANCING SOURCES	(71,500)	(75,325)	700	648
(USES)				
NET CHANGE IN FUND BALANCES	37,615	33,504	800	18,689
FUND BALANCES AT BEGINNING OF YEAR	213,550	213,550	577,156	577,156
FUND BALANCES AT END OF YEAR	\$ 251,165	\$ 247,054	\$ 577,956	\$ 595,845

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
\$ -	\$ -	\$ 130,000	\$ 130,723	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	130,000	130,723	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2,000	792	5,030	2,597	2,000	1,713	-	-	3,000	3,003	4,000	2,348	-	-	200	123
-	-	-	-	456,700	481,566	255,535	236,821	60,000	132,667	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	456,700	481,566	255,535	236,821	60,000	132,667	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	170	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	3,708	18,000	23,048
2,000	792	135,030	133,320	458,700	483,279	255,535	236,821	63,000	135,840	4,000	2,348	-	3,708	18,200	23,171
-	-	-	-	-	-	-	-	48,350	41,567	20,500	15,081	-	5,346	23,225	19,605
-	-	-	-	-	-	255,535	236,821	-	-	-	-	-	-	-	-
69,300	73,508	22,535	33,373	-	-	-	-	2,000	1,915	48,560	36,172	-	-	-	-
-	-	111,895	116,322	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	458,700	407,984	-	-	-	-	-	-	-	-	-	-
69,300	73,508	134,430	149,695	458,700	407,984	-	-	2,000	1,915	48,560	36,172	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,975	527
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
69,300	73,508	134,430	149,695	458,700	407,984	255,535	236,821	50,350	43,482	69,060	51,253	-	5,346	25,200	20,132
(67,300)	(72,716)	600	(16,375)	-	75,295	-	-	12,650	92,358	(65,060)	(48,905)	-	(1,638)	(7,000)	3,039
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	10,000	10,000	7,000	7,000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	10,000	10,000	7,000	7,000
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	10,000	10,000	7,000	7,000
(67,300)	(72,716)	600	(16,375)	-	75,295	-	-	12,650	92,358	(65,060)	(48,905)	10,000	8,362	-	10,039
261,327	261,327	610,834	610,834	152,279	152,279	-	-	649,527	649,527	635,572	635,572	-	-	26,464	26,464
\$ 194,027	\$ 188,611	\$ 611,434	\$ 594,459	\$ 152,279	\$ 227,574	\$ -	\$ -	\$ 662,177	\$ 741,885	\$ 570,512	\$ 586,667	\$ 10,000	\$ 8,362	\$ 26,464	\$ 36,503

MONTGOMERY TOWNSHIP
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES--BUDGET AND ACTUAL
 NONMAJOR CAPITAL PROJECTS FUNDS
Year Ended December 31, 2012

	Park Development Fund		Capital Projects Fund		Restoration Fund	
	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES						
Interest income, rents and royalties	\$ 1,000	\$ 1,114	\$ -	\$ -	\$ 150	\$ 93
Contributions	<u>38,000</u>	<u>116,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	39,000	118,026	-	-	150	93
EXPENDITURES						
Finance	<u>-</u>	<u>-</u>	<u>-</u>	<u>413</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	39,000	118,026	-	(413)	150	93
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>171,518</u>	<u>171,518</u>	<u>(2,344)</u>	<u>(2,344)</u>	<u>23,517</u>	<u>23,517</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 210,518</u>	<u>\$ 289,544</u>	<u>\$ (2,344)</u>	<u>\$ (2,757)</u>	<u>\$ 23,667</u>	<u>\$ 23,610</u>

MONTGOMERY TOWNSHIP**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE--BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
Year Ended December 31, 2012**

	Debt Service Fund	
	<u>Budget</u>	<u>Actual</u>
REVENUES		
Taxes, real estate	\$ 506,300	\$ 495,871
Interest income, rents and royalties	<u>5,000</u>	<u>3,010</u>
TOTAL REVENUES	<u>511,300</u>	<u>498,881</u>
EXPENDITURES		
Debt service		
Principal retirement	451,850	451,262
Interest	<u>77,925</u>	<u>51,613</u>
TOTAL EXPENDITURES	<u>529,775</u>	<u>502,875</u>
NET CHANGE IN FUND BALANCE	(18,475)	(3,994)
FUND BALANCE AT BEGINNING OF YEAR	<u>704,870</u>	<u>704,870</u>
FUND BALANCE AT END OF YEAR	<u>\$ 686,395</u>	<u>\$ 700,876</u>

MONTGOMERY TOWNSHIP**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES****AGENCY FUND***Year Ended December 31, 2012*

	Escrow Fund			
	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2012</u>
ASSETS				
Cash	\$ <u>666,941</u>	\$ <u>609,749</u>	\$ <u>(822,257)</u>	\$ <u>454,433</u>
LIABILITIES				
Escrow and other deposits	\$ <u>666,941</u>	\$ <u>609,749</u>	\$ <u>(822,257)</u>	\$ <u>454,433</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 Nine Fiscal Years
(accrual basis of accounting)**

	2004 (1)	2005	2006	2007	2008	2009	2010	2011 (2)	2012 (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
Restricted	-	-	-	-	-	-	-	2,573,872	2,774,921
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
Total governmental activities net assets	17,260,976	19,441,340	23,132,343	122,656,130	124,438,695	125,844,880	125,822,958	126,770,999	126,927,405
Business-type activities									
Invested in capital assets, net of related debt	26,794,000	26,794,132	26,962,086	28,067,682	27,976,568	28,271,983	29,619,357	29,884,437	29,166,379
Restricted	-	-	-	-	-	-	-	-	-
Unrestricted	6,124,777	6,124,777	8,922,189	10,238,201	10,700,204	10,520,667	9,888,219	9,079,031	11,232,076
Total business-type activities net assets	32,918,777	32,918,909	35,884,275	38,305,883	38,676,772	38,792,650	39,507,576	38,963,468	40,398,455
Primary government									
Invested in capital assets, net of related debt	31,543,890	33,303,819	34,181,388	132,500,682	134,966,124	135,200,454	136,599,216	138,028,294	137,213,600
Restricted	-	-	-	-	-	-	-	2,573,872	2,774,921
Unrestricted	18,635,863	19,056,430	24,835,230	28,461,331	28,149,343	29,437,076	28,731,318	25,132,301	27,337,339
Total primary government net position	\$ 50,179,753	\$ 52,360,249	\$ 59,016,618	\$ 160,962,013	\$ 163,115,467	\$ 164,637,530	\$ 165,330,534	\$ 165,734,467	\$ 167,325,860

Note (1): Montgomery Township first applied GASB Statement No. 34 in fiscal Year ending December 31, 2004. Therefore, government-wide financial information for years prior to fiscal year 2004 is not available.

Note (2): Montgomery Township applied GASB Statement No. 54 in fiscal year 2011; therefore changing the way restricted versus unrestricted assets are reported.

Note (3): Montgomery Township applied GASB Statement No. 63 in fiscal year 2012 and as a result is reporting Net Position.

Source: Montgomery Township Records, Statement of Net Position.

TABLE 2

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

	2004 (1)	2005	2006	2007	2008	2009	2010 (2)	2011	2012
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
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
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
Parks and Recreation	437,350	544,296	465,887	580,841	599,551	659,577	568,400	593,554	758,403
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	56,927
Depreciation, Unallocated	539,304	487,727	629,136	673,598	745,437	820,828	776,908	819,214	872,396
Amortization of bond issue cost, unallocated	5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,172	5,172
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
Business -type Activities									
Sewer	4,436,023	4,954,616	5,143,162	5,243,519	5,289,696	5,607,910	5,935,049	5,975,087	5,729,387
Total business activities expenditures	4,436,023	4,954,616	5,143,162	5,243,519	5,289,696	5,607,910	5,935,049	5,975,087	5,729,387
Total primary government expenditures	15,457,711	16,642,882	17,321,495	17,853,667	18,913,821	18,714,822	19,581,787	19,838,050	20,485,848
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	70,862
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
Highways and Streets	-	11,499	-	-	6,375	6,376	6,375	-	12,750
Parks and Recreation	93,037	90,493	92,360	145,197	212,088	199,817	182,870	225,034	238,540
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
Capital Grants and Contributions	400,000	-	-	5,097,684	-	-	-	-	-
Total governmental activities 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	2,717,758

Business Type Activities	2004 (1)	2005	2006	2007	2008	2009	2010	2011	2012
Charges for services									
Sewer	\$ 6,440,968	\$ 6,212,771	\$ 5,633,222	\$ 5,718,891	\$ 5,312,648	\$ 5,248,428	\$ 5,575,937	\$ 5,297,271	\$ 7,129,419
Operating Grants and Contributions	-	-	4,869	-	-	-	-	-	-
Capital Grants and Contributions	10,669,747	393,447	111,909	1,481,160	227,743	328,863	923,525	82,824	-
Total business type activities program revenues	17,110,715	6,606,218	5,750,000	7,200,051	5,540,391	5,577,291	6,499,462	5,380,095	7,129,419
Total primary government program revenues	20,258,184	9,151,146	8,158,793	15,094,574	8,397,378	7,857,600	8,525,860	8,118,270	9,847,177
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)	(12,038,703)
Business Type Activities	12,674,692	1,651,602	606,838	1,956,532	250,695	(30,619)	564,413	(594,992)	1,400,032
Total Primary government net expense	4,800,473	(7,491,736)	(9,162,702)	(2,759,093)	(10,516,443)	(10,857,222)	(11,055,927)	(11,719,780)	(10,638,671)
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
Cable TV Franchise Fees	264,266	286,987	313,750	346,572	368,662	396,874	439,003	483,769	502,002
Investment Income	247,904	473,134	917,261	978,784	540,064	311,340	120,328	83,569	88,555
Gain (loss) on sale of fixed assets	9,740	13,121	(11,137)	8,304	12,135	879,084	553,321	18,611	20,840
Refund of Prior year Expenditures	-	-	-	124,688	127,577	-	-	-	-
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
Business- Type Activities									
Investment Income	84,640	201,313	358,803	432,530	227,612	146,497	16,122	8,706	17,113
Gain (loss) on sale of fixed assets	-	-	163,350	-	-	-	-	-	-
Total Business Type Activities	84,640	201,313	522,153	432,530	227,612	146,497	16,122	8,706	17,113
Total primary government	11,303,161	11,525,015	13,982,696	13,426,951	12,777,315	12,379,285	11,614,540	12,081,535	12,212,232
Change in Net Assets									
Government Activities	3,344,302	2,180,364	3,691,003	8,278,796	1,782,565	1,406,185	(21,922)	948,041	156,416
Business- Type Activities	12,759,332	1,852,915	1,128,991	2,389,062	478,307	115,878	580,535	(586,286)	1,417,145
Total primary government	\$ 16,103,634	\$ 4,033,279	\$ 4,819,994	\$ 10,667,858	\$ 2,260,872	\$ 1,522,063	\$ 558,613	\$ 361,755	\$ 1,573,561

Note (1): Montgomery Township first applied GASB Statement No. 34 in fiscal Year ending December 31, 2004. Therefore, government-wide financial information for years prior to fiscal year 2004 is not available.

Note (2): Police and Employee Pension Costs are distributed amongst the appropriate functions beginning 2010.

Note (3): Montgomery Township applied GASB Statement No. 63 in fiscal year 2012 and as a result is reporting Net Position.

Source: Montgomery Township Records, Statement of Activities.

TABLE 3

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

	2004 (1)	2005	2006	2007	2008	2009	2010	2011 (2)	2012
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
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
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									
Basin Maintenance Fund								261,327	188,611
Liquid Fuels Fund								152,279	227,574
Debt Service Fund								704,870	700,876
Park Development Fund								171,518	289,544
Street Light Fund								610,834	594,459
Environmental Fund								649,527	741,885
Restoration Fund								23,517	23,610
300th Anniversary									8,362
Committed									
Fire Services Fund								213,550	247,054
Capital Reserve Fund								11,800,878	11,970,441
Replacement Tree Fund								635,572	586,667
Assigned									
Park and Recreation Fund								577,156	595,845
Autumn Festival Fund								26,464	36,503
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
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

Note (1): Montgomery Township first applied GASB Statement No. 34 in the fiscal Year ending December 31, 2004. Therefore, government-wide financial information for years prior to fiscal year 2004 is not available.

Note (2): 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 Nine Fiscal Years (Unaudited)

Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	2012
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
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
Fines and Forfeitures	125,740	151,169	142,042	158,394	158,616	129,191	135,190	179,842	179,435
Interest Income, Rents and Royalties	256,364	481,594	928,661	987,184	549,919	312,678	131,528	84,595	89,635
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
Charges for Services	197,930	172,405	162,257	196,550	302,815	280,344	263,522	305,748	340,260
Contributions	669,898	244,937	139,659	200,567	131,473	28,258	73,729	437,351	158,117
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
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
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
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
Parks and Recreation	452,050	595,646	500,746	910,019	704,322	686,519	568,400	643,990	803,448
Other Employee Benefits not allocated	318,059	459,437	469,714	493,693	549,772	616,193	607,784	663,646	707,378
Debt Service									
Principal	353,182	375,466	397,188	383,044	379,446	318,914	340,510	349,200	451,262
Interest and other charges	128,516	103,531	84,109	76,916	68,704	59,888	43,792	29,662	51,613
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
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)
Other Financing Sources (Uses)									
Proceeds from sale of fixed assets	9,740	15,624	28,572	8,304	23,880	1,217,084	565,972	22,800	20,840
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
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)
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
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
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
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
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%

Note: Montgomery first applied GASB Statement No. 34 in fiscal year ending December 31, 2004. Therefore, government-wide financial information for years prior to fiscal year 2004 is not available.

Source: Montgomery Township Statement of Revenues, Expenditures and 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
2003	2,969,500	1,514,477	828,662	2,902,284	8,214,923
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

Notes:

(1) Includes General, Fire, Park and Recreation and Debt Service Funds.

(2) On January 1, 2003, the Township began imposing a 1% earned income tax on residents and non-residents who work/live within the Township limits.

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)
2003	1,888,475,459	46,928,615	1,841,546,844	2,748,872,575	.687	1.52
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

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	
2003	0.92	0.19	0.17	0.24	1.52	2.8400	17.0348	21.3948
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

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>2012</u>			<u>2003</u>		
		Assessed Value	Rank	% of Total Assessment	Assessed Value	Rank	% of Total Assessment
Montgomeryville Associates,inc.	Shopping Mall	\$ 103,676,870	1	4.89%	\$ 102,194,030	1	5.68%
Private Individual	Industrial Building	30,784,370	2	1.45%	31,286,110	2	1.74%
Nappen & Associates	Industrial Building	24,917,160	3	1.17%	26,385,500	3	1.47%
Kir Montgomeryville (formerly Montgomery Square Partnership)	Shopping Mall	22,426,090	4	1.06%	22,376,090	5	1.24%
Gateway DC Properties,Inc.	Shopping Mall	20,196,000	5	0.95%	23,051,750	4	1.28%
Water Tower Square Assoc.	Apartment Building	19,229,000	6	0.91%	17,858,150	6	0.99%
Avenel Realty Co Inco	Shopping Mall	18,896,160	7	0.89%			
Private Individual	Rental Lots	14,794,330	8	0.70%	14,754,260	7	0.82%
Lowe's Home Center	Retail Store	11,751,190	9	0.55%	10,556,050	8	0.59%
213-36 Montgomery Holdings	Shopping Mall	9,956,880	10	0.47%			
Target Corp	Retail Store				9,751,090	9	0.54%
Bell Run Associates	Apartment Building				9,750,070	10	0.54%
TOTAL		\$ 276,628,050		13.04%	\$ 267,963,100		14.89%

Source: Montgomery County Tax Assessment Duplicate

TABLE 9

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

Fiscal Year Ended 31-Dec	Total Tax Levy for Fiscal Year (1)		Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
			Amount (2)	Percentage of Levy	Amount	Amount	Percentage of Levy
2003	\$	2,821,155	\$ 2,773,451	98.3%	\$ 38,129	\$ 2,811,580	99.66%
2004		2,835,324	2,793,383	98.5%	37,905	2,831,288	99.86%
2005		2,825,412	2,779,010	98.4%	31,551	2,810,561	99.47%
2006		2,755,025	2,702,656	98.1%	21,663	2,724,319	98.89%
2007		2,818,611	2,780,966	98.7%	30,218	2,811,184	99.74%
2008		2,844,902	2,797,743	98.3%	42,255	2,839,998	99.83%
2009		2,811,938	2,746,015	97.7%	49,056	2,795,071	99.40%
2010		2,821,764	2,744,438	97.3%	17,628	2,762,066	97.88%
2011		2,808,794	2,731,699	97.3%	18,964	2,750,663	97.93%
2012		2,840,066	2,760,624	97.2%	31,426	2,792,050	98.31%

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.

(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.

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

Table 10

Year Ended 31-Dec	Number of Returns	Taxable Sales	Taxes Collected	Tax rate
2003	923	\$ 1,689,382,000	\$ 2,534,073	1.5 Mills
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

Source: Montgomery Township Business/Mercantile Tax Collection Records

Table 11

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

Description	<u>2012</u>		<u>2003</u>	
	Rank	% of Total	Rank	% of Total
Retail Store	1	5.13%	1	5.60%
Retail Store	2	2.23%	3	2.42%
Retail Store	3	2.08%	9	1.63%
Retail Stores - Auto	4	2.08%	6	1.72%
Retail Store - Home Improvement	5	1.77%	2	3.40%
Retail Stores - Auto	6	1.73%		
Retail Store	7	1.66%		
Retail Stores - Auto	8	1.54%		
Relocation Services	9	1.44%	7	1.52%
Department Store	10	1.20%	4	1.81%
Retail Store			5	2.07%
Retail Store			8	1.55%
Retail Store - Auto			10	1.34%
Percentage of Total Gross Collections		<u>20.86%</u>		<u>23.06%</u>

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
2003	1,520,000	2,295,313	3,815,313	0.54%	173
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

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 2009-2011

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
2003	22,025	1,888,475,459	3,966,921	197,071	3,769,850	0.20%	\$171
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	2,100,221,628	1,410,490	586,034	824,456	0.04%	\$33
2011	24,790	2,098,343,338	1,061,290	704,870	356,420	0.02%	\$14
2012	24,601	\$ 2,121,389,328	\$ 2,524,392	\$ 700,876	\$ 1,823,516	0.09%	\$74

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

TABLE 14

Montgomery Township
Computation of Direct and Overlapping Debt
December 31, 2012 (Unaudited)

	Net Debt Outstanding	Debt Applicable to Montgomery
Direct Debt of the Township and Related Entities		
Montgomery Township	\$ 5,890,000	\$ 5,890,000
Overlapping Debt		
County of Montgomery	\$ 417,254,000 (1)	\$ 15,032,941
North Penn School District	\$ 97,558,000 (2)	\$ 29,672,903
Total Overlapping Debt	<u>\$ 514,812,000</u>	<u>\$ 44,705,844</u>
Total Direct and Overlapping Debt	\$ 520,702,000	\$ 50,595,844

Notes:

(1) Percentage of total Montgomery County debt as of December 31, 2009, based on the ratio of Montgomery Twp Assessed valuation to Montgomery County 2010 Assessed Value

(2) Percentage of total North Penn School District debt as of June 30, 2010, based on the ratio of Montgomery Twp Assessed Value to North Penn School District 2010 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, 2012 (Unaudited)

Borrowing base revenues (1):

2010	13,502,968
2011	15,401,863
2012	15,676,449

Total Revenues	\$ 44,581,280
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Debt limit for General Obligation Bonds:

Average borrowing base revenues	\$ 14,860,427
Debt limit percent	250%
Debt limit	37,151,067
Total amount of debt applicable to debt limit	5,890,000
Legal debt margin	\$ 31,261,067

Debt limit for General Obligation bonds and lease rental debt:

Average borrowing base revenues	\$ 14,860,427
Debt limit percent	350%
Debt limit	\$ 52,011,493
Total amount of debt applicable to debt limit	-
Legal debt margin	\$ 52,011,493

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 Net Debt Applicable to the Limit as a Percentage of Debt Limit
2003	26,197,412	3,966,921	22,230,491	17.84%
2004	30,419,129	3,462,131	26,956,998	12.84%
2005	33,240,368	3,229,593	30,010,775	10.76%
2006	36,603,967	2,832,405	33,771,562	8.39%
2007	37,848,055	2,449,360	35,398,695	6.92%
2008	38,944,129	2,069,915	36,874,214	5.61%
2009	37,105,083	1,751,000	35,354,083	4.95%
2010	35,282,084	1,410,490	33,871,594	4.16%
2011	33,211,068	1,061,290	32,149,778	3.30%
2012	\$ 37,151,067	\$ 5,890,000	\$ 31,261,067	18.84%

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 31-Dec	Principal	Interest	Debt Services	Total General Governmental Expenditures	Ratio of Debt Service to Total General Governmental Expenditures
2003	227,392	133,470	360,862	12,314,911	2.93%
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%

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	\$39,900	24,601	\$ 981,579,900	6.6

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. Department of Labor Statistics for Montgomery County

Table 19

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

Employer	Description	<u>2012</u>			<u>2003</u>		
		Employees	Rank	% of Total Township Employment	Employees	Rank	% of Total Township Employment
Teva Pharmaceutical	Pharmaceutical	752	1	3.63%	529	5	2.19%
Sensor Antaenae Systems (BAE)	Manufacturing	388	2	1.88%	566	4	2.35%
American Pool Management	Manufacturing	305	3	1.47%			
Harriet Carter	Catalog Sales	291	4	1.41%	787	1	3.26%
Gemalto	Manufacturing	255	5	1.23%			
McCallion	Employment Agency	238	6	1.15%	565	3	2.34%
Costco	Retail Store	234	7	1.13%	332	10	1.38%
Target	Retail Store	225	8	1.09%	482	6	2.00%
Capital Wine and Spirits	Distributor	213	9	1.03%			
Macy's	Department Store	202	10	0.98%	642	2	2.66%
Sears	Department Store				392	9	1.62%
Toys R Us	Retail Store				460	7	1.91%
Home Depot	Retail Store				423	8	1.75%
TOTAL		<u>3,103</u>		<u>15.00%</u>	<u>5,178</u>		<u>21.46%</u>

Notes:

Total Number of individuals employed in the Township in 2011: 20,688

Total Number of individuals employed in the Township in 2003: 24,125

Source: 2002 and 2011 Township Occupation Privilege/Local Services Tax Records

Table 20

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government	7.0	7.0	7.0	8.0	8.0	8.4	8.0	8.0	8.0	7.5
Finance and Tax Collection	7.5	7.5	7.8	7.8	8.5	7.5	7.5	7.5	6.5	6.5
Public Safety										
Officers	32.0	34.0	34.0	35.0	35.0	35.0	35.0	35.0	36.0	36.0
Civilians	8.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Fire Safety										
Officers	3	3.4	3.4	5.0	5.8	5.8	5.8	5.8	5.8	5.8
Clerical	0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.5	0.5
Code Enforcement, Building & Zoning	5.0	5.8	5.8	6.3	6.3	6.3	6.3	6.3	6.3	5.0
Public Works										
Highway, Storm Sewers, Street Lights, Traffic Signals, Facilities and Parks	14.5	15.0	19.0	20.3	20.3	21.3	21.3	21.3	23.3	22.3
Culture and Recreation	1.0	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0
Totals:	78.00	81.65	86.90	92.21	93.75	95.73	95.33	95.33	97.40	94.60

Source: Montgomery Township, Montgomery County, Pennsylvania Records

Table 21

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

	<u>2003</u>	<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>
Police										
Part I Crimes	546	555	611	597	656	540	561	479	531	443
Part II Crimes	1,411	1,425	1,434	1,423	1,401	1,212	1,127	1226	1113	1028
Total Calls for Service	23,991	25,315	25,854	24,974	26,399	26,092	26,028	26,607	29,306	26,250
Fire Safety										
Total Responses	606	674	634	683	659	700	570	572	599	588
Code Enforcement & Zoning										
Total Permits	2252	2193	1481	1026	959	940	928	1160	1374	1349
Land Development Submittals	27	14	13	9	7	7	7	3	1	10
Zoning Hearing Board Applications	10	8	8	14	14	15	19	14	15	15
Rezoning Requests	0	1	4	2	2	0	0	0	0	0
Conditional Use Applications	0	1	0	2	4	0	1	0	2	2
Highway and Streets										
Streets Resurfaced (miles)	3.95	5.13	4.56	5.02	5.45	5.7	0 (2)	4.34	5.02	5.47

Source: Montgomery Township, Montgomery County, Pennsylvania Records

Notes:

(1) Prior to 2003, Fire Services provided by Colmar Volunteer Fire Department. Combination Career and Volunteer Department created in 2003.

(2) 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	18	19	19	20	20	19	19	19
Fire										
Stations	1	1	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	70	71	71	73	73	73	73	73
Traffic Signals	40	40	40	42	43	43	43	42	41	48
Stormwater Detention Basins	50	50	58	60	60	61	63	63	63	63
Culture and Recreation										
Park Sites	9	10	10	11	11	11	11	11	11	13
Acres	273	303	303	306	306	306	306	306	314	326
Playgrounds	8	8	8	8	8	8	8	8	8	8
Soccer Fields	10	10	10	10	10	10	11	11	11	11
Baseball Fields	11	11	13	13	13	14	14	14	14	14
Tennis Courts	12	12	16	16	16	16	16	16	16	16
Basketball Courts	6	6	6	6	6	6	7	9	9	8.5
Street Hockey	3	3	4	4	4	4	4	4	4	4
Disc Golf Course					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 12/31/2012
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
ff. 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. All Coverages Combined	\$1,000	Each Accident
	b. Off Premises Service Interruption (Property Damage and Time Element)		24 Hours Waiting Period Time Element)

CRIME COVERAGE

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

LIABILITY COVERAGE

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

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

WORKERS COMPENSATION COVERAGE

1

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

SCHEDULE OF PREMIUMS CONTRIBUTIONS PAID IN 2011

DELAWARE VALLEY INSURANCE TRUST

Property	\$28,666.00
Crime	\$1,962.00
Auto Liability	\$21,559.00
Auto Physical Damage	\$14,176.00
General Liability	\$61,528.00
Law Enforcement Liability	\$54,155.00
Public Officials Liability	\$24,721.00
Sub Total	<u>\$206,767.00</u>
Less 2% Multi-trust Discount	(\$6,203.00)
Less Rate Stabilization Contribution	(\$46,952.00)
Less Prior Year Dividend	<u>(\$58,685.00)</u>
Net Contribution	<u><u>\$94,927.00</u></u>

DELAWARE VALLEY WORKERS COMPENSATION TRUST

Annual contribution	\$201,771.00
Less 3% Multi-trust Discount	(\$6,053.13)
Less Rate Stabilization Contribution	(\$62,483.00)
Less Prior Year Dividend	<u>(\$28,986.00)</u>
Net Contribution	<u><u>\$104,248.87</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	
2003	34	-	-	79,537	79,537	2
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	54,049	410,011	598,411	13
2012	33	\$ 148,340	\$ 421,927	\$ 204,643	\$ 774,910	14

Notes: (1) Includes Officers participating in DROP.

Source: Montgomery Township, Montgomery County, Pennsylvania Records

Table 25

**Montgomery Township
Employee Pension Plans
Annual Contributions by Township
Last Ten Years (Unaudited)**

Year Ended 31-Dec	Primary Plan (1)		Secondary Plan		Total All
	Non Uniform	Police	Non Uniform		
2003	11,702	-	7,778		19,480
2004	-	-	3,632		3,632
2005	29,046	92,863	3,877		125,786
2006	36,982	92,901	-		129,883
2007	44,024	88,399	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	54,049	17,466		85,198
2012	\$ 48,201	\$ 421,927	\$ 21,050	\$	491,178

Notes: (1) Contributions Net of State Aid

Source: Montgomery Township, Montgomery County, Pennsylvania Records

Table 26

**Montgomery Township
Salaries of Elected Officials
December 31, 2012
(Unaudited)**

Official	Annual
Title	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

Table 27

**Montgomery Township
Miscellaneous Statistics
December 31, 2012 (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 currently under construction.	
<u>Education:</u>		
<u>Number of Schools (Fall 2011)</u>	Public	Nonpublic
<u>Elementary</u>	2	1
<u>Middle</u>	0	0
<u>Secondary</u>	0	0

Hospitals:

The following hospitals serve the greater North Penn area:

Lansdale Hospital of the Abington Health System.

Grandview Hospital, Sellersville

Abington Hospital, Abington

<u>Township Employees:</u>	<u>2012</u>
<u>Full Time</u>	87
<u>Part Time</u>	16
<u>Seasonal</u>	22

<u>Population:</u>	<u>2012</u>	<u>2003</u>
	24,790	20,025

<u>Age Group Comparisons:</u>	<u>Township</u>		<u>State</u>		<u>US</u>	
	<u>2012</u>	<u>2003</u>	<u>2012</u>	<u>2003</u>	<u>2012</u>	<u>2003</u>
<u>% Under 20</u>	27.3%	29.8%	24.9%	26.5%	27.0%	28.6%
<u>% 20-64</u>	20.7%	58.9%	59.5%	53.7%	60.1%	55.1%
<u>% Over 65</u>	13.0%	11.3%	15.6%	19.8%	12.8%	16.3%
<u>Median (years)</u>	41.3	36.8	41.0	38.0	36.8	35.3%

<u>Average Household Size (persons):</u>	<u>2012</u>	<u>2003</u>
<u>Montgomery Township</u>	2.68	2.74
<u>U.S.</u>	2.58	2.58

<u>Number of Married couple families as a percentage of all households:</u>	<u>2012</u>	<u>2003</u>
<u>Montgomery Township</u>	62.8%	68.5%
<u>U.S.</u>	48.4%	51.9%

<u>Married couple families by presence of children under 18:</u>	<u>2012</u>	<u>2003</u>
<u>With children</u>	2,977	2,946
<u>Without children</u>	2,812	2,484
<u>Difference</u>	165	462

Source: United States Bureau of the Census - 2002/2010-2011 Data and Montgomery Township, Montgomery County, Pennsylvania records.