



Montgomery Township, Pennsylvania



Comprehensive Annual Financial Report

Fiscal Year Ended December 31, 2018

Prepared by the Montgomery Township Finance Department

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Montgomery Township, Pennsylvania

Fiscal Year Ended December 31, 2018

Prepared by the Montgomery Township Finance Department

INTRODUCTORY SECTION

MONTGOMERY TOWNSHIP
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018

	Page
Introductory Section	
Table of Contents	1
Transmittal Letter	5
Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting	10
Organization Chart	11
Principal Officials	12
Map of Montgomery Township	13
Financial Section	
Independent Auditors' Report	14
Management's Discussion and Analysis (Unaudited)	16
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	29
Statement of Activities	30
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	31
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	32
Statement of Revenues, Expenditures and Changes in Fund Balances	33
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	34

MONTGOMERY TOWNSHIP
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018

	Page
<i>Proprietary Fund</i>	
Statement of Net Position	35
Statement of Revenues, Expenses and Changes in Net Position	36
Statement of Cash Flows	37
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	38
Statement of Changes in Fiduciary Net Position	39
Notes to the Basic Financial Statements	40
Required Supplementary Information	
Budgetary Comparison Schedule	71
Note to Budgetary Comparison Schedule	72
<i>Police Pension Plan</i>	
Schedule of Changes in the Net Police Pension Plan Liability and Related Ratios	73
Schedule of Police Pension Plan Contributions	74
Schedule of Police Pension Plan Investment Returns	75
<i>Police Other Postemployment Benefits Plan</i>	
Schedule of Changes in the Total Other Postemployment Benefit Plan Liability and Related Ratios	76
Trend Data on Infrastructure Condition	77
Supplementary Information Section	
<i>General Fund</i>	
Schedule of Revenues and Other Financing Sources	79
Schedule of Functional Expenditures by Activity and Other Financing Uses	80

MONTGOMERY TOWNSHIP
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2018

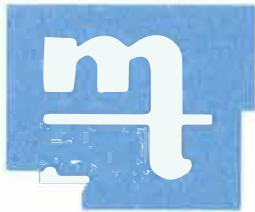
	Page
<i>Other Governmental Funds</i>	
Combining Balance Sheet	81
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	82
<i>Capital Reserve Fund</i>	
Budgetary Comparison Schedule	83
<i>Nonmajor Special Revenue Funds</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balances-- Budget and Actual	84
<i>Nonmajor Capital Projects Funds</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balances-- Budget and Actual	85
<i>Nonmajor Debt Service Fund</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance-- Budget and Actual	86
<i>Agency Fund</i>	
Statement of Changes in Assets and Liabilities	87
Statistical Section (Unaudited)	
Net Position by Component, Last Ten Fiscal Years	88
Changes in Net Position, Last Ten Fiscal Years	89
Changes in Net Position, Last Ten Fiscal Years	90
Fund Balances of Governmental Funds, Last Ten Fiscal Years	91
Changes in Fund Balances of Governmental Funds, Last Ten Fiscal Years	92
General Government Tax Revenues by Source, Last Ten Years	93
Assessed Value and Estimated Actual Value of Taxable Property, Last Ten Fiscal Years	94

MONTGOMERY TOWNSHIP

TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2018

	Page
Property Tax Rates, Direct and Overlapping Governments, Last Ten Fiscal Years	95
Principal Property Taxpayers - Current and Nine Years Ago	96
Property Tax Levies and Collections, Last Ten Fiscal Years	97
Business Privilege and Mercantile Tax, Revenue Base and Collections, Last Ten Years	98
Principal Business Tax Remitters, Current and Nine Years Ago	99
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	100
Ratio of Net General Bonded Debt to Assessed Value of Real Estate and General Bonded Debt Per Capita, Last Ten Years	101
Computation of Direct and Overlapping Debt as of December 31, 2018	102
Computation of Legal Debt Margin as of December 31, 2018	103
Legal Debt Margin Information, Last Ten Years	104
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures, Last Ten Years	105
Demographic and Economic Statistics, Last Ten Years	106
Principal Employers, Current and Nine Years Ago	107
Full Time Equivalent Township Government Employees by Function, Last Ten Fiscal Years	108
Operating Indicators by Function, Last Ten Fiscal Years	109
Capital Asset Statistics by Function, Last Ten Fiscal Years	110
Schedule of Insurance Coverages as of December 31, 2018	111
Selected Data - Police Pension Plan, Last Ten Years	119
Employee Pension Plans, Annual Contributions by Township, Last Ten Years	120
Salaries of Elected Officials as of December 31, 2018	121
Miscellaneous Statistics as of December 31, 2018	122



**MONTGOMERY TOWNSHIP
BOARD OF SUPERVISORS**

1001 STUMP ROAD
MONTGOMERYVILLE, PA 18936-9605

Telephone: 215-393-6900 • Fax 215-855-6656
www.montgomerytp.org

TANYA C. BAMFORD
CANDYCE FLUEHR CHIMERA
MICHAEL J. FOX
JEFFREY W. McDONNELL
MATTHEW W. QUIGG

LAWRENCE J. GREGAN
TOWNSHIP MANAGER

June 4, 2019

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, 2018. The financial statements contained within the report are presented in accordance with generally accepted accounting principles by a firm of licensed certified public accountants.

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

Maillie, LLP, a firm of licensed certified public accountants, audits the Township's financial statements and has issued an unmodified ("clean") opinion on Montgomery Township's financial statements for the year ended December 31, 2018. The independent auditor's report is located at the front of the Financial Section of this report.

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

Profile of the Township

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

Incorporated in 1714, the Township was originally a rural-residential community but experienced rapid residential growth in the past 35 years, more than quadrupling its population from 5,718 in 1980 to 25,890 in 2018. While primarily an affluent residential suburb of Philadelphia, the

Township is a center for retail sales and has several major retail centers including the Montgomery Mall, a 1.1 million square foot super regional shopping center. The Bethlehem Pike Industrial Center and Montgomeryville Industrial Center are located in the Township, as is the Hartman Corporate Center. Despite a strong business presence, Montgomery retains its suburban character with a wide range of well-established residential neighborhoods.

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

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

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

- The Montgomery Township Municipal Sewer Authority was 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.
- The volunteer Fire Department of Montgomery Township 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 2018:

- Community and Recreation Center – Since opening to the public in October of 2015, management has continued to focus on improving the operating efficiencies of the Community and Recreation Center, increasing membership, and expanding the services available to the community. In 2018, membership increased by 18%.
- Sustainable Pennsylvania Certified Gold Community – Montgomery Township achieved Gold level certification from the Sustainable Pennsylvania Community Certification Program, administered by the Pennsylvania Municipal League, acknowledging its proficiency in community design and land use, energy efficiency, health and wellness, intergovernmental cooperation, recycling and waste reduction, fiscal controls, and internal management and operations. The Township had to meet rigorous performance criteria which track 131 policies and practices that define a sustainable community, demonstrating the Township's commitment to saving taxpayer dollars, using resources efficiently, and applying best practices in municipal government and community development.

- Planning for Major Capital Improvements – Planning phases were implemented in 2018 for upcoming major capital improvements including renovations and building security improvements for the 25-year-old Police and Administration building, Information Technology (IT) enhancements to keep pace with ever-expanding technology while providing secure networks, and the design and construction of an expanded bike and walking trail system. The Township plans for future capital needs by committing annual surplus funds for specific capital projects.

Local Economy

The Township has a thriving business community with employment estimated at over 21,000, based on the Township's Tax records, making the Township essentially a net importer of jobs. The economic growth in the Township has been driven in large part by business development and strong retail sales. The strength of the local economy can be judged by looking at trends in employment and business tax receipts.

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

Earned Income Tax continues to be the Township's largest revenue stream, about 35% of total revenues, with a steady growth rate of about 1.5% annually over the last five years. This indicates that township residents are continuing to earn higher incomes stemming from a stable, growing economy.

The ability of the leadership of the Township to continue to be financially conservative and forward thinking has created strength for the Township during the past few years of difficult economic times. While some of the Township's revenues are dependent upon a strong business community and real estate market, the Board has designed a revenue portfolio which is diversified and proportionate to ensure stability of the budget during periods of economic downturns. This diversification was a supporting factor when Standard and Poor's issued the Township's AAA credit rating in 2016, the agency's highest rating, assigned to only a handful of municipalities in Pennsylvania.

Long-Term Financial Planning

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

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

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

Internal Controls

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

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

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

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

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

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

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

Awards and Acknowledgements

The Government Finance Officer Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Montgomery Township for its comprehensive annual financial report for the fiscal year ended December 31, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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


Lawrence J. Gregan
Township Manager


Ami Tarburton
Finance Director



Government Finance Officers Association

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

Presented to

**Montgomery Township
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrell

Executive Director/CEO

PRINCIPAL OFFICIALS

AS OF DECEMBER 31, 2018
MONTGOMERY TOWNSHIP, PENNSYLVANIA

BOARD OF SUPERVISORS

Tanya C. Bamford
Candyce Fluehr Chimera, Chairman
Michael J. Fox
Jeffrey W. McDonnell
Matthew W. Quigg

APPOINTED OFFICIALS

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

OTHER MANAGEMENT OFFICIALS

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

OTHERS

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

FINANCIAL SECTION

Independent Auditors' Report

To the Board of Supervisors
Montgomery Township
Montgomeryville, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Montgomery Township as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Montgomery Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Montgomery Township's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Montgomery Township Municipal Sewer Authority (discretely presented component unit) which represents 99.3%, 99.3% and 97.7%, respectively, of the assets, net position and revenues of the component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montgomery Township Municipal Sewer Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Montgomery Township as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

To the Board of Supervisors
Montgomery Township
Montgomeryville, Pennsylvania

Emphasis of Matter

For the year ended June 30, 2018, Montgomery Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 16 through 28, budgetary comparison information on pages 71 and 72, pension plan information on pages 73 through 75, postemployment benefits other than pension funding progress on page 76 and trend data on infrastructure condition on pages 77 and 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

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

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

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



Oaks, Pennsylvania
June 4, 2019

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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, 2018.

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 2018 by \$128,437,069 (net position), a decrease of \$1,783,139 as compared to 2017.
- The Township's Governmental Funds (Fund Financial Statements) reported combined ending balances for all funds of \$18,843,747, an increase of \$145,529 from 2017. In accordance with GASB 54, the General Fund ending balance of \$3,063,472 is unassigned and available for use according to the Township's fiscal policies. This balance represents 21% of total budgeted General Fund expenses for 2018. 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 \$1,834,485, while the Business-Type Debt decreased by \$30,082 during 2018. Further debt information is detailed in Note D Long-Term Debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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

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

REPORTING THE TOWNSHIP AS A WHOLE

Statement of Net Position and Statement of Activities

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

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

Over time, changes in net position serve as a useful indicator of the government's financial position. In the case of the Township, net position of the Primary Government Activities decreased by \$1.8M from 2017 to 2018, due to a prior period restatement stemming from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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, 2017 and 2018

	Governmental Activities	
	2017	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Cash and equivalents	\$ 6,014,878	\$ 5,488,238
Other assets	14,810,261	15,763,170
Capital assets	113,030,543	112,672,031
TOTAL ASSETS	<u>133,855,682</u>	<u>133,923,439</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	-	-
Deferred outflows related to pensions	940,082	2,137,579
Deferred outflows related to OPEB	-	313,502
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>940,082</u>	<u>2,451,081</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 134,795,764</u>	<u>\$ 136,374,520</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
LIABILITIES		
Other liabilities	\$ 805,134	\$ 1,040,028
Long-term debt outstanding	2,547,313	5,978,817
TOTAL LIABILITIES	<u>3,352,447</u>	<u>7,018,845</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	1,223,109	755,524
Deferred inflows related to OPEB	-	163,082
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,223,109</u>	<u>918,606</u>
NET POSITION		
Net investment in capital assets	113,030,543	112,672,031
Restricted	1,646,975	1,646,171
Unrestricted	15,542,690	14,118,867
TOTAL NET POSITION	<u>130,220,208</u>	<u>128,437,069</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 134,795,764</u>	<u>\$ 136,374,520</u>

Business-Type Activities		Component Units		Totals	
2017	2018	2017	2018	2017	2018
\$ 173,207	\$ 188,175	\$ 3,709,088	\$ 4,490,814	\$ 9,897,173	\$ 10,167,227
-	1,446	7,058,320	8,228,907	21,868,581	23,993,523
10,993,461	10,645,159	32,625,738	31,010,565	156,649,742	154,327,755
<u>11,166,668</u>	<u>10,834,780</u>	<u>43,393,146</u>	<u>43,730,286</u>	<u>188,415,496</u>	<u>188,488,505</u>
223,530	214,877	-	-	223,530	214,877
-	-	-	-	940,082	2,137,579
-	-	-	-	-	313,502
<u>223,530</u>	<u>214,877</u>	<u>-</u>	<u>-</u>	<u>1,163,612</u>	<u>2,665,958</u>
\$ <u>11,390,198</u>	\$ <u>11,049,657</u>	\$ <u>43,393,146</u>	\$ <u>43,730,286</u>	\$ <u>189,579,108</u>	\$ <u>191,154,463</u>
\$ 54,872	\$ 59,114	\$ 766,846	\$ 1,020,910	\$ 1,626,852	\$ 2,120,052
8,716,293	8,686,211	20,374	34,731	11,283,980	14,699,759
<u>8,771,165</u>	<u>8,745,325</u>	<u>787,220</u>	<u>1,055,641</u>	<u>12,910,832</u>	<u>16,819,811</u>
-	-	-	-	1,223,109	755,524
-	-	-	-	-	163,082
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,223,109</u>	<u>918,606</u>
2,500,698	2,173,825	32,509,337	30,940,725	148,040,578	145,786,581
-	-	-	-	1,646,975	1,646,171
118,335	130,507	10,096,589	11,733,920	25,757,614	25,983,294
<u>2,619,033</u>	<u>2,304,332</u>	<u>42,605,926</u>	<u>42,674,645</u>	<u>175,445,167</u>	<u>173,416,046</u>
\$ <u>11,390,198</u>	\$ <u>11,049,657</u>	\$ <u>43,393,146</u>	\$ <u>43,730,286</u>	\$ <u>189,579,108</u>	\$ <u>191,154,463</u>

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

Cash and investments represent 16% of the Total Governmental Assets and 1.8% of total Business-Type Assets. Of the governmental cash and investments amount, \$13,511,468 is classified on Montgomery Township's fund financial statements as committed by the Montgomery Township Board of Supervisors in accordance with GASB 54 designations.

The largest portion of the Township's assets, 84.1%, reflects the Township's investment in capital assets (e.g., land, buildings, streets, equipment). The Township uses these capital assets to provide services to citizens; consequently these assets are not available for future spending.

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

Table 2 is a condensed Statement of Activities for all Governmental Activities for the current fiscal year as compared to the prior fiscal year and shows changes in net position from the prior fiscal year to the current fiscal year for the Township's Governmental Activities and Component Units. In 2018, total expenses (including transfers) exceeded total revenues by 2% for all Governmental Activities resulting in a slight decrease in net position. The decrease in net position from 2017 to 2018 was a result of maintaining diversified, stable revenues with controlled expenses, slightly elevated in 2018 due to capital replacement purchases.

MONTGOMERY TOWNSHIP**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)****YEAR ENDED DECEMBER 31, 2018**

Table 2**Changes in Net Position****Years Ended December 31, 2017 and 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
REVENUES		
Program revenues		
Charges for services	\$ 1,376,808	\$ 731,815
Operating grants and contributions	1,228,154	-
Capital grants and contributions	-	-
General revenues		
Taxes	13,810,780	140,000
Cable TV franchise fees	610,646	-
Investment income	174,875	-
Gain on sale of capital assets	-	-
TOTAL REVENUES	<u>17,201,263</u>	<u>871,815</u>
EXPENSES		
Operating		
General government	2,403,329	-
Public safety	8,810,371	-
Highways and streets	3,065,656	-
Parks and recreation	410,813	1,649,490
Sewer Authority	-	-
Fire Department	-	-
Recreation center	-	-
Other employee benefits not allocated	-	-
Interest on long-term debt	-	-
Bond issuance costs	-	-
Depreciation, unallocated	920,457	-
TOTAL EXPENSES	<u>15,610,626</u>	<u>1,649,490</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	1,590,637	(777,675)
TRANSFERS	<u>(484,427)</u>	<u>484,427</u>
CHANGE IN NET POSITION	1,106,210	(293,248)
NET POSITION, BEGINNING, restated	<u>129,113,998</u>	<u>2,912,281</u>
NET POSITION, ENDING	<u>\$ 130,220,208</u>	<u>\$ 2,619,033</u>

2017		2018			
Component Units	Totals	Governmental Activities	Business-Type Activities	Component Units	Totals
\$ 6,534,239	\$ 8,642,862	\$ 1,231,454	\$ 717,940	\$ 6,365,305	\$ 8,314,699
-	1,228,154	1,918,463	-	-	1,918,463
296,598	296,598	-	-	122,388	122,388
-	13,950,780	13,445,996	140,000	-	13,585,996
-	610,646	578,487	-	-	578,487
88,354	263,229	300,867	-	145,848	446,715
-	-	20,056	-	43,832	63,888
<u>6,919,191</u>	<u>24,992,269</u>	<u>17,495,323</u>	<u>857,940</u>	<u>6,677,373</u>	<u>25,030,636</u>
-	2,403,329	2,671,569	-	-	2,671,569
-	8,810,371	9,656,082	-	-	9,656,082
-	3,065,656	3,630,512	-	-	3,630,512
-	2,060,303	469,547	-	-	469,547
6,381,157	6,381,157	-	-	6,391,887	6,391,887
183,384	183,384	-	-	216,767	216,767
-	-	-	1,637,921	-	1,637,921
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	920,457	952,194	-	-	952,194
<u>6,564,541</u>	<u>23,824,657</u>	<u>17,379,904</u>	<u>1,637,921</u>	<u>6,608,654</u>	<u>25,626,479</u>
354,650	1,167,612	115,419	(779,981)	68,719	(595,843)
-	-	(465,280)	465,280	-	-
354,650	1,167,612	(349,861)	(314,701)	68,719	(595,843)
<u>42,251,276</u>	<u>174,277,555</u>	<u>128,786,930</u>	<u>2,619,033</u>	<u>42,605,926</u>	<u>174,011,889</u>
\$ <u><u>42,605,926</u></u>	\$ <u><u>175,445,167</u></u>	\$ <u><u>128,437,069</u></u>	\$ <u><u>2,304,332</u></u>	\$ <u><u>42,674,645</u></u>	\$ <u><u>173,416,046</u></u>

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

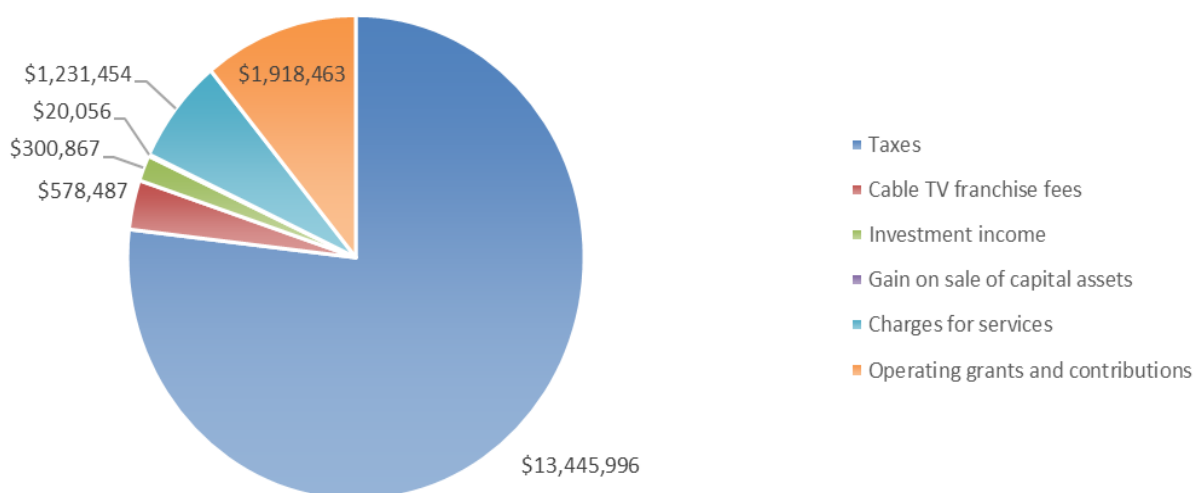
Governmental Activities

The Township generates revenues from a variety of sources. Total revenues for Governmental Activities for fiscal year 2018 were \$17,495,323 compared to \$17,201,263 in 2017, an increase of \$294,060. The Township realized an increase in Investment Income, Gain on Sale of Capital Assets, and Operating Grants and Contributions. A decrease was realized in Taxes, Cable TV Franchise Fees, and Charges for Services. This overall revenue increase stems mainly from an increase in Operating Grants and Contributions revenues. Revenues by source were as follows:

Governmental Activities Revenues From Statement of Activities

Revenue	2017		2018	
	Amount	% of Total	Amount	% of Total
Taxes	\$ 13,810,780	80.29%	\$ 13,445,996	76.85%
Cable TV franchise fees	610,646	3.55%	578,487	3.31%
Investment income	174,875	1.02%	300,867	1.72%
Gain on sale of capital assets	-	0.00%	20,056	0.11%
Charges for services	1,376,808	8.00%	1,231,454	7.04%
Operating grants and contributions	1,228,154	7.14%	1,918,463	10.97%
Capital grants and contributions	-	0.00%	-	0.00%
	<u>\$ 17,201,263</u>	<u>100.00%</u>	<u>\$ 17,495,323</u>	<u>100.00%</u>

Revenue by Source - Governmental Activities



MONTGOMERY TOWNSHIP

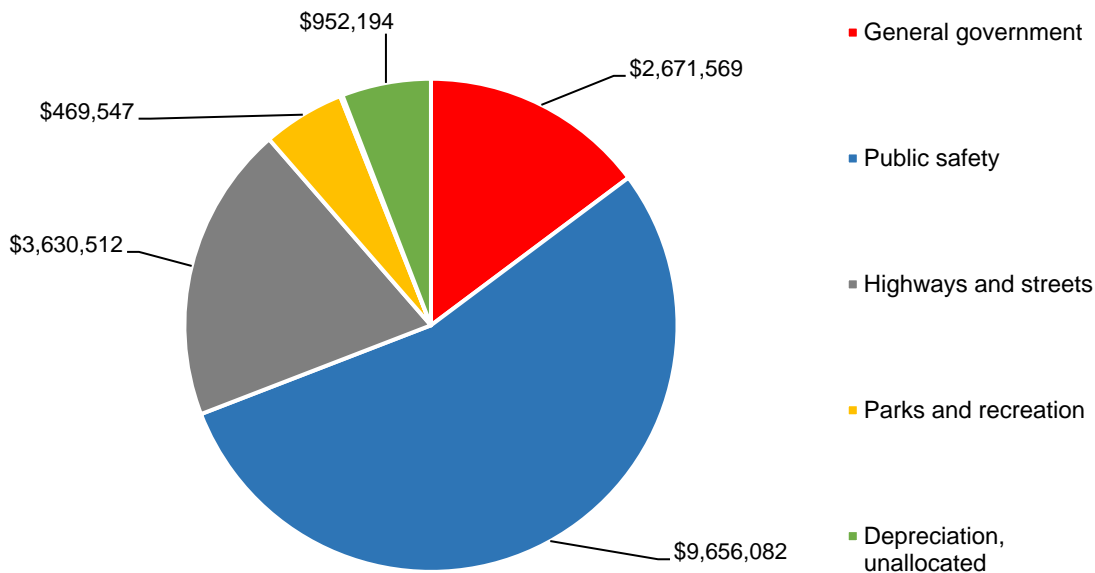
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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 2018 were \$17,379,904 compared to \$15,610,626 in expenses in 2017, an increase of \$1,769,278. This increase is primarily attributable to increased expenses in Public Safety and Highways and Streets. Details are shown in the table below.

Expenses	2017		2018	
	Amount	% of Total	Amount	% of Total
General government	\$ 2,403,329	15.40%	\$ 2,671,569	15.37%
Public safety	8,810,371	56.44%	9,656,082	55.56%
Highways and streets	3,065,656	19.64%	3,630,512	20.89%
Parks and recreation	410,813	2.63%	469,547	2.70%
Interest on long-term debt	-	0.00%	-	0.00%
Depreciation, unallocated	920,457	5.90%	952,194	5.47%
	<u>\$ 15,610,626</u>	<u>100.00%</u>	<u>\$ 17,379,904</u>	<u>100.00%</u>

Expenses by Service - Governmental Activities



MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

The Township's approved General Fund Budget for 2018 included total revenues of \$14.6M, including transfers in of approximately \$538K, and total expenditures of \$14.6M, including transfers out of approximately \$1.4M. These budgeted amounts include budget amendments made throughout the fiscal year in accordance with the Second Class Township Code.

The 2018 Original General Fund budget, including transfers, reflected a \$45K surplus. After necessary amendments, the revenues exceeded expenditures by \$7K. However, actual revenues, in particular Licenses and Permit fee receipts and Intergovernmental Revenues, which exceeded budget estimates by 9% (\$170K), when netted against actual expenses below budget by 1% (\$164K), resulted in an initial surplus of \$250K. At year-end, the Board of Supervisors elected to transfer \$250K of surplus to the Capital Reserve Fund for future designated capital projects. This resulted in an ending General Fund balance of \$3,063,472 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 2018 was positive when compared to budget. Actual revenues, excluding transfers in, were \$14.3 million for 2018. While Real Estate Tax, Earned Income Tax, Transfer Tax, and Cable Television Franchise Fees were slightly below budget, most other revenue categories exceeded budget. Total taxes exceeded budget by \$20K, led primarily by the Mercantile and Business Privilege Tax. License and Permits exceeded budget by \$103K and Intergovernmental Revenues exceeded budget by \$65K. Each of these revenue categories, combined with controlled expenditures, contributed to the \$401K surplus (excluding transfers in) in General Fund revenues. This surplus was then reduced by \$250K, shown in Other Financing Uses, which was the result of a Board-approved transfer of surplus funds into the Capital Reserve Fund for future designated capital projects. The net of the revenue surplus and the transfer of surplus to the Capital Fund led to the General Fund ending Fund Balance of \$3.06M for fiscal year 2018.

Actual expenditures, excluding Interfund Transfers were \$13.1M for 2018. While expenditures were higher than 2017 actual expenditures, they were \$164K less than the 2018 budgeted expenditures. This savings was achieved by practicing strict cost containment measures across all departments. The two primary departments contributing to the savings were General Government Expenditures which were below budget by \$50K and Public Safety Expenditures which were below budget by \$196K. The detail of this can be seen in the Schedule of Functional Expenditures by Activity and Other Financing Uses in this report.

Overall, the Township outperformed the budget, ending the year with a surplus of \$280K before the Board-authorized transfer of \$250K into Capital Reserves. As a result, the Board of Supervisors was able to adopt a 2019 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, 2018, totaled \$112,672,031 (net of accumulated depreciation), a decrease of \$358,512 from 2017. This decrease was the result of new Capital Assets, comprised mostly of newly purchased Machinery and Equipment, reduced by the depreciation recorded in 2018.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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

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

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

Table 3

Capital Assets at Year-End (Net of Depreciation)

December 31, 2017 and 2018

	2017			
	Governmental Activities	Business-Type Activities	Component Units	Totals
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	\$ 8,492,109	\$ -	\$ 673,095	\$ 9,165,204
Infrastructure, as restated	95,686,704	-	-	95,686,704
Construction in progress	-	-	228,017	228,017
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	104,178,813	-	901,112	105,079,925
CAPITAL ASSETS BEING DEPRECIATED				
Buildings and improvements	10,839,042	10,797,929	35,460,418	57,097,389
Land improvements	103,720	-	-	103,720
Infrastructure	3,202,025	-	20,450,099	23,652,124
Machinery and equipment	7,387,801	1,222,913	2,568,343	11,179,057
TOTAL CAPITAL ASSETS BEING DEPRECIATED	21,532,588	12,020,842	58,478,860	92,032,290
Accumulated depreciation	(12,680,858)	(1,027,381)	(26,754,234)	(40,462,473)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	8,851,730	10,993,461	31,724,626	51,569,817
TOTAL CAPITAL ASSETS, net	\$ 113,030,543	\$ 10,993,461	\$ 32,625,738	\$ 156,649,742

2018			
Governmental Activities	Business-Type Activities	Component Units	Totals
\$ 8,492,109	\$ -	\$ 673,095	\$ 9,165,204
95,686,704	-	-	95,686,704
-	-	125,186	125,186
104,178,813	-	798,281	104,977,094
10,839,042	10,797,929	35,461,418	57,098,389
103,720	-	-	103,720
3,226,612	-	20,774,192	24,000,804
7,482,296	1,229,589	2,947,949	11,659,834
21,651,670	12,027,518	59,183,559	92,862,747
(13,158,452)	(1,382,359)	(28,971,275)	(43,512,086)
8,493,218	10,645,159	30,212,284	49,350,661
\$ <u>112,672,031</u>	\$ <u>10,645,159</u>	\$ <u>31,010,565</u>	\$ <u>154,327,755</u>

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2018

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 2018.

As of the close of the 2018 fiscal year, the Township reported combined ending balances for all Governmental Funds of \$18,843,747 an increase of \$145,529 from 2017 resulting primarily from the General Fund operating surplus. Of this ending balance amount, \$12,071,145 or 64% is committed by the Board of Supervisors for uses such as Stormwater/NPDES projects, capital equipment replacement plans, road paving, acquisition of open space, and traffic improvements. Approximately 16%, or \$3M, is unassigned in the General Fund and available for use in accordance with the Township's fiscal policies. Along with the General Fund, the Township's Governmental Funds category includes a variety of funds with annual activity. The following is a summary of that activity, including individual fund balances, for each of these additional funds.

Fire Protection Fund - 04. Expenditures for the Department of Fire Services for 2018 were \$955K. Revenues for 2018 were \$956K and net transfers in were \$29K. The fund posted a surplus of \$31K for the year and ended the year with a positive fund balance of \$435K.

Park and Recreation Fund - 05. Expenditures for the Park and Recreation Fund for 2018 were \$468K, revenues were \$430K and net transfers in were \$83K. The fund posted a surplus of \$45K for the year and ended the year with a positive fund balance of \$569K.

Basin Maintenance Fund - 06. Expenditures for the Basin Maintenance Fund for 2018 were \$65K, there were no revenues, and transfers in were \$77K. The fund posted a surplus of \$11K for the year and ended the year with a fund balance of \$30K.

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

Street Light Fund - 07. Expenditures for the Street Light Fund for 2018 were \$149K and revenues were \$144K. The fund posted a deficit of \$4K for the year and ended the year with a fund balance of \$549K.

Capital Projects Fund - 19. Expenses for the Capital Projects Fund for 2018 were \$107K. Revenues and transfers in totaled \$107K, leaving a slight negative fund balance. This fund is currently being used to manage the Police County Radio financing project.

Debt Service Fund - 23. Expenditures for the Debt Service Fund for 2018 were \$540 and revenues were \$10K and net transfers out were \$245K. The fund posted a deficit of \$235K and ended the year with a positive fund balance of \$64K. Further details regarding the Township's total debt can be viewed in Note D of the Financial Statements.

MONTGOMERY TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

Capital Reserve Fund - 30. Expenditures for the Capital Reserve Fund for 2018 were \$845K for budgeted capital construction projects and capital equipment purchases plus the interfund transfers out of \$698K 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 \$86K, plus the interfund transfers in of \$1.4M. The fund balance in this fund is comprised of assigned and committed funds totaling \$12.1M.

Park Development Fund - 31. Expenditures for the Park Development Fund for 2018 were \$2.5K. Revenues to this fund were \$95K, mostly from developer contributions during 2018. The fund posted a surplus of \$92K for the year, and ended the year with a positive fund balance of \$214K.

Liquid Fuels Fund - 35. Expenditures from the Liquid Fuels Fund for 2018 were \$592K and revenues for 2018 were \$727K. The fund posted a surplus of \$135K for the year and ended with a positive fund balance of \$780K.

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 program.

Fire Relief Fund - 50. Expenditures for the Fire Relief Fund for 2018 were \$206K, and revenues were \$206K consisting of Foreign Fire Insurance Tax revenues collected by the State and allocated under the provisions of Chapter 7 of Act 205 of 1984 to municipalities for distribution to eligible fire relief associations. The funds are remitted by the Township to the Fire Department of Montgomery Township Relief Association. The expenses from this fund are only for eligible expenses approved under Chapter 7 of Act 205 of 1984 and are audited annually by the State Auditor General's Office and by the Township Auditors. The fund ends each year with a \$0 fund balance.

Environmental Fund - 93. Expenditures for the Environmental Fund for 2018 were \$34K, and revenues were \$116K consisting of interest earnings on the fund balance and payments for the Recycling Performance Grants. Expenses from the fund in 2018 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 \$82K for the year and ended the year with a positive fund balance of \$380K.

Replacement Tree Fund - 94. Expenditures for the Replacement Tree Fund for 2018 were \$300K, and revenues were \$106K. 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 deficit of \$194K for the year and ended the year with a positive fund balance of \$624K.

MONTGOMERY TOWNSHIP
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

Autumn Festival Fund - 95. Expenditures for the Autumn Festival Fund for 2018 were \$34K, and revenues were \$34K, including transfers in of \$7K. Expenditures from this fund pay for the expenses of the annual Autumn Festival held each year in October. Revenues consist of voluntary community contributions, a township contribution and fees collected at the event. The fund posted a slight deficit of \$34 for the year and ended the year with a positive fund balance of \$54K.

Restoration Fund - 96. There were no expenditures and only minimal interest income for the Restoration Fund for 2018. Funding for this restoration work came from a one-time contribution by the developer of the Knapp Farm development. The fund ended the year with a positive fund balance of \$10K.

LONG-TERM DEBT

At year-end, the Township had no outstanding non-electoral debt for governmental activities and \$8,560,000 outstanding debt for business-type activities for the Community & Recreation Center. This debt is secured by the full faith and credit of the Township’s taxing authority. The Township had previously served as guarantor for debt for the Municipal Sewer Authority with the Township’s full faith and credit pledge providing the ultimate bond security on a prior debt issue, however in 2016 the Authority paid off the remaining balance of all debt.

The current debt obligation of the Township is approximately 14.8% of the Township’s available legal borrowing capacity which was calculated using year ending December 31, 2016, data. This again evidences the Township’s fiscally responsible approach to funding Capital Improvement projects.

Table 4		
Outstanding Debt at Year-End		
	<u>2017</u>	<u>2018</u>
BUSINESS-TYPE ACTIVITIES		
2016 Series Bond	\$ <u>8,585,000</u>	\$ <u>8,560,000</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, 2018

NEXT YEAR'S BUDGET

Through the Board of Supervisors' continued commitment to operate on a fiscally conservative basis, the Township managed its budget, resulting in lower than budgeted expenditures for the last five fiscal years, 2014 through 2018. Diverse streams of revenues such as Transfer Tax, Business Tax, and Permits generated higher than anticipated receipts for their respective budget accounts. This combination of strong revenues and lower than anticipated expenditures resulted in the transfer of \$1.1M (2014), \$1.7M (2015), \$1.3M (2016), \$1.5M (2017), and \$250K (2018) of surplus/fund balance to the Capital Reserve Fund which the Board has committed for future capital projects.

Entering 2019, the Township has not increased its real estate tax millage rate for the sixteenth year in a row while continuing to provide excellent levels of services to our residents and business community. Montgomery Township currently has \$21M in net position not invested in capital, which represents about 150% of its annual general operating budget.

The Township has continued to invest in major capital projects and future operations. The 2019 budget includes over \$4M in Capital Funding consisting of over \$1.8M in curb, sidewalk, apron, and ramp improvements to infrastructure; replacement of capital equipment of nearly \$1M for police cars, public works vehicles and significant technology/security upgrades; and funding of \$1.4M for a replacement fire ladder truck; all in accordance with the Township's 16-year Road Plan and 10-year Equipment Replacement Program.

REQUESTS FOR INFORMATION

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

MONTGOMERY TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Totals	Sewer Authority	Fire Department
ASSETS					
Cash and cash equivalents	\$ 5,488,238	\$ 188,175	\$ 5,676,413	\$ 4,263,611	\$ 227,203
Investments	13,648,554	1,446	13,650,000	7,545,327	-
Taxes receivable	1,604,940	-	1,604,940	-	-
Accounts receivable	509,676	-	509,676	683,580	-
Capital assets					
Property, plant and equipment, Sewer Authority	-	-	-	30,940,725	-
Depreciable capital assets	8,493,218	10,645,159	19,138,377	-	69,840
Nondepreciable capital assets	104,178,813	-	104,178,813	-	-
TOTAL ASSETS	133,923,439	10,834,780	144,758,219	43,433,243	297,043
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on refunding	-	214,877	214,877	-	-
Deferred outflows related to pensions	2,137,579	-	2,137,579	-	-
Deferred outflows related to OPEB	313,502	-	313,502	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,451,081	214,877	2,665,958	-	-
LIABILITIES					
Accounts payable and accrued expenses	524,850	23,103	547,953	497,292	-
Accrued payroll	515,178	16,929	532,107	-	-
Accrued interest	-	19,082	19,082	-	-
Unearned revenue	-	-	-	-	1,832
Developers' escrow deposits payable	-	-	-	521,786	-
Long-term liabilities					
Portion due or payable within one year					
Bonds payable	-	250,000	250,000	-	-
Portion due or payable after one year					
Bonds payable	-	8,436,211	8,436,211	-	-
Compensated absences	-	-	-	34,731	-
Net pension liability	2,679,207	-	2,679,207	-	-
Net OPEB obligation	3,299,610	-	3,299,610	-	-
TOTAL LIABILITIES	7,018,845	8,745,325	15,764,170	1,053,809	1,832
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pensions	755,524	-	755,524	-	-
Deferred inflows related to OPEB	163,082	-	163,082	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	918,606	-	918,606	-	-
NET POSITION					
Net investment in capital assets	112,672,031	2,173,825	114,845,856	30,940,725	-
Restricted					
Providing and maintaining street lights	548,818	-	548,818	-	-
Debt service	63,995	-	63,995	-	-
Basin maintenance	29,701	-	29,701	-	-
Park development projects	214,074	-	214,074	-	-
Highway and street projects	779,675	-	779,675	-	-
Knapp Farm house	9,908	-	9,908	-	-
Unrestricted	14,118,867	130,507	14,249,374	11,438,709	295,211
TOTAL NET POSITION	\$ 128,437,069	\$ 2,304,332	\$ 130,741,401	\$ 42,379,434	\$ 295,211

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General government	\$ 2,671,569	\$ 103,948	\$ 262,975	\$ -
Public safety	9,656,082	1,120,606	697,362	-
Highways and streets	3,630,512	6,900	866,470	-
Parks and recreation	469,547	-	91,656	-
Depreciation, unallocated	952,194	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	17,379,904	1,231,454	1,918,463	-
BUSINESS-TYPE ACTIVITIES				
Recreation center	1,637,921	717,940	-	-
TOTAL PRIMARY GOVERNMENT	\$ 19,017,825	\$ 1,949,394	\$ 1,918,463	\$ -
COMPONENT UNITS				
Sewer Authority	\$ 6,391,887	\$ 6,208,860	\$ -	\$ 122,388
Fire Department	216,767	156,445	-	-
TOTAL COMPONENT UNITS	\$ 6,608,654	\$ 6,365,305	\$ -	\$ 122,388
GENERAL REVENUES				
Taxes				
Earned income tax				
Real property tax				
Real estate transfer taxes				
Business privilege and mercantile tax				
Miscellaneous taxes				
Cable TV franchise fees				
Investment income				
Gain on sale of capital assets				
TRANSFERS				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR, restated				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Totals	Sewer Authority	Fire Department
\$ (2,304,646)	\$ -	\$ (2,304,646)	\$ -	\$ -
(7,838,114)	-	(7,838,114)	-	-
(2,757,142)	-	(2,757,142)	-	-
(377,891)	-	(377,891)	-	-
(952,194)	-	(952,194)	-	-
(14,229,987)	-	(14,229,987)	-	-
-	(919,981)	(919,981)	-	-
(14,229,987)	(919,981)	(15,149,968)	-	-
			(60,639)	-
			-	(60,322)
			(60,639)	(60,322)
5,592,712	140,000	5,732,712	-	-
3,062,791	-	3,062,791	-	-
753,903	-	753,903	-	-
3,228,719	-	3,228,719	-	-
807,871	-	807,871	-	-
578,487	-	578,487	-	-
300,867	-	300,867	145,848	-
20,056	-	20,056	43,832	-
(465,280)	465,280	-	-	-
13,880,126	605,280	14,485,406	189,680	-
(349,861)	(314,701)	(664,562)	129,041	(60,322)
128,786,930	2,619,033	131,405,963	42,250,393	355,533
\$ 128,437,069	\$ 2,304,332	\$ 130,741,401	\$ 42,379,434	\$ 295,211

MONTGOMERY TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 908,419	\$ 3,500,779	\$ 1,079,040	\$ 5,488,238
Investments	2,258,141	8,706,993	2,683,420	13,648,554
Taxes receivable	1,596,999	-	7,941	1,604,940
Accounts receivable	<u>444,165</u>	<u>28,989</u>	<u>36,522</u>	<u>509,676</u>
TOTAL ASSETS	<u>\$ 5,207,724</u>	<u>\$ 12,236,761</u>	<u>\$ 3,806,923</u>	<u>\$ 21,251,408</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 312,075	\$ 165,616	\$ 47,159	\$ 524,850
Accrued payroll	<u>470,970</u>	<u>-</u>	<u>44,208</u>	<u>515,178</u>
TOTAL LIABILITIES	<u>783,045</u>	<u>165,616</u>	<u>91,367</u>	<u>1,040,028</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Property taxes	20,174	-	6,426	26,600
Income taxes	<u>1,341,033</u>	<u>-</u>	<u>-</u>	<u>1,341,033</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,361,207</u>	<u>-</u>	<u>6,426</u>	<u>1,367,633</u>
FUND BALANCES				
Restricted				
Providing and maintaining street lights	-	-	548,818	548,818
Debt service	-	-	63,995	63,995
Basin maintenance	-	-	29,701	29,701
Park development projects	-	-	214,074	214,074
Highway and street projects	-	-	779,675	779,675
Knapp Farm house	-	-	9,908	9,908
Committed to				
Arbor Day and shade tree commission	-	-	624,480	624,480
Fire protection capital purchases and/or infrastructure projects	-	-	435,346	435,346
Environmental	-	-	380,497	380,497
Equipment plans	-	3,524,537	-	3,524,537
Highway and street projects	-	1,839,306	-	1,839,306
Building improvements	-	397,789	-	397,789
Storm water projects	-	1,107,707	-	1,107,707
Traffic engineering	-	321,960	-	321,960
Open space acquisition and improvement	-	2,101,148	-	2,101,148
Parks and recreation projects	-	514,328	-	514,328
Operating reserve fund	-	2,264,370	-	2,264,370
Assigned				
Park and recreation projects	-	-	569,010	569,010
Annual autumn fest	-	-	53,626	53,626
Unassigned	<u>3,063,472</u>	<u>-</u>	<u>-</u>	<u>3,063,472</u>
TOTAL FUND BALANCES	<u>3,063,472</u>	<u>12,071,145</u>	<u>3,709,130</u>	<u>18,843,747</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,207,724</u>	<u>\$ 12,236,761</u>	<u>\$ 3,806,923</u>	<u>\$ 21,251,408</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2018

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 18,843,747
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Land	8,492,109
Buildings and building improvements	10,839,042
Land improvements	103,720
Infrastructure	98,913,316
Machinery and equipment	7,482,296
Accumulated depreciation	(13,158,452)
Deferred charges used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Deferred inflows and outflows related to pension and OPEB activities	1,532,475
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Net pension liability	(2,679,207)
Net OPEB obligation	(3,299,610)
Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recognized in the funds.	
	<u>1,367,633</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>128,437,069</u></u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 11,977,591	\$ -	\$ 1,422,559	\$ 13,400,150
Licenses and permits	1,376,187	-	53,894	1,430,081
Fines and forfeits	175,879	-	-	175,879
Interest income, rents and royalties	43,844	200,313	56,710	300,867
Intergovernmental revenues	637,328	-	1,050,485	1,687,813
Charges for services	117,647	-	19,573	137,220
Contributions	1,678	15,000	280,733	297,411
TOTAL REVENUES	<u>14,330,154</u>	<u>215,313</u>	<u>2,883,954</u>	<u>17,429,421</u>
EXPENDITURES				
Current				
General government	2,319,471	42,809	318,864	2,681,144
Public safety	8,411,466	20,571	1,267,219	9,699,256
Highways and streets	2,369,995	694,278	805,231	3,869,504
Parks and recreation	-	87,278	519,922	607,200
TOTAL EXPENDITURES	<u>13,100,932</u>	<u>844,936</u>	<u>2,911,236</u>	<u>16,857,104</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,229,222</u>	<u>(629,623)</u>	<u>(27,282)</u>	<u>572,317</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	38,492	-	38,492
Interfund transfers in	419,955	1,442,100	264,912	2,126,967
Interfund transfers out	(1,619,560)	(698,252)	(274,435)	(2,592,247)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,199,605)</u>	<u>782,340</u>	<u>(9,523)</u>	<u>(426,788)</u>
NET CHANGE IN FUND BALANCES	29,617	152,717	(36,805)	145,529
FUND BALANCES AT BEGINNING OF YEAR	<u>3,033,855</u>	<u>11,918,428</u>	<u>3,745,935</u>	<u>18,698,218</u>
FUND BALANCES AT END OF YEAR	<u>\$ 3,063,472</u>	<u>\$ 12,071,145</u>	<u>\$ 3,709,130</u>	<u>\$ 18,843,747</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, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 145,529
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$952,194) exceeds capital outlays (\$612,118) in the current period.	(340,076)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.	(18,436)
Because some property taxes will not be collected for several months after the Township's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Total unavailable revenue from taxes decreased by the following in the current period.	45,846
The net change in the liability for the net pension liability and related deferred outflows of resources and deferred inflows of resources are reported in the government-wide statements but not in the Governmental Funds statements.	(52,725)
The net change in the liability for the net OPEB obligation and related deferred outflows of resources and deferred inflows of resources are reported in the government-wide statements but not in the Governmental Funds statements.	<u>(129,999)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>(349,861)</u></u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2018

	<u>Recreation Center Fund</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 188,175
Investments	1,446
TOTAL CURRENT ASSETS	<u>189,621</u>
NONCURRENT ASSETS	
Building and building improvements	10,797,929
Machinery and equipment	1,229,589
Less accumulated depreciation	<u>(1,382,359)</u>
TOTAL NONCURRENT ASSETS	<u>10,645,159</u>
TOTAL ASSETS	<u>10,834,780</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	<u>214,877</u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	23,103
Accrued payroll	16,929
Accrued interest payable	19,082
Bonds payable, current	250,000
TOTAL CURRENT LIABILITIES	<u>309,114</u>
NONCURRENT LIABILITIES	
Bonds payable	<u>8,436,211</u>
TOTAL LIABILITIES	<u>8,745,325</u>
NET POSITION	
Net investment in capital assets	2,173,825
Unrestricted	<u>130,507</u>
TOTAL NET POSITION	<u>\$ 2,304,332</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIPSTATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2018

	<u>Recreation Center Fund</u>
OPERATING REVENUES	
Taxes	\$ 140,000
Charges for services	717,940
TOTAL OPERATING REVENUES	<u>857,940</u>
OPERATING EXPENSES	
Contractual and professional services	113,766
Other supplies and expenses	949,234
Depreciation	354,978
TOTAL OPERATING EXPENSES	<u>1,417,978</u>
OPERATING LOSS	(560,038)
NONOPERATING REVENUES (EXPENSES)	
Interest expense	<u>(219,943)</u>
LOSS BEFORE OTHER SOURCES	(779,981)
OTHER SOURCES	
Transfers in	<u>465,280</u>
CHANGE IN NET POSITION	(314,701)
NET POSITION AT BEGINNING OF YEAR	<u>2,619,033</u>
NET POSITION AT END OF YEAR	<u>\$ 2,304,332</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2018

	<u>Recreation Center Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 857,940
Payments to employees for services	(575)
Payments to suppliers for goods and services	<u>(1,054,660)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(197,295)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interfund revenues	<u>465,280</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(6,676)
Principal paid on debt	(25,000)
Interest paid on debt	<u>(219,895)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(251,571)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	<u>(1,446)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,968
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>173,207</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 188,175</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (560,038)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	354,978
Increase in	
Accounts payable	8,340
Accrued payroll	<u>(575)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (197,295)</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2018

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash	\$ 1,832,841	\$ 1,765,606
Investments		
Common stock	5,075,933	
Domestic and international funds	12,792,534	-
Fixed income funds	<u>4,812,919</u>	<u>-</u>
TOTAL ASSETS	24,514,227	<u><u>\$ 1,765,606</u></u>
LIABILITIES		
Escrow and other deposits	<u>-</u>	<u><u>\$ 1,765,606</u></u>
NET POSITION		
Net position restricted for pensions	<u><u>\$ 24,514,227</u></u>	

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2018

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions	
Plan member contributions	\$ 348,202
Employer contributions	534,903
Other contributions, Commonwealth of Pennsylvania	580,864
TOTAL CONTRIBUTIONS	<u>1,463,969</u>
Investment earnings	
Interest income	726,929
Gain (loss) on investments	(1,805,998)
Investment expenses	(39,362)
INVESTMENT EARNINGS, net	<u>(1,118,431)</u>
TOTAL ADDITIONS	<u>345,538</u>
DEDUCTIONS	
Employee benefit payments	1,247,719
Administrative expenses	4,530
TOTAL DEDUCTIONS	<u>1,252,249</u>
CHANGE IN NET POSITION	(906,711)
NET POSITION AT BEGINNING OF YEAR	<u>25,420,938</u>
NET POSITION AT END OF YEAR	<u>\$ 24,514,227</u>

See accompanying notes to the basic financial statements.

MONTGOMERY TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

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

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Fund Accounting

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

The Township reports the following major Governmental Funds:

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

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Township reports the following major Proprietary Fund:

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

Additionally, the Township reports the following fund types:

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

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

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

Fiduciary Fund Types

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

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

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting

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

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

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

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

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

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Encumbrance Accounting

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

Cash and Cash Equivalents

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

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments, Township

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

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

Deposits and Investments, Sewer Authority

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

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

Capital Assets

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Infrastructure

GASB Statement No. 34 requires the inclusion of infrastructure capital assets in local governments' basic financial statements. The Township has included the value of all infrastructure in its basic financial statements for December 31, 2018.

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

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

Sewer Revenues and Accounts Receivable

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

Deferred Outflows/Inflows of Resources

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

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

Proprietary Funds' Unamortized Bond Premium - Township

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

Real Estate Property Tax

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

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

Tax Collection

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

Net Position Flow Assumption

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

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

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

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

Use of Estimates

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, \$9,100,603 of the Township's bank balance of \$9,600,603 was exposed to custodial credit risk as follows:

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

Township governmental activities	\$ <u>5,385,124</u>
Township proprietary activities	\$ <u>184,640</u>
Pension trust funds	\$ <u>1,798,405</u>
Escrow	\$ <u>1,732,434</u>

As of December 31, 2018, the following amounts of the component units were exposed to custodial credit risk.

Sewer Authority - At December 31, 2018, \$4,078,060 of the Sewer Authority's bank balance of \$4,263,611 was exposed to custodial credit risk as follows:

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

	\$ <u>4,078,060</u>
--	---------------------

Fire Department - At December 31, 2018, the bank deposits of the Fire Department were fully insured and not exposed to custodial credit risk.

Investments

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2018, the Township had the following investments, maturities and fair value inputs:

various inputs.

Investment Type	Amortized Cost	Fair Value	Level 1 Inputs	Investment Maturities	
				Less Than One Year	1 to 5 Years
GOVERNMENTAL ACTIVITIES					
Certificate of deposit	\$ 13,648,554	\$ -	\$ -	\$ 5,148,554	\$ 8,500,000
BUSINESS-TYPE ACTIVITIES					
Certificate of deposit	\$ 1,446	\$ -	\$ -	\$ 1,446	\$ -
PENSION ACTIVITIES					
Common stock	\$ -	\$ 5,075,933	\$ 5,075,933	\$ 5,075,933	\$ -
Domestic and international mutual funds	-	12,792,534	12,792,534	12,792,534	-
Fixed income mutual funds	-	4,812,919	4,812,919	4,812,919	-
	\$ -	\$ 22,681,386	\$ 22,681,386	\$ 22,681,386	\$ -

As of December 31, 2018, the Sewer Authority had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities	
		Less Than One Year	1 to 5 Years
Certificates of deposit	\$ 7,545,327	\$ 5,045,327	\$ 2,500,000

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

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

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

Concentration of Credit Risk - More than 5% of the Township's and component units' investments are in certificates of deposit, common stock, domestic and international mutual funds and fixed income mutual funds. These investments are 48%, 12%, 29% and 11%, respectively, of the Township's and component units' total investments.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 8,492,109	\$ -	\$ -	\$ 8,492,109
Infrastructure	95,686,704	-	-	95,686,704
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	104,178,813	-	-	104,178,813
Capital assets being depreciated				
Buildings and building improvements	10,839,042	-	-	10,839,042
Land improvements	103,720	-	-	103,720
Infrastructure	3,202,025	24,587	-	3,226,612
Machinery and equipment	7,387,801	587,531	(493,036)	7,482,296
TOTAL CAPITAL ASSETS BEING DEPRECIATED	21,532,588	612,118	(493,036)	21,651,670
Accumulated depreciation				
Buildings and building improvements	(5,456,917)	(324,666)	-	(5,781,583)
Land improvements	(83,378)	(2,317)	-	(85,695)
Infrastructure	(2,266,437)	(122,173)	-	(2,388,610)
Machinery and equipment	(4,874,126)	(503,038)	474,600	(4,902,564)
TOTAL ACCUMULATED DEPRECIATION	(12,680,858)	(952,194)	474,600	(13,158,452)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	8,851,730	(340,076)	(18,436)	8,493,218
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 113,030,543	\$ (340,076)	\$ (18,436)	\$ 112,672,031
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated				
Buildings and building improvements	\$ 10,797,929	\$ -	\$ -	\$ 10,797,929
Machinery and equipment	1,222,913	6,676	-	1,229,589
TOTAL CAPITAL ASSETS BEING DEPRECIATED	12,020,842	6,676	-	12,027,518
Accumulated depreciation				
Buildings and building improvements	(794,294)	(270,007)	-	(1,064,301)
Machinery and equipment	(233,087)	(84,971)	-	(318,058)
TOTAL ACCUMULATED DEPRECIATION	(1,027,381)	(354,978)	-	(1,382,359)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	10,993,461	(348,302)	-	10,645,159
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 10,993,461	\$ (348,302)	\$ -	\$ 10,645,159

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

Governmental activities:

Unallocated \$ 952,194

Business-type activities:

Recreation center \$ 354,978

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE C - CAPITAL ASSETS (Continued)

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
COMPONENT UNIT, SEWER AUTHORITY				
Capital assets not being depreciated				
Land	\$ 673,095	\$ -	\$ -	\$ 673,095
Construction in progress	228,017	467,480	(570,311)	125,186
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	901,112	467,480	(570,311)	798,281
Capital assets being depreciated				
Wastewater treatment and collection system				
Hatfield Waste Water Treatment Plant	10,316,810	-	-	10,316,810
Eureka Treatment Plant	25,143,608	1,000	-	25,144,608
Other sewer system improvements	6,335,279	264,696	(62,991)	6,536,984
Developer dedications	14,114,820	122,388	-	14,237,208
TOTAL WASTEWATER TREATMENT AND COLLECTION SYSTEMS	55,910,517	388,084	(62,991)	56,235,610
Equipment	2,335,541	379,606	-	2,715,147
TOTAL CAPITAL ASSETS BEING DEPRECIATED	58,246,058	767,690	(125,982)	58,950,757
Accumulated depreciation				
Wastewater treatment and collection systems				
Hatfield Waste Water Treatment Plant	(8,175,494)	(256,020)	-	(8,431,514)
Eureka Treatment Plant	(8,444,545)	(745,838)	-	(9,190,383)
Other sewer system improvements	(3,379,869)	(419,511)	-	(3,799,380)
Developer dedications	(5,849,005)	(444,845)	-	(6,293,850)
TOTAL WASTEWATER TREATMENT AND COLLECTION SYSTEMS ACCUMULATED DEPRECIATION	(25,848,913)	(1,866,214)	-	(27,715,127)
Equipment	(788,920)	(304,266)	-	(1,093,186)
TOTAL ACCUMULATED DEPRECIATION	(26,637,833)	(2,170,480)	-	(28,808,313)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	31,608,225	(1,402,790)	(125,982)	30,142,444
COMPONENT UNIT, SEWER AUTHORITY CAPITAL ASSETS, net	\$ 32,509,337	\$ (935,310)	\$ (696,293)	\$ 30,940,725
COMPONENT UNIT, FIRE DEPARTMENT				
Equipment	\$ 232,802	\$ -	\$ -	\$ 232,802
Accumulated depreciation	(116,401)	(46,561)	-	(162,962)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	\$ 116,401	\$ (46,561)	\$ -	\$ 69,840

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the primary government for the year ended December 31, 2018:

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

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

Balance Outstanding January 1, 2018	Proceeds from New Obligations	Retired During Year	Balance Outstanding December 31, 2018	Due Within One Year
<u>\$ 961,400</u>	<u>\$ 1,717,807</u>	<u>\$ -</u>	<u>\$ 2,679,207</u>	<u>\$ -</u>
<u>3,182,932</u>	<u>116,678</u>	<u>-</u>	<u>3,299,610</u>	<u>-</u>
<u>4,144,332</u>	<u>1,834,485</u>	<u>-</u>	<u>5,978,817</u>	<u>-</u>
8,585,000	-	(25,000)	8,560,000	250,000
<u>131,293</u>	<u>-</u>	<u>(5,082)</u>	<u>126,211</u>	<u>-</u>
<u>8,716,293</u>	<u>-</u>	<u>(30,082)</u>	<u>8,686,211</u>	<u>250,000</u>
<u>\$ 12,860,625</u>	<u>\$ 1,834,485</u>	<u>\$ (30,082)</u>	<u>\$ 14,665,028</u>	<u>\$ 250,000</u>

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D - LONG-TERM DEBT (Continued)

2016 Series Bonds

In October 2016, the Township issued \$8,585,000 in general obligation bonds for the purpose of advance refunding the 2013 Series Bonds. The bonds bear varying rates of interest from 1.0% to 3.0% and have varying maturities from June 1, 2018 to June 1, 2043.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 250,000	\$ 226,480	\$ 476,480
2020	255,000	220,155	475,155
2021	265,000	212,355	477,355
2022	275,000	204,255	479,255
2023	280,000	197,330	477,330
2024 to 2028	1,480,000	899,850	2,379,850
2029 to 2033	1,650,000	730,350	2,380,350
2034 to 2038	1,900,000	476,850	2,376,850
2039 to 2043	<u>2,205,000</u>	<u>169,575</u>	<u>2,374,575</u>
	<u>\$ 8,560,000</u>	<u>\$ 3,337,200</u>	<u>\$ 11,897,200</u>

A summary of changes in long-term debt for the Sewer Authority for the year ended December 31, 2018, is as follows:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2018</u>	<u>Due Within One Year</u>
SEWER AUTHORITY					
Compensated absences	\$ 20,374	\$ 14,357	\$ -	\$ 34,731	\$ -

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE E - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers at December 31, 2018, are as follows:

	Transfer Out	Transfer In
General Fund	\$ 1,619,560	\$ 419,955
Capital Reserve Fund	698,252	1,442,100
Other Governmental Funds	274,435	264,912
Recreation Center Fund	-	465,280
	<u>\$ 2,592,247</u>	<u>\$ 2,592,247</u>

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

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

Summary of Significant Accounting Policies

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Plan Description

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

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

Plan Membership - At December 31, 2018, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	35
	<hr/>
	55
	<hr/>

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

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

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

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

The Township allocates state aid received from the Commonwealth of Pennsylvania to the Plan. On-behalf payments of fringe benefits and salaries for the government's employees were recognized as revenues and expenditures/expenses during the period. To the extent that these fundings are not adequate, the Township would then be required to contribute. In accordance with Act 205, the Township was required to contribute \$822,819 to the plan for the year 2018. The Township's actual contributions for the plan year 2018 were \$822,819.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Police Pension Plan Committee based on consensus, with no minimum quorum required. It is the policy of the Police Pension Plan Committee to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Committee's adopted asset allocation policy as of December 31, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	63%
International equity	6%
Fixed income	25%
Cash	6%
	<u>100%</u>

Concentrations - More than 5% of the Township's investments are in common stocks, domestic and international mutual funds and fixed income mutual funds. These investments are 32%, 38% and 30%, respectively, of the plan's total investments.

Rate of Return - For the year ended December 31, 2018, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -4.18%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2018, were as follows:

Total pension liability	\$ 20,472,957
Plan fiduciary net position	<u>(17,793,750)</u>
 NET PENSION LIABILITY	 <u>\$ 2,679,207</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>86.91%</u>

Actuarial Assumptions - The total pension liability was determined as part of an actuarial valuation as of January 1, 2017. Update procedures were used to roll forward to the Township's fiscal year ending December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2018 (see the plan's investment policy) are summarized in the following table:

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2017	\$ 19,357,531	\$ 18,396,131	\$ 961,400
Service cost	505,591	-	505,591
Interest	1,453,258	-	1,453,258
Changes for experience	-	-	-
Changes of assumptions	-	-	-
Contributions			
Employer	-	822,819	(822,819)
Member	-	201,729	(201,729)
Net investment income	-	(778,976)	778,976
Benefit payments	(843,423)	(843,423)	-
Administrative expense	-	(4,530)	4,530
Net Changes	1,115,426	(602,381)	1,717,807
Balances at December 31, 2018	\$ 20,472,957	\$ 17,793,750	\$ 2,679,207

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 5,031,708	\$ 2,679,207	\$ 628,339

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

For the year ended December 31, 2018, the Township recognized pension expense of \$875,543. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 755,524
Changes in assumptions	794,004	-
Difference between projected and actual investment earnings	<u>1,343,575</u>	<u>-</u>
	\$ <u><u>2,137,579</u></u>	\$ <u><u>755,524</u></u>

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

<u>Year Ending December 31,</u>	
2019	\$ 500,227
2020	250,055
2021	210,275
2022	449,740
2023	16,680
Thereafter	(44,922)

NOTE G - NON-UNIFORM EMPLOYEE PENSION PLAN

Plan Description

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

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Funding Policy

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

The Township made contributions of \$292,948, of which \$252,957 was funded by state-shared revenues and \$39,991 was funded by the Township. Employee contributions to the Plan were \$146,473.

At December 31, 2018, there were no investments in any one organization that represented 5% or more of total plan assets available for benefits other than mutual funds, which do not require disclosure of concentration per GASB Statement No. 40.

NOTE H - DEFERRED COMPENSATION PLANS

Montgomery Township

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

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

Montgomery Township Municipal Sewer Authority

The Sewer Authority offers its employees a Deferred Compensation Plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to full-time Sewer Authority employees, permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The compensation deferred is managed by an outside trustee under various investment options. The assets of the Plan are held in trust for the exclusive benefit of the Plan participants and their beneficiaries and shall not be diverted for any other purpose. As a result, the Sewer Authority excludes the financial statements of the Plan from its financial statements. For the year ended December 31, 2018, the Authority's contribution was \$72,927.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

Measurement Date

At December 31, 2018, the Township reported Total OPEB liability measured as of January 1, 2018, and the total OPEB liability was determined by performing update procedures and rolling forward the January 1, 2017 actuarial valuation to January 1, 2018.

Plan Membership - At December 31, 2018, plan membership consisted of the following:

Active participants	34
Vested former participants	1
Retired participants	8
	<hr/>
	43
	<hr/>

Eligibility for Benefits

An officer who retires on or after January 1, 2003, will be eligible for coverage upon retirement after attainment of age 50 with at least 25 years of service. In addition, an officer will be eligible upon occurring an on-duty disability or upon death of an active officer. Benefits will be provided as long as the officer is not eligible for medical coverage through other employment or through his or her spouse. If such an officer loses outside health coverage, he or she may be eligible again for coverage after certifying eligibility.

Benefits Provided

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.

Funding Policy and Funding Status

Member contributions are not required under the plan. The contribution requirements of plan members are established and may be amended by the Board of Supervisors. The Township is accounting for these expenditures on a "pay-as-you-go" basis. The costs of administering the plans are paid by the Township.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Assumptions

The following assumptions and actuarial methods and calculations were used:

Interest Rate – 3.16%, based on S&P Municipal Bond 20 Year High Grade Rate Index at January 1, 2018.

Salary – An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, annual salary increases are assumed to be 5.5%.

Health Care Cost Trend Rate – 6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

Withdrawal – Sample rates are shown below.

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	5.50%	35	2.50%	50	0.00%
25	5.00%	40	1.00%	55	0.00%
30	4.00%	45	0.50%	60	0.00%

Mortality – IRS 2017 Static Combined Table for Small Plans

Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

Disability – SOA 1987 Group LTD Table - Males, 6-month elimination. Sample rates are shown below.

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	0.08%	35	0.12%	50	0.54%
25	0.09%	40	0.18%	55	0.98%
30	0.10%	45	0.29%	60	1.48%

Retirement – Assumed 100% retirement after reaching age 53 with at least 28 years of service.

Percent of Eligible Retirees Electing Coverage in Plan – Before age 60, 50% of eligible retirees are assumed to elect medical, prescription drug, dental and vision coverage upon retiring. Thereafter, 75% of eligible retirees are assumed to elect coverage.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Percent Married of Retirement – 80% of employees are assumed to be married and have a spouse covered by the plan at retirement. In the event of a retiree's death, it is assumed that the surviving spouse may continue coverage until the spouse becomes eligible for Medicare.

Spouse Age – Wives are assumed to be two years younger than their husbands.

Retirement Contributions – Retiree contributions are assumed to increase at the same rates as the Health Care Cost Trend Rate.

Actuarial Value of Assets – Equal to the Market Value of Assets.

Actuarial Cost Method – Entry Age Normal – Under the Entry Age Normal Cost Method, the Normal Cost is the present value of benefits allocated to the year following the valuation date. Benefits are allocated on a level basis over the earnings of an individual between the date of hire and the assumed retirement age. The Accrued Liability as of the valuation date is the excess of the present value of future benefits over the present value of future Normal Cost. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets. Actuarial gains and losses serve to reduce or increase the Unfunded Accrued Liability.

Changes in Assumptions – In the 2017 actuarial valuation, the discount rate changed from 3.71% to 3.16%. The trend and mortality assumptions were updated.

Changes in the Total OPEB Liability

	Total OPEB Liability
	<u> </u>
Balance at January 1, 2017	\$ 3,182,932
Changes for the year	
Service cost	187,611
Interest cost	121,756
Changes for experience	(177,908)
Changes in assumptions	148,960
Benefit payments	(163,741)
Net changes	<u>116,678</u>
Balance at January 1, 2018	<u><u>\$ 3,299,610</u></u>

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease 2.16%	Current Discount Rate 3.16%	1% Increase 4.16%
Total OPEB liability	\$ <u>3,596,259</u>	\$ <u>3,299,610</u>	\$ <u>3,031,423</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Township, as well as what the Township's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rates	1% Increase
Total OPEB liability	\$ <u>2,947,927</u>	\$ <u>3,299,610</u>	\$ <u>3,719,964</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2018, the Township recognized OPEB expense of \$163,741. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 163,082
Changes in assumptions	136,547	-
Contributions subsequent to the measurement date	<u>176,955</u>	<u>-</u>
	\$ <u>313,502</u>	\$ <u>163,082</u>

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

\$176,955 reported as deferred outflows of resources related to OPEB resulting from Township contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2018. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending</u> <u>December 31,</u>	
2019	\$ (2,413)
2020	(2,413)
2021	(2,413)
2022	(2,413)
2023	(2,413)
Thereafter	(14,470)

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, 2018, sewer revenues exceeded sewer expenditures, and the Township has not been required to make the above-noted rental payments to the Sewer Authority.

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

MONTGOMERY TOWNSHIP

NOTES TO THE BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2018

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.

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 Property and Liability Trust (DVPLT), Delaware Valley Workers' Compensation Trust (DVWCT) and the Delaware Valley Health Trust (DVHT).

DVPLT 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, DVPLT also purchases public employees blanket bond, crime, public officials and boiler/machinery coverage for the Township. DVPLT 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 Township's liability limit per incident is \$25,000.

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE M - RISK MANAGEMENT (Continued)

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

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

There have been no significant reductions in insurance coverage during the year ended December 31, 2018, 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, 2018

NOTE O - COMBINING STATEMENTS OF FIDUCIARY FUNDS

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

	Police Pension Fund	Non-Uniform Employee Pension Fund	Total Pension Trust Funds
ASSETS			
Cash	\$ 1,832,841	\$ -	\$ 1,832,841
Investments			
Common stock	5,075,933	-	5,075,933
Domestic and international funds	6,072,057	6,720,477	12,792,534
Fixed income funds	4,812,919	-	4,812,919
Accounts receivable	-	-	-
TOTAL ASSETS	<u>17,793,750</u>	<u>6,720,477</u>	<u>24,514,227</u>
NET POSITION			
Net position restricted for pensions	\$ <u>17,793,750</u>	\$ <u>6,720,477</u>	\$ <u>24,514,227</u>

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

	Police Pension Fund	Non-Uniform Employee Pension Fund	Total Pension Trust Funds
ADDITIONS			
Contributions			
Plan member contributions	\$ 201,729	\$ 146,473	\$ 348,202
Employer contributions	494,912	39,991	534,903
Other contributions			
Commonwealth of Pennsylvania	327,907	252,957	580,864
TOTAL CONTRIBUTIONS	<u>1,024,548</u>	<u>439,421</u>	<u>1,463,969</u>
Investment earnings			
Interest income	289,100	437,829	726,929
Gain (loss) on investments	(1,030,301)	(775,697)	(1,805,998)
Investment expenses	(37,775)	(1,587)	(39,362)
INVESTMENT EARNINGS, net	<u>(778,976)</u>	<u>(339,455)</u>	<u>(1,118,431)</u>
TOTAL ADDITIONS	<u>245,572</u>	<u>99,966</u>	<u>345,538</u>
DEDUCTIONS			
Employee benefit payments	843,423	404,296	1,247,719
Administrative expenses	4,530	-	4,530
TOTAL DEDUCTIONS	<u>847,953</u>	<u>404,296</u>	<u>1,252,249</u>
CHANGE IN NET POSITION	<u>(602,381)</u>	<u>(304,330)</u>	<u>(906,711)</u>
NET POSITION AT BEGINNING OF YEAR	<u>18,396,131</u>	<u>7,024,807</u>	<u>25,420,938</u>
NET POSITION AT END OF YEAR	\$ <u>17,793,750</u>	\$ <u>6,720,477</u>	\$ <u>24,514,227</u>

MONTGOMERY TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE P - PRIOR PERIOD RESTATEMENT

The Township implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefit (OPEB) plans. GASB Statement No. 75 states that the Township must record the total liability of their single employer other postemployment benefit plan.

For the government-wide governmental activities, the Township has treated the beginning of year OPEB liability of \$3,182,932 and the beginning of year deferred outflow of \$163,741 as having been recognized in the period incurred. As part of the implementation, the previously recognized obligation for OPEB under GASB 45 in the amount of \$1,585,913 will be reversed. The Township has adjusted beginning net position for the governmental activities from \$130,220,208 to \$128,786,930.

REQUIRED SUPPLEMENTARY INFORMATION

MONTGOMERY TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 11,956,912	\$ 11,956,912	\$ 11,977,591	\$ 20,679
Licenses and permits	1,273,500	1,273,500	1,376,187	102,687
Fines and forfeits	175,000	175,000	175,879	879
Interest income, rents and royalties	32,430	32,430	43,844	11,414
Intergovernmental revenues	572,000	572,000	637,328	65,328
Charges for services	81,900	81,900	117,647	35,747
Contributions	1,500	1,500	1,678	178
TOTAL REVENUES	<u>14,093,242</u>	<u>14,093,242</u>	<u>14,330,154</u>	<u>236,912</u>
EXPENDITURES				
General government	2,361,330	2,368,471	2,319,471	49,000
Public safety	8,601,605	8,607,643	8,411,466	196,177
Highways and streets	2,263,716	2,288,710	2,369,995	(81,285)
TOTAL EXPENDITURES	<u>13,226,651</u>	<u>13,264,824</u>	<u>13,100,932</u>	<u>163,892</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>866,591</u>	<u>828,418</u>	<u>1,229,222</u>	<u>400,804</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	10,000	-	(10,000)
Interfund transfers in	537,900	537,900	419,955	(117,945)
Interfund transfers out	(1,369,564)	(1,369,564)	(1,619,560)	(249,996)
TOTAL OTHER FINANCING USES	<u>(821,664)</u>	<u>(821,664)</u>	<u>(1,199,605)</u>	<u>(377,941)</u>
NET CHANGE IN FUND BALANCE	44,927	6,754	29,617	22,863
FUND BALANCE AT BEGINNING OF YEAR	<u>3,033,855</u>	<u>3,033,855</u>	<u>3,033,855</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 3,078,782</u>	<u>\$ 3,040,609</u>	<u>\$ 3,063,472</u>	<u>\$ 22,863</u>

See accompanying note to budgetary comparison schedule.

MONTGOMERY TOWNSHIP

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2018

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 20 days, the Supervisors adopt the budget not later than the 31st of December.
- The Supervisors may at any time by resolution make supplemental appropriations for any lawful purpose from any funds on hand or estimated to be received within the fiscal year and not otherwise appropriated, including the proceeds of any authorized borrowing by law.
- During the month of January following any municipal election, the Supervisors may amend the budget and levy a tax rate to conform with its amended budget. Any amended budget must be adopted by the Township Supervisors on or before the 15th day of February.
- Budgets for all funds are presented on the modified accrual basis of accounting.

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

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	\$ 505,591	\$ 479,233	\$ 475,597	\$ 450,803	\$ 397,260
Interest	1,453,258	1,410,216	1,350,674	1,232,916	1,213,236
Changes for experience	-	(868,285)	-	(187,763)	-
Changes of assumptions	-	508,899	-	742,193	-
Benefit payments	(843,423)	(1,363,681)	(527,896)	(508,968)	(748,577)
NET CHANGE IN TOTAL PENSION LIABILITY	1,115,426	166,382	1,298,375	1,729,181	861,919
Total pension liability, beginning	19,357,531	19,191,149	17,892,774	16,163,593	15,301,674
TOTAL PENSION LIABILITY, ENDING (a)	\$ 20,472,957	\$ 19,357,531	\$ 19,191,149	\$ 17,892,774	\$ 16,163,593
PLAN FIDUCIARY NET POSITION					
Contributions					
Employer	\$ 822,819	\$ 770,721	\$ 761,309	\$ 751,249	\$ 611,018
Member	201,729	174,963	165,677	161,806	153,337
DROP	-	-	-	-	275,238
Net investment income	(778,976)	2,412,208	947,050	(128,538)	894,128
Benefit payments, including refunds of member contributions	(843,243)	(1,363,681)	(527,896)	(508,968)	(748,577)
Administrative expense	(4,530)	(15,740)	(3,910)	(12,440)	(15,905)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(602,201)	1,978,471	1,342,230	263,109	1,169,239
Plan fiduciary net position, beginning	18,396,131	16,417,660	15,075,430	14,812,321	13,643,082
PLAN FIDUCIARY NET, POSITION ENDING (b)	\$ 17,793,930	\$ 18,396,131	\$ 16,417,660	\$ 15,075,430	\$ 14,812,321
NET PENSION LIABILITY, ENDING (a)-(b)	\$ 2,679,027	\$ 961,400	\$ 2,773,489	\$ 2,817,344	\$ 1,351,272
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	86.91%	95.03%	85.55%	84.25%	91.64%
COVERED PAYROLL	\$ 3,868,025	\$ 3,481,326	\$ 3,317,883	\$ 3,103,825	\$ 3,080,805
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	69.26%	27.62%	83.59%	90.77%	43.86%

NOTES TO SCHEDULE

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

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 822,819	\$ 770,721	\$ 761,309	\$ 751,249	\$ 611,018
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>822,819</u>	<u>770,721</u>	<u>761,309</u>	<u>751,249</u>	<u>611,018</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED PAYROLL	\$ <u>3,868,025</u>	\$ <u>3,481,326</u>	\$ <u>3,317,883</u>	\$ <u>3,103,825</u>	\$ <u>3,080,805</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>21.27%</u>	<u>22.14%</u>	<u>22.95%</u>	<u>24.20%</u>	<u>19.83%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

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

Methods and assumptions used to determine contribution rates:

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

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-4.18%</u>	<u>14.84%</u>	<u>6.03%</u>	<u>-0.54%</u>	<u>6.64%</u>

NOTES TO SCHEDULE

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

MONTGOMERY TOWNSHIP**SCHEDULE OF CHANGES IN THE TOTAL OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR**

	<u>2018</u>
TOTAL OPEB LIABILITY	
Service cost	\$ 187,611
Interest	121,756
Difference between expected and actual experience	(177,908)
Changes of assumptions	148,960
Benefit payments	<u>(163,741)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	116,678
TOTAL OPEB LIABILITY, BEGINNING	<u>3,182,932</u>
TOTAL OPEB LIABILITY, ENDING	<u>\$ 3,299,610</u>
COVERED PAYROLL	<u>\$ 3,408,647</u>
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>96.80%</u>

NOTES TO SCHEDULE

No assets are accumulated in a trust to pay benefits related to this plan

Changes in assumptions: In the 2017 actuarial valuation, the discount rate changed from 3.71% to 3.16%. The trend assumption was updated.

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

MONTGOMERY TOWNSHIP

TREND DATA ON INFRASTRUCTURE CONDITION

YEAR ENDED DECEMBER 31, 2018

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

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

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

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

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

The Township's policy is that no more than 20% of local road pavements and curbs/sidewalks will have a condition rating as "poor" or "very poor." The Township assesses conditions of its road and curbs/sidewalks on an annual basis and makes necessary adjustments to the pavement resurfacing and curb/sidewalk replacement schedule based on that assessment. The following reports the percentage of road pavements and curbs/sidewalks that met this rating as of December 31, 2018:

Condition	% of Streets		
	2017	2014	2010
Excellent/good - rating of III - V	94%	94%	93%
Fair/poor - rating of II	6%	6%	7%
Very poor/failed - rating of I	0%	0%	0%

MONTGOMERY TOWNSHIP

TREND DATA ON INFRASTRUCTURE CONDITION

YEAR ENDED DECEMBER 31, 2018

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>
2018	\$ 710,650	\$ 591,657
2017	469,175	477,735
2016	591,700	465,409
2015	975,950	753,135
2014	735,875	721,810

SUPPLEMENTARY INFORMATION SECTION

MONTGOMERY TOWNSHIP
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Budget
REVENUES				
Taxes				
Real estate	\$ 2,196,412	\$ 2,196,412	\$ 2,131,498	\$ (64,914)
Earned income	5,350,000	5,350,000	5,271,993	(78,007)
Transfer	850,000	850,000	753,903	(96,097)
Mercantile	2,000,000	2,000,000	2,101,399	101,399
Emergency municipal services	577,500	577,500	573,812	(3,688)
Amusement	63,000	63,000	67,442	4,442
Business privilege	920,000	920,000	1,077,544	157,544
TOTAL TAXES	11,956,912	11,956,912	11,977,591	20,679
Licenses and permits				
Building	330,000	330,000	353,519	23,519
Zoning	20,000	20,000	27,311	7,311
Electrical	40,000	40,000	43,467	3,467
Plumbing	15,000	15,000	15,541	541
Street	15,000	15,000	20,534	5,534
Fence	6,000	6,000	10,475	4,475
Use and occupancy	20,000	20,000	24,085	4,085
Roofing and siding	25,000	25,000	39,282	14,282
Grading	1,500	1,500	3,408	1,908
Demolition	8,000	8,000	30,267	22,267
Heat, vent and air conditioning	75,000	75,000	117,045	42,045
Sign	15,000	15,000	14,192	(808)
Licenses	93,000	93,000	98,574	5,574
Cable television franchise fees	610,000	610,000	578,487	(31,513)
TOTAL LICENSES AND PERMITS	1,273,500	1,273,500	1,376,187	102,687
Fines and forfeits, police	175,000	175,000	175,879	879
Interest income, rents and royalties	32,430	32,430	43,844	11,414
Intergovernmental revenues				
Public utility realty tax	15,000	15,000	14,180	(820)
State pension aid	500,000	500,000	580,864	80,864
Other state grants	55,500	55,500	42,284	(13,216)
County	1,500	1,500	-	(1,500)
TOTAL INTERGOVERNMENTAL REVENUES	572,000	572,000	637,328	65,328
Charges for services				
Administrative	30,000	30,000	70,290	40,290
Finance, street lights	6,900	6,900	6,900	-
Police services	45,000	45,000	40,457	(4,543)
TOTAL CHARGES FOR SERVICES	81,900	81,900	117,647	35,747
Contributions	1,500	1,500	1,678	178
TOTAL REVENUES	14,093,242	14,093,242	14,330,154	236,912
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	10,000	10,000	-	(10,000)
Interfund transfers in				
Capital Reserve Fund	537,900	537,900	419,955	(117,945)
TOTAL OTHER FINANCING SOURCES	547,900	547,900	419,955	(127,945)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 14,641,142	\$ 14,641,142	\$ 14,750,109	\$ 108,967

MONTGOMERY TOWNSHIP
SCHEDULE OF FUNCTIONAL EXPENDITURES BY
ACTIVITY AND OTHER FINANCING USES
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual Amounts	Over (Under) Budget
	Original	Final		
EXPENDITURES				
General government				
Administration	\$ 1,389,170	\$ 1,396,311	\$ 1,367,629	\$ (28,682)
Tax collection	174,400	174,400	188,057	13,657
Finance	536,200	536,200	537,858	1,658
Information technology	261,560	261,560	225,927	(35,633)
TOTAL GENERAL GOVERNMENT	<u>2,361,330</u>	<u>2,368,471</u>	<u>2,319,471</u>	<u>(49,000)</u>
Public safety				
Police	7,490,065	7,494,543	7,349,096	(145,447)
Police vehicles	238,830	238,830	250,793	11,963
Fire protection	91,390	91,390	91,689	299
Planning and zoning	768,030	769,590	710,495	(59,095)
Emergency management	13,290	13,290	9,393	(3,897)
TOTAL PUBLIC SAFETY	<u>8,601,605</u>	<u>8,607,643</u>	<u>8,411,466</u>	<u>(196,177)</u>
Highways and streets				
Public works	2,042,031	2,045,182	2,090,751	45,569
Snow removal	87,000	107,560	97,092	(10,468)
Traffic lights	84,485	85,768	129,121	43,353
Street lighting	20,200	20,200	20,788	588
Repairs	30,000	30,000	32,243	2,243
TOTAL HIGHWAYS AND STREETS	<u>2,263,716</u>	<u>2,288,710</u>	<u>2,369,995</u>	<u>81,285</u>
TOTAL EXPENDITURES	<u>13,226,651</u>	<u>13,264,824</u>	<u>13,100,932</u>	<u>(163,892)</u>
OTHER FINANCING USES				
Interfund transfers out				
Capital Reserve Fund	1,162,564	1,162,564	1,412,560	249,996
Recreation Center Fund	200,000	200,000	200,000	-
Autumn Festival Fund	7,000	7,000	7,000	-
TOTAL OTHER FINANCING USES	<u>1,369,564</u>	<u>1,369,564</u>	<u>1,619,560</u>	<u>249,996</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 14,596,215</u>	<u>\$ 14,634,388</u>	<u>\$ 14,720,492</u>	<u>\$ 86,104</u>

MONTGOMERY TOWNSHIP
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2018

				Special Revenue	
	Fire Protection Fund	Park and Recreation Fund	Basin Maintenance Fund	Street Lights Fund	Liquid Fuels Fund
ASSETS					
Cash and cash equivalents	\$ 137,312	\$ 163,171	\$ 8,511	\$ 158,243	\$ 223,585
Investments	341,516	405,509	21,169	393,575	556,090
Taxes receivable	3,749	4,192	-	-	-
Accounts receivable	21,723	5,327	392	2,812	-
TOTAL ASSETS	\$ 504,300	\$ 578,199	\$ 30,072	\$ 554,630	\$ 779,675
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 25,979	\$ 2,410	\$ -	\$ 5,303	\$ -
Accrued payroll	39,941	3,387	371	509	-
TOTAL LIABILITIES	65,920	5,797	371	5,812	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues, property taxes	3,034	3,392	-	-	-
FUND BALANCES					
Restricted					
Providing and maintaining street lights	-	-	-	548,818	-
Debt service	-	-	-	-	-
Basin maintenance	-	-	29,701	-	-
Park development projects	-	-	-	-	-
Highway and street projects	-	-	-	-	779,675
Knapp Farm house	-	-	-	-	-
Committed to					
Arbor Day and shade tree commission	-	-	-	-	-
Environmental	-	-	-	-	-
Fire protection capital purchases and/or infrastructure projects	435,346	-	-	-	-
Assigned					
Park and recreation projects	-	569,010	-	-	-
Annual autumn fest	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	435,346	569,010	29,701	548,818	779,675
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 504,300	\$ 578,199	\$ 30,072	\$ 554,630	\$ 779,675

Funds			Capital Projects Funds			Debt Service Fund	Total Other Governmental Funds
Environmental Fund	Replacement Tree Fund	Autumn Festival Fund	Park Development Fund	Capital Projects Fund	Restoration Fund		
\$ 108,711	\$ 182,274	\$ 15,378	\$ 61,228	\$ -	\$ 2,841	\$ 17,786	\$ 1,079,040
270,382	453,345	38,248	152,282	-	7,067	44,237	2,683,420
-	-	-	-	-	-	-	7,941
1,972	1,760	-	564	-	-	1,972	36,522
<u>\$ 381,065</u>	<u>\$ 637,379</u>	<u>\$ 53,626</u>	<u>\$ 214,074</u>	<u>\$ -</u>	<u>\$ 9,908</u>	<u>\$ 63,995</u>	<u>\$ 3,806,923</u>
\$ 568	\$ 12,899	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,159
-	-	-	-	-	-	-	44,208
568	12,899	-	-	-	-	-	91,367
-	-	-	-	-	-	-	6,426
-	-	-	-	-	-	-	548,818
-	-	-	-	-	-	63,995	63,995
-	-	-	-	-	-	-	29,701
-	-	-	214,074	-	-	-	214,074
-	-	-	-	-	-	-	779,675
-	-	-	-	-	9,908	-	9,908
-	624,480	-	-	-	-	-	624,480
380,497	-	-	-	-	-	-	380,497
-	-	-	-	-	-	-	435,346
-	-	-	-	-	-	-	569,010
-	-	53,626	-	-	-	-	53,626
-	-	-	-	-	-	-	-
380,497	624,480	53,626	214,074	-	9,908	63,995	3,709,130
<u>\$ 381,065</u>	<u>\$ 637,379</u>	<u>\$ 53,626</u>	<u>\$ 214,074</u>	<u>\$ -</u>	<u>\$ 9,908</u>	<u>\$ 63,995</u>	<u>\$ 3,806,923</u>

MONTGOMERY TOWNSHIP

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2018

	Special Revenue Funds					
	Fire Protection Fund	Park and Recreation Fund	Basin Maintenance Fund	Street Lights Fund	Liquid Fuels Fund	Fire Relief Fund
REVENUES						
Taxes	\$ 868,260	\$ 420,296	\$ -	\$ 134,003	\$ -	\$ -
Licenses and permits	53,894	-	-	-	-	-
Interest income, rents and royalties	762	9,936	-	10,202	1,622	-
Intergovernmental revenues	13,939	-	-	-	724,992	205,654
Charges for services	19,483	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL REVENUES	<u>956,338</u>	<u>430,232</u>	<u>-</u>	<u>144,205</u>	<u>726,614</u>	<u>205,654</u>
EXPENDITURES						
Current						
General government	-	-	-	-	-	-
Public safety	954,955	-	-	-	-	205,654
Highways and streets	-	-	64,946	148,628	591,657	-
Parks and recreation	-	467,575	-	-	-	-
TOTAL EXPENDITURES	<u>954,955</u>	<u>467,575</u>	<u>64,946</u>	<u>148,628</u>	<u>591,657</u>	<u>205,654</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,383</u>	<u>(37,343)</u>	<u>(64,946)</u>	<u>(4,423)</u>	<u>134,957</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	29,260	112,246	76,500	-	-	-
Interfund transfers out	-	(29,540)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>29,260</u>	<u>82,706</u>	<u>76,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	30,643	45,363	11,554	(4,423)	134,957	-
FUND BALANCES AT BEGINNING OF YEAR	<u>404,703</u>	<u>523,647</u>	<u>18,147</u>	<u>553,241</u>	<u>644,718</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 435,346</u>	<u>\$ 569,010</u>	<u>\$ 29,701</u>	<u>\$ 548,818</u>	<u>\$ 779,675</u>	<u>\$ -</u>

			Capital Projects Funds				
Environmental Fund	Replacement Tree Fund	Autumn Festival Fund	Park Development Fund	Capital Projects Fund	Restoration Fund	Debt Service Fund	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,422,559
-	-	-	-	-	-	-	53,894
10,477	10,239	78	3,150	-	14	10,230	56,710
105,900	-	-	-	-	-	-	1,050,485
90	-	-	-	-	-	-	19,573
-	95,893	26,423	91,656	66,761	-	-	280,733
<u>116,467</u>	<u>106,132</u>	<u>26,501</u>	<u>94,806</u>	<u>66,761</u>	<u>14</u>	<u>10,230</u>	<u>2,883,954</u>
34,181	251,311	32,832	-	-	-	540	318,864
-	-	-	-	106,610	-	-	1,267,219
-	-	-	-	-	-	-	805,231
-	49,137	703	2,507	-	-	-	519,922
<u>34,181</u>	<u>300,448</u>	<u>33,535</u>	<u>2,507</u>	<u>106,610</u>	<u>-</u>	<u>540</u>	<u>2,911,236</u>
<u>82,286</u>	<u>(194,316)</u>	<u>(7,034)</u>	<u>92,299</u>	<u>(39,849)</u>	<u>14</u>	<u>9,690</u>	<u>(27,282)</u>
-	-	7,000	-	39,906	-	-	264,912
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(244,895)</u>	<u>(274,435)</u>
-	-	7,000	-	39,906	-	(244,895)	(9,523)
82,286	(194,316)	(34)	92,299	57	14	(235,205)	(36,805)
<u>298,211</u>	<u>818,796</u>	<u>53,660</u>	<u>121,775</u>	<u>(57)</u>	<u>9,894</u>	<u>299,200</u>	<u>3,745,935</u>
<u>\$ 380,497</u>	<u>\$ 624,480</u>	<u>\$ 53,626</u>	<u>\$ 214,074</u>	<u>\$ -</u>	<u>\$ 9,908</u>	<u>\$ 63,995</u>	<u>\$ 3,709,130</u>

MONTGOMERY TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
REVENUES				
Interest income, rents and royalties	\$ 113,820	\$ 113,820	\$ 200,313	\$ 86,493
EXPENDITURES				
General government				
Administration	177,700	177,700	38,686	(139,014)
Tax collection	1,000	1,000	814	(186)
Finance	500	500	407	(93)
Information technology	7,050	7,050	2,902	(4,148)
TOTAL GENERAL GOVERNMENT	186,250	186,250	42,809	(143,441)
Public safety				
Police	24,600	27,230	8,456	(18,774)
Fire protection	1,202,200	1,202,200	12,115	(1,190,085)
TOTAL PUBLIC SAFETY	1,226,800	1,229,430	20,571	(1,208,859)
Highways and streets				
Public works	20,009	20,009	29,631	9,622
Snow removal	7,000	7,000	7,000	-
Traffic lights	22,500	22,500	15,945	(6,555)
Repairs	1,025,076	1,025,076	641,702	(383,374)
TOTAL HIGHWAYS AND STREETS	1,074,585	1,074,585	694,278	(380,307)
Parks and recreation	170,305	170,305	87,278	(83,027)
TOTAL EXPENDITURES	2,657,940	2,660,570	844,936	(1,815,634)
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,544,120)	(2,546,750)	(629,623)	1,917,127
OTHER FINANCING SOURCES				
Interfund transfers in				
General Fund	1,162,564	1,162,564	1,412,560	249,996
Parks and Recreation Fund	75,540	75,540	29,540	(46,000)
TOTAL INTERFUND TRANSFERS IN	1,238,104	1,238,104	1,442,100	203,996
Interfund transfers out				
Recreation Center Fund	(69,200)	(69,200)	(20,385)	48,815
Basin Maintenance Fund	(76,500)	(76,500)	(76,500)	-
General Fund	(537,900)	(537,900)	(419,955)	117,945
Fire Protection Fund	(68,650)	(68,650)	(29,260)	39,390
Parks and Recreation Fund	(113,450)	(113,450)	(112,246)	1,204
Capital Projects	(40,510)	(40,510)	(39,906)	604
TOTAL INTERFUND TRANSFERS OUT	(906,210)	(906,210)	(698,252)	207,958
TOTAL OTHER FINANCING SOURCES	331,894	331,894	782,340	450,446
NET CHANGE IN FUND BALANCE	(2,212,226)	(2,214,856)	152,717	2,367,573
FUND BALANCE AT BEGINNING OF YEAR	11,918,428	11,918,428	11,918,428	-
FUND BALANCE AT END OF YEAR	\$ 9,706,202	\$ 9,703,572	\$ 12,071,145	\$ 2,367,573

MONTGOMERY TOWNSHIP**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND****BALANCES--BUDGET AND ACTUAL****NONMAJOR SPECIAL REVENUE FUNDS****YEAR ENDED DECEMBER 31, 2018**

	Fire Protection Fund		Park and Recreation Fund	
	Budget	Actual	Budget	Actual
REVENUES				
Taxes				
Real estate	\$ 377,401	\$ 376,053	\$ 421,801	\$ 420,296
Earned income	310,000	310,000	-	-
Local services	192,500	182,207	-	-
TOTAL TAXES	879,901	868,260	421,801	420,296
Licenses and permits, tipping fees	56,000	53,894	-	-
Interest income, rents and royalties	590	762	6,790	9,936
Intergovernmental revenues				
State	15,000	13,939	-	-
Charges for services				
Fire department services	10,400	19,483	-	-
Recycling bins	-	-	-	-
TOTAL CHARGES FOR SERVICES	10,400	19,483	-	-
Contributions	-	-	-	-
TOTAL REVENUES	961,891	956,338	428,591	430,232
EXPENDITURES				
General government, administration	-	-	-	-
Public safety, fire protection	1,001,912	954,955	-	-
Highways and streets				
Public works	-	-	-	-
Street lighting	-	-	-	-
Repairs	-	-	-	-
TOTAL HIGHWAYS AND STREETS	-	-	-	-
Parks and recreation	-	-	512,503	467,575
TOTAL EXPENDITURES	1,001,912	954,955	512,503	467,575
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(40,021)	1,383	(83,912)	(37,343)
OTHER FINANCING SOURCES				
Interfund transfers in				
General Fund	-	-	-	-
Capital Reserve Fund	31,650	29,260	113,450	112,246
TOTAL INTERFUND TRANSFERS IN	31,650	29,260	113,450	112,246
Interfund transfers out				
Capital Reserve Fund	-	-	(29,540)	(29,540)
TOTAL OTHER FINANCING SOURCES	31,650	29,260	83,910	82,706
NET CHANGE IN FUND BALANCES	(8,371)	30,643	(2)	45,363
FUND BALANCES AT BEGINNING OF YEAR	404,703	404,703	523,647	523,647
FUND BALANCES AT END OF YEAR	\$ 396,332	\$ 435,346	\$ 523,645	\$ 569,010

Basin Maintenance Fund		Street Lights Fund		Liquid Fuels Fund		Fire Relief Fund		Environmental Fund		Replacement Tree Fund		Autumn Festival Fund	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ -	\$ -	\$ 133,450	\$ 134,003	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	133,450	134,003	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	7,240	10,202	810	1,622	-	-	7,390	10,477	7,100	10,239	60	78
-	-	-	-	709,840	724,992	226,000	205,654	40,000	105,900	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	90	-	-	-	-
-	-	-	-	-	-	-	-	-	90	-	-	-	-
-	-	-	-	-	-	-	-	-	-	45,600	95,893	21,000	26,423
-	-	140,690	144,205	710,650	726,614	226,000	205,654	47,390	116,467	52,700	106,132	21,060	26,501
-	-	-	-	-	-	-	-	37,024	34,181	440,500	251,311	26,960	32,832
-	-	-	-	-	-	226,000	205,654	-	-	-	-	-	-
81,250	64,946	40,900	47,427	-	-	-	-	9,500	-	56,498	49,137	-	-
-	-	103,070	101,201	-	-	-	-	-	-	-	-	-	-
-	-	-	-	710,650	591,657	-	-	-	-	-	-	-	-
81,250	64,946	143,970	148,628	710,650	591,657	-	-	9,500	-	56,498	49,137	-	-
-	-	-	-	-	-	-	-	-	-	-	-	1,100	703
81,250	64,946	143,970	148,628	710,650	591,657	226,000	205,654	46,524	34,181	496,998	300,448	28,060	33,535
(81,250)	(64,946)	(3,280)	(4,423)	-	134,957	-	-	866	82,286	(444,298)	(194,316)	(7,000)	(7,034)
-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000
76,500	76,500	-	-	-	-	-	-	-	-	-	-	-	-
76,500	76,500	-	-	-	-	-	-	-	-	-	-	7,000	7,000
-	-	-	-	-	-	-	-	-	-	-	-	-	-
76,500	76,500	-	-	-	-	-	-	-	-	-	-	7,000	7,000
(4,750)	11,554	(3,280)	(4,423)	-	134,957	-	-	866	82,286	(444,298)	(194,316)	-	(34)
18,147	18,147	553,241	553,241	644,718	644,718	-	-	298,211	298,211	818,796	818,796	53,660	53,660
\$ 13,397	\$ 29,701	\$ 549,961	\$ 548,818	\$ 644,718	\$ 779,675	\$ -	\$ -	\$ 299,077	\$ 380,497	\$ 374,498	\$ 624,480	\$ 53,660	\$ 53,626

MONTGOMERY TOWNSHIP

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--BUDGET AND ACTUAL NONMAJOR CAPITAL PROJECTS FUNDS YEAR ENDED DECEMBER 31, 2018

	Park Development Fund		Capital Projects Fund		Restoration Fund	
	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES						
Interest income, rents and royalties	\$ 2,130	\$ 3,150	\$ -	\$ -	\$ 10	\$ 14
Contributions	75,440	91,656	66,760	66,761	-	-
TOTAL REVENUES	<u>77,570</u>	<u>94,806</u>	<u>66,760</u>	<u>66,761</u>	<u>10</u>	<u>14</u>
EXPENDITURES						
General government						
Administration	-	-	-	-	9,900	-
Public safety						
Police	-	-	40,510	39,849	-	-
Fire protection	-	-	66,760	66,761	-	-
TOTAL PUBLIC SAFETY	<u>-</u>	<u>-</u>	<u>107,270</u>	<u>106,610</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>77,570</u>	<u>94,806</u>	<u>(40,510)</u>	<u>(39,849)</u>	<u>(9,890)</u>	<u>14</u>
OTHER FINANCING USES						
Interfund transfers in						
Capital Reserve Fund	-	-	40,510	39,906	-	-
Interfund transfers out						
Capital Reserve Fund	-	-	-	-	-	-
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>40,510</u>	<u>39,906</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	77,570	94,806	-	57	(9,890)	14
FUND BALANCES AT BEGINNING OF YEAR	<u>121,775</u>	<u>121,775</u>	<u>(57)</u>	<u>(57)</u>	<u>9,894</u>	<u>9,894</u>
FUND BALANCES AT END OF YEAR	<u>\$ 199,345</u>	<u>\$ 216,581</u>	<u>\$ (57)</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 9,908</u>

MONTGOMERY TOWNSHIP**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE--BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2018**

	Debt Service Fund	
	Budget	Actual
REVENUES		
Interest income, rents and royalties	\$ 7,520	\$ 10,230
EXPENDITURES		
General government, administration	2,000	540
Debt service		
Principal retirement	25,000	-
TOTAL EXPENDITURES	27,000	540
EXCESS OF REVENUES OVER EXPENDITURES	(19,480)	9,690
OTHER FINANCING SOURCES (USES)		
Interfund transfers in		
General Fund	-	-
Interfund transfers out		
Recreation Center Fund	-	(244,895)
TOTAL OTHER FINANCING SOURCES (USES)	-	(244,895)
NET CHANGE IN FUND BALANCE	(19,480)	(235,205)
FUND BALANCE AT BEGINNING OF YEAR	299,200	299,200
FUND BALANCE AT END OF YEAR	\$ 279,720	\$ 63,995

MONTGOMERY TOWNSHIP

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

YEAR ENDED DECEMBER 31, 2018

	Escrow Fund			
	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
ASSETS				
Cash	\$ <u>839,888</u>	\$ <u>2,005,180</u>	\$ <u>(1,079,462)</u>	\$ <u>1,765,606</u>
LIABILITIES				
Escrow and other deposits	\$ <u>839,888</u>	\$ <u>2,005,180</u>	\$ <u>(1,079,462)</u>	\$ <u>1,765,606</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 Report for the relevant year. The Township implemented GASB Statement No. 34 in 2004; schedules presenting government-wide information include information beginning in that year.

	Montgomery Township Net Position by Component Last Ten Fiscal Years (accrual basis of accounting)									
	2009	2010	2011 (1)	2012 (2)	2013 (3)	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 106,928,471	\$ 106,979,859	\$ 108,143,857	\$ 108,047,221	\$ 110,550,367	\$ 112,076,605	\$ 113,106,973	\$ 113,595,908	\$ 113,030,543	\$ 112,672,031
Restricted	-	-	2,573,872	2,774,921	2,630,718	3,018,757	1,655,979	1,622,842	1,646,975	1,646,171
Unrestricted	18,916,409	18,843,099	16,053,270	16,105,263	17,778,825	17,420,811	12,618,239	13,895,248	15,542,690	14,118,867
Total governmental activities net position	<u>125,844,880</u>	<u>125,822,958</u>	<u>126,770,999</u>	<u>126,927,405</u>	<u>130,959,910</u>	<u>132,516,173</u>	<u>127,381,191</u>	<u>129,113,998</u>	<u>130,220,208</u>	<u>128,437,069</u>
Business-type activities										
Net investment in capital assets	-	-	-	-	(1,054,718)	(871,148)	2,967,520	2,817,631	2,500,698	2,173,825
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	(83,112)	(51,887)	512,935	94,650	118,335	130,507
Total business-type activities net position	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(83,112)</u>	<u>(923,035)</u>	<u>3,480,455</u>	<u>2,912,281</u>	<u>2,619,033</u>	<u>2,304,332</u>
Primary government										
Net investment in capital assets	106,928,471	106,979,859	108,143,857	108,047,221	109,495,649	111,205,457	116,074,493	116,145,816	115,531,241	114,845,856
Restricted	-	-	2,573,872	2,774,921	2,630,718	3,018,757	1,655,979	1,622,842	1,646,975	1,646,171
Unrestricted	18,916,409	18,843,099	16,053,270	16,105,263	17,695,713	17,368,924	13,131,174	13,989,898	15,661,025	14,249,374
Total primary government net position	<u>\$ 125,844,880</u>	<u>\$ 125,822,958</u>	<u>\$ 126,770,999</u>	<u>\$ 126,927,405</u>	<u>\$ 129,822,080</u>	<u>\$ 131,593,138</u>	<u>\$ 130,861,646</u>	<u>\$ 131,758,556</u>	<u>\$ 132,839,241</u>	<u>\$ 130,741,401</u>
Notes:										
	(1) Montgomery Township applied GASB Statement No. 54 in fiscal year 2011, changing the way restricted versus unrestricted assets are reported.									
	(2) Montgomery Township applied GASB Statement No. 63 in fiscal year 2012.									
	(3) Montgomery Township added a proprietary fund during fiscal year 2013.									
Source:	Montgomery Township Records, Statement of Net Position.									

TABLE 2										
Montgomery Township										
Changes in Net Position										
Last Ten Fiscal Years										
(modified accrual basis of accounting)										
	2009	2010 (1)	2011	2012 (2)	2013 (3)	2014	2015	2016	2017	2018
Expenditures										
Governmental Activities										
General Government	\$ 2,268,985	\$ 2,144,259	\$ 2,020,878	\$ 1,975,461	\$ 1,977,589	\$ 2,156,792	\$ 2,196,876	\$ 2,302,216	\$ 2,403,329	\$ 2,671,569
Public Safety	6,700,787	7,168,920	7,337,227	7,837,879	8,172,869	7,994,539	8,543,152	8,834,138	8,810,371	9,656,082
Highways and Streets	1,974,513	2,938,385	3,051,214	3,250,223	2,954,258	2,863,824	3,080,080	2,930,010	3,065,656	3,630,512
Parks and Recreation	659,577	568,400	593,554	758,403	854,770	792,683	478,748	365,999	410,813	469,547
Police and Employee Pension Costs	616,193	-	-	-	-	-	-	-	-	-
Interest on long-term debt	60,857	44,694	35,704	51,755	226,143	22,851	12,610	3,896	-	-
Depreciation, Unallocated	820,828	776,908	819,214	877,568	871,406	859,765	901,584	946,421	920,457	952,194
Amortization of bond issue cost and discounts, unallocated	5,172	5,172	5,172	5,172	678	678	678	678	-	-
Total governmental activities expenditures	13,106,912	13,646,738	13,862,963	14,756,461	15,057,713	14,691,132	15,213,728	15,383,358	15,610,626	17,379,904
Business-Type Activities										
Recreation Center	-	-	-	-	141,742	269,504	1,430,152	1,658,552	1,649,490	1,637,921
Total business activities expenditures	-	-	-	-	141,742	269,504	1,430,152	1,658,552	1,649,490	1,637,921
Total primary government expenditures	13,106,912	13,646,738	13,862,963	14,756,461	15,199,455	14,960,636	16,643,880	17,041,910	17,260,116	19,017,825
Program Revenues										
Governmental Activities										
Charges for services										
General Government	50,953	62,533	43,405	70,852	71,054	71,448	83,833	80,811	63,415	103,948
Public Safety	755,515	825,034	956,892	1,316,137	991,234	1,136,533	1,140,983	1,071,941	1,306,493	1,120,606
Highways and Streets	6,376	6,375	-	12,750	6,900	6,900	6,750	6,900	6,900	6,900
Parks and Recreation	199,817	182,870	225,034	238,540	256,560	249,833	1,845	961	-	-
Operating Grants and Contributions	1,267,648	949,586	1,512,844	1,079,469	1,351,862	1,494,079	1,064,528	1,304,769	1,228,154	1,918,463
Capital Grants and Contributions	-	-	-	-	1,770,813	163,211	-	267,723	-	-
Total governmental activities program revenues	2,280,309	2,026,398	2,738,175	2,717,748	4,448,423	3,122,004	2,297,939	2,733,105	2,604,962	3,149,917
Business-Type Activities										
Charges for services	-	-	-	-	-	-	348,626	542,315	731,815	717,940
Operating Grants and Contributions	-	-	-	-	-	-	263,080	66	-	-
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	-	-	-	-	-	-	611,706	542,381	731,815	717,940
Total primary government program revenues	2,280,309	2,026,398	2,738,175	2,717,748	4,448,423	3,122,004	2,909,645	3,275,486	3,336,777	3,867,857
Net (expense)/revenue										
Governmental Activities	(10,826,603)	(11,620,340)	(11,124,788)	(12,038,713)	(10,609,290)	(11,569,128)	(12,915,789)	(12,650,253)	(13,005,664)	(14,229,987)
Business-Type Activities	-	-	-	-	(141,742)	(269,504)	(818,446)	(1,116,171)	(917,675)	(919,981)
Total primary government net expense	\$ (10,826,603)	\$ (11,620,340)	\$ (11,124,788)	\$ (12,038,713)	\$ (10,751,032)	\$ (11,838,632)	\$ (13,734,235)	\$ (13,766,424)	\$ (13,923,339)	\$ (15,149,968)

TABLE 2										
Montgomery Township										
Changes in Net Position										
Last Ten Fiscal Years										
(modified accrual basis of accounting)										
	2009	2010 (1)	2011	2012 (2)	2013 (3)	2014	2015	2016	2017	2018
General Revenues and other Changes in Net Assets										
Government Activities										
Taxes	\$ 10,645,490	\$ 10,485,766	\$ 11,486,880	\$ 11,583,722	\$ 12,970,889	\$ 12,958,193	\$ 13,414,506	\$ 13,733,814	\$ 13,810,780	\$ 13,445,996
Cable TV Franchise Fees	396,874	439,003	483,769	502,002	536,820	572,530	588,476	612,010	610,646	578,487
Investment Income	311,340	120,328	83,569	88,555	97,683	89,292	152,425	150,541	174,875	300,867
Gain (loss) on sale of capital assets	879,084	553,321	18,611	20,840	36,403	(17,730)	98,169	334,692	-	20,056
Refund of Prior Year Expenditures	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total Government Activities	12,232,788	11,598,418	12,072,829	12,195,119	14,641,795	13,125,391	9,132,079	14,383,060	14,111,874	13,880,126
Business-Type Activities										
Taxes	-	-	-	-	-	-	100,000	100,000	140,000	140,000
Investment Income	-	-	-	-	3,912	7,405	439	-	-	-
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	(1,000,000)	476,894	5,121,497	447,997	484,427	465,280
Total Business-Type Activities	-	-	-	-	(996,088)	484,299	5,221,936	547,997	624,427	605,280
Total primary government	12,232,788	11,598,418	12,072,829	12,195,119	13,645,707	13,609,690	14,354,015	14,931,057	14,736,301	14,485,406
Change in Net Position										
Government Activities	1,406,185	(21,922)	948,041	156,406	4,032,505	1,556,263	(3,783,710)	1,732,807	1,106,210	(349,861)
Business-Type Activities	-	-	-	-	(1,137,830)	214,795	4,403,490	(568,174)	(293,248)	(314,701)
Total primary government	\$ 1,406,185	\$ (21,922)	\$ 948,041	\$ 156,406	\$ 2,894,675	\$ 1,771,058	\$ 619,780	\$ 1,164,633	\$ 812,962	\$ (664,562)
Notes:										
(1) Police and Employee Pension Costs are distributed amongst the appropriate functions beginning 2010.										
(2) Montgomery Township applied GASB Statement No. 63 in fiscal year 2012 and as a result is reporting Net Position.										
(3) Montgomery Township added a proprietary fund during fiscal year 2013. The fund had no program revenue in 2013.										
Source: Montgomery Township Records, Statement of Activities.										

Montgomery Township Fund Balances Of Governmental Funds Last Ten Fiscal Years (modified accrual basis of accounting)											TABLE 3
	2009	2010	2011 (1)	2012	2013	2014	2015	2016	2017	2018	
General Fund											
Reserved	3,200	3,200	-	-	-	-	-	-	-	-	
Unreserved	2,294,563	2,538,375	-	-	-	-	-	-	-	-	
Non-Spendable	-	-	3,200	3,200	-	-	-	-	-	-	
Unassigned	-	-	2,789,761	3,215,108	3,006,135	3,267,459	3,015,068	2,988,933	3,033,855	3,063,472	
Total General Fund	2,297,763	2,541,575	2,792,961	3,218,308	3,006,135	3,267,459	3,015,068	2,988,933	3,033,855	3,063,472	
All other governmental funds											
Reserved	2,056,389	1,599,140	-	-	-	-	-	-	-	-	
Unreserved, reported in											
Special revenue funds	2,373,591	2,605,488	-	-	-	-	-	-	-	-	
Capital projects funds	11,823,426	11,923,918	-	-	-	-	-	-	-	-	
Restricted											
Street Light Fund	-	-	610,834	594,459	593,217	570,741	562,300	568,392	553,241	548,818	
Debt Service Fund	-	-	704,870	700,876	712,798	1,101,320	814,752	545,847	299,200	63,995	
Basin Maintenance Fund	-	-	261,327	188,611	115,353	55,339	28,485	6,795	18,147	29,701	
Park Development Fund	-	-	171,518	289,544	300,932	333,663	605	59,191	121,775	214,074	
Liquid Fuels Fund	-	-	152,279	227,574	117,476	181,728	239,954	432,734	644,718	779,675	
Environmental Fund	-	-	649,527	741,885	703,110	-	-	-	-	-	
Restoration Fund	-	-	23,517	23,610	23,615	9,880	9,883	9,883	9,894	9,908	
300th Anniversary	-	-	-	8,362	64,217	49	-	-	-	-	
Committed											
Replacement Tree Fund	-	-	635,572	586,667	603,955	925,650	689,954	720,875	818,796	624,480	
Fire Services Fund	-	-	213,550	247,054	247,521	290,060	209,452	304,091	404,703	435,346	
Capital Reserve Fund	-	-	11,800,878	11,970,441	13,568,257	12,522,769	9,225,410	9,201,982	11,918,428	12,071,145	
Environmental Fund	-	-	-	-	-	766,037	307,579	325,156	298,211	380,497	
Assigned											
Park and Recreation Fund	-	-	577,156	595,845	605,902	576,539	573,210	489,004	523,647	569,010	
Capital Projects Fund	-	-	-	-	-	-	-	1,403,738	-	-	
Autumn Festival Fund	-	-	26,464	36,503	43,941	50,125	44,717	48,959	53,660	53,626	
Unassigned	-	-	-	(2,757)	-	-	-	-	(57)	-	
Total all other governmental funds	16,253,406	16,128,546	15,825,148	16,208,674	17,700,294	17,383,900	12,706,301	14,116,647	15,664,363	15,780,275	
Total all Governmental funds	18,551,169	18,670,121	18,618,109	19,426,982	20,706,429	20,651,359	15,721,369	17,105,580	18,698,218	18,843,747	
Notes:											
(1) Montgomery Township first applied GASB Statement No. 54 in the fiscal year ending December 31, 2011. Therefore, the fund balance designations for prior years differ.											
Source : Montgomery Township Records, Balance Sheet Governmental Funds.											

Montgomery Township											Table 4
Changes in Fund Balances of Governmental Funds											
Last Ten Fiscal Years (Unaudited)											
Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Revenues											
Taxes	\$ 10,658,866	\$ 10,558,172	\$ 11,479,869	\$ 11,992,652	\$ 12,580,357	\$ 12,739,806	\$ 13,184,101	\$ 13,600,315	\$ 13,776,766	\$ 13,400,150	
Licenses and Permits	998,662	1,105,903	1,222,484	1,619,506	1,311,440	1,515,140	1,530,037	1,404,032	1,577,695	1,430,081	
Fines and Forfeitures	129,191	135,190	179,842	179,435	178,452	173,774	186,404	175,253	202,604	175,879	
Interest Income, Rents and Royalties	312,678	131,528	84,595	89,635	99,388	90,977	154,279	151,502	174,875	300,867	
Intergovernmental Revenues	1,239,390	1,234,924	1,691,974	1,296,844	1,346,635	1,462,211	1,385,772	1,677,626	1,537,790	1,687,813	
Charges for Services	280,344	263,522	305,748	340,260	370,971	346,637	103,601	125,616	140,394	137,220	
Contributions	28,258	73,729	437,351	158,117	440,075	477,226	106,127	192,614	280,186	297,411	
Total Revenues	13,647,389	13,502,968	15,401,863	15,676,449	16,327,518	16,805,771	16,650,321	17,326,958	17,690,310	17,429,421	
Expenditures											
Current											
General Government	2,346,523	2,147,085	3,079,371	3,859,155	2,025,324	3,952,497	2,545,286	2,340,169	2,522,623	2,581,144	
Public Safety	6,720,338	7,030,217	7,447,466	7,460,701	7,776,548	7,640,697	8,658,550	8,310,595	9,358,207	9,699,256	
Highways and Streets	2,383,845	3,212,200	3,263,340	3,469,225	3,065,869	2,868,323	3,344,278	3,192,619	3,252,408	3,869,504	
Parks and Recreation	686,519	568,400	643,990	803,448	849,671	889,622	419,889	503,847	480,007	607,200	
Other Employee Benefits not allocated	616,193	607,784	663,646	707,378	888,672	882,524	928,923	1,023,766	-	-	
Debt Service											
Principal	318,914	340,510	349,200	451,262	1,283,917	132,515	654,452	453,509	-	-	
Interest and other charges	59,888	43,792	29,662	51,613	226,727	23,529	13,288	4,937	-	-	
Total Expenditures	13,132,220	13,949,988	15,476,675	16,802,782	16,116,728	16,389,707	16,564,466	15,829,442	15,613,245	16,857,104	
Excess (deficiency) of revenues over expenditures	515,169	(447,020)	(74,812)	(1,126,333)	210,790	416,064	85,855	1,497,516	2,077,065	572,317	
Other Financing Sources (Uses)											
Proceeds from sale of capital assets	1,217,084	565,972	22,800	20,840	68,657	5,760	105,652	334,692	-	38,492	
Proceeds from loan issuance	-	-	-	1,914,366	-	-	-	-	-	-	
Proceeds from county infrastructure loan	-	-	-	-	-	-	-	-	-	-	
Refund of prior years' expenditures	-	-	-	-	-	-	-	-	-	-	
Interfund transfers in	1,359,760	747,891	2,133,806	1,800,109	3,378,900	1,954,419	3,050,732	2,487,377	3,028,371	2,126,967	
Interfund transfers out	(1,359,760)	(747,891)	(2,133,806)	(1,800,109)	(2,378,900)	(2,431,313)	(8,172,229)	(2,935,374)	(3,512,799)	(2,592,247)	
Total Other Financing Sources (Uses)	1,217,084	565,972	22,800	1,935,206	1,068,657	(471,134)	(5,015,845)	(113,305)	(484,427)	(426,788)	
Net change in fund balance	1,732,253	118,952	(52,012)	808,873	1,279,447	(55,070)	(4,929,990)	1,384,211	1,592,638	145,529	
Fund balance at beginning of year	18,818,916	18,551,769	18,670,121	18,618,109	19,426,982	20,706,429	20,651,359	15,721,369	17,105,580	18,698,218	
Fund balance at end of year	18,551,169	18,670,121	18,618,109	19,426,982	20,706,429	20,651,359	15,721,369	17,105,580	18,698,218	18,843,747	
Debt Service as a percentage of non-capital expenditures	3.05%	2.87%	2.74%	3.45%	10.87%	1.11%	4.37%	3.03%	0.00%	0.00%	

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

Table 5

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

Year Ended 31-Dec	Real Estate Tax (1)	Earned Income Tax	Realty Transfer Tax	Business Gross Receipts	Total
2009	\$ 2,902,742	\$ 4,147,313	\$ 607,113	\$ 3,001,698	\$ 10,658,866
2010	2,850,219	4,209,528	564,737	2,933,688	10,558,172
2011	2,898,651	4,285,766	759,294	3,536,158	11,479,869
2012	2,896,039	4,777,242	693,084	3,626,287	11,992,652
2013	3,029,689	5,033,800	1,060,556	3,456,312	12,580,357
2014	3,020,420	5,307,108	710,519	3,701,759	12,739,806
2015	3,027,953	5,672,401	919,752	3,563,995	13,184,101
2016	3,061,984	5,693,633	923,419	3,921,279	13,600,315
2017	3,077,801	5,613,342	1,088,442	3,997,181	13,776,766
2018	\$ 3,061,850	\$ 5,581,993	\$ 753,903	\$ 4,002,404	\$ 13,400,150

Notes:

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

Source : Montgomery Township Records, DCED Annual Audit and Financial Report.

Table 6

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

Fiscal Year Ended	Total Assessed Value (1)	Less: Tax-Exempt Property	Total Taxable Assessed Value	Estimated Actual Value (2)	Ratio of total Assessed value to Estimated Actual Value	Total Township Tax Rate (3)
31-Dec						
2009	\$ 2,146,023,354	\$ 52,035,596	\$ 2,093,987,758	\$ 3,974,117,322	.540	1.49
2010	2,152,471,548	52,249,920	2,100,221,628	3,776,265,874	.570	1.49
2011	2,150,673,626	52,330,288	2,098,343,338	3,826,821,399	.562	1.49
2012	2,178,848,188	57,458,860	2,121,389,328	3,876,954,071	.562	1.49
2013	2,183,821,944	58,036,790	2,125,785,154	3,449,955,678	.633	1.49
2014	2,237,449,614	58,259,560	2,179,190,054	3,891,216,720	.575	1.49
2015	2,256,413,614	62,417,400	2,193,996,614	4,014,970,843	.562	1.49
2016	2,264,629,254	62,924,970	2,201,704,284	4,036,772,289	.561	1.49
2017	2,277,164,074	68,256,890	2,208,907,184	4,209,175,738	.541	1.49
2018	\$ 2,293,793,324	\$ 71,213,210	\$ 2,222,580,114	\$ 4,506,470,185	.509	1.49

Notes:

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

Source: Montgomery County Board of Assessments.

Table 7

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

Fiscal Year	Montgomery Township				Overlapping Rates			
	General Fund Millage	Park and Recreation Millage	Fire Protection Millage	Debt Service Millage	Total Township Millage	Total County Millage	School Millage	Total Millage
2009	0.89	0.19	0.17	0.24	1.49	2.6950	21.3396	25.5246
2010	0.89	0.19	0.17	0.24	1.49	2.6950	21.9564	26.1414
2011	0.89	0.19	0.17	0.24	1.49	2.6950	21.9564	26.1414
2012	0.89	0.19	0.17	0.24	1.49	3.1520	22.3256	26.9676
2013	0.89	0.19	0.17	0.24	1.49	3.1520	22.7049	27.3469
2014	0.89	0.19	0.17	0.24	1.49	3.1520	23.1819	27.8239
2015	0.89	0.19	0.17	0.24	1.49	3.1520	23.6223	28.2643
2016	0.89	0.19	0.17	0.24	1.49	3.4590	24.1890	29.1380
2017	1.13	0.19	0.17	0	1.49	3.8490	24.6704	30.0094
2018	1.13	0.19	0.17	0	1.49	3.8490	25.5090	30.8480

Source: Pennsylvania DCED Municipal Statistics.

<p style="text-align: center;">Montgomery Township Principal Property Taxpayers Current and Nine Years Ago (Unaudited)</p>							Table 8
Taxpayer	Type of Business	2018			2009		
		Assessed Value	Rank	% of Total Assessment	Assessed Value	Rank	% of Total Assessment
Montgomeryville Associates, Inc.	Shopping Mall	\$ 90,971,026	1	3.97%	\$ 102,194,030	1	5.44%
Kir Montgomeryville	Shopping Mall	35,960,000	2	1.57%	22,426,090	3	1.19%
Private Individual	Industrial Building	30,567,300	3	1.33%	10,090,220	6	0.54%
Avenel Realty Co. Inc.	Apartment Building	28,213,000	4	1.23%			
Nappen & Associates	Industrial Building	28,151,400	5	1.23%			
Gateway DC Properties, Inc.	Shopping Mall	20,350,290	6	0.89%	23,051,750	2	1.23%
Water Tower Square Associates	Apartment Building	19,229,000	7	0.84%	17,858,150	4	0.95%
309 Development Co.	Industrial Building	15,567,610	8	0.68%			
Village of Neshaminy Falls	Rental Lots	14,794,330	9	0.64%	8,811,260	9	0.47%
SBS of Montgomeryville, Inc.	Hotel	13,956,830	10	0.61%			
Lowe's Home Center	Retail Store				15,882,230	5	0.85%
Montgomery Commons Associates	Shopping Mall				9,769,950	7	0.52%
Target Corp.	Retail Store				9,751,090	8	0.52%
Private Individual	Industrial Building				8,500,000	10	0.45%
TOTAL		\$ 297,760,786		12.98%	\$ 228,334,770		12.16%
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	Amount	Percentage of Levy
2009	\$ 2,811,938	\$ 2,746,015	97.7%	\$ 65,916	\$ 2,811,931		100.00%
2010	2,821,764	2,744,438	97.3%	77,326	2,821,764		100.00%
2011	2,808,794	2,731,699	97.3%	77,108	2,808,807		100.00%
2012	2,840,066	2,760,624	97.2%	79,378	2,840,002		100.00%
2013	2,846,605	2,811,419	98.8%	33,786	2,845,205		99.95%
2014	2,927,294	2,912,770	99.5%	14,524	2,927,294		100.00%
2015	2,946,166	2,927,048	99.4%	19,118	2,946,166		100.00%
2016	2,959,941	2,944,287	99.5%	15,654	2,959,941		100.00%
2017	2,965,292	2,952,471	99.6%	7,707	2,960,178		99.83%
2018	\$ 2,993,090	\$ 2,975,914	99.4%	\$ -	\$ 2,975,914		99.43%

Notes:

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

<p style="text-align: center;">Table 10 Montgomery Township Business Privilege and Mercantile Tax Revenue Base and Collections Last 10 Years (Unaudited)</p>					
Year Ended	Number of	Taxable	Taxes	Tax	
31-Dec	Returns	Sales	Collected	Rate	
2009	1,391	\$ 1,770,841,333	\$ 2,656,262	1.5 Mills	
2010	1,437	1,727,391,333	2,591,087	1.5 Mills	
2011	1,461	1,862,376,000	2,793,564	1.5 Mills	
2012	1,488	1,868,025,333	2,802,038	1.5 Mills	
2013	1,418	1,805,094,667	2,707,642	1.5 Mills	
2014	1,399	1,947,312,000	2,920,968	1.5 Mills	
2015	1,229	1,966,163,333	2,949,245	1.5 Mills	
2016	1,255	2,081,536,000	3,122,304	1.5 Mills	
2017	1,406	2,112,738,000	3,169,107	1.5 Mills	
2018	1,434	\$ 2,165,382,273	\$ 3,248,073	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>2018</u>		<u>2009</u>	
	Rank	% of Total	Rank	% of Total
Retail Store	1	6.28%	1	7.41%
Retail Store	2	3.71%	-	-
Retail Store - Auto	3	2.97%	-	-
Retail Store	4	2.82%	7	2.22%
Retail Store - Auto	5	2.49%	6	2.18%
Retail Store	6	2.46%	2	2.84%
Retail Store	7	2.27%	-	-
Retail Store	8	2.13%	5	2.26%
Retail Store - Auto	9	2.13%	-	-
Design and Manufacturing	10	1.91%	-	-
Retail Store	-	-	3	2.35%
Relocation Services	-	-	4	2.31%
Retail Store	-	-	8	2.02%
Department Store	-	-	9	1.74%
Retail Store	-	-	10	1.63%

Percentage of Total Gross Collections

29.16% 26.95%

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

Source: Montgomery Township Business Tax Records

Table 12

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

Fiscal Year	General Obligation Bonds (1)	General Obligation Notes	General Obligation Bonds	Total Outstanding Debt	Percentage of Personal Income (2)	Population(3)	Debt Per Capita
	Governmental Activities		Business-type Activities				
2009	665,000	1,086,000	-	1,751,000	0.17%	23,504	74
2010	505,000	905,490	-	1,410,490	0.14%	24,790	57
2011	345,000	716,290	-	1,061,290	0.10%	24,790	43
2012	175,000	2,349,392	-	2,524,392	0.26%	24,601	103
2013	-	1,240,476	8,990,889	10,231,365	0.96%	25,121	407
2014	-	1,107,961	8,782,554	9,890,515	0.87%	25,386	390
2015	-	453,509	8,574,219	9,027,728	0.79%	26,025	347
2016	-	-	8,721,375	8,721,375	0.76%	26,025	335
2017	-	-	8,716,293	8,716,293	0.73%	26,143	333
2018	-	-	8,686,211	8,686,211	0.68%	25,890	336

Notes:

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

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

(3) Population taken from United States Census Bureau.

Table 13

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

Year Ended 31-Dec	Population	Assessed Value	Gross General Bonded Debt	Debt Service Fund Balance	Net General Bonded Debt	Percentage of		
						General Bonded Debt to Assessed Value	General Bonded Debt per Capita	
2009	23,504	2,093,987,758	665,000	483,382	181,618	0.01%	\$8	
2010	24,790	2,152,471,548	505,000	586,034	-81,034	0.00%	\$0	
2011	24,790	2,150,673,626	345,000	704,870	-359,870	0.00%	\$0	
2012	24,601	2,178,848,188	175,000	700,876	-525,876	0.00%	\$0	
2013	25,121	2,183,821,944	0	712,798	-712,798	-0.03%	-\$28	
2014	25,386	2,237,449,614	0	1,101,320	-1,101,320	-0.05%	-\$43	
2015	26,025	2,256,413,614	0	814,752	-814,752	-0.04%	-\$31	
2016	26,025	2,264,629,254	0	545,847	-545,847	-0.02%	-\$21	
2017	26,143	2,277,164,074	0	299,200	-299,200	-0.01%	-\$11	
2018	25,890	2,293,793,324	0	63,995	-63,995	0.00%	-\$2	

Source:

Population 2009 Bureau of Census 2005-2009 American Community Survey
 2010 Bureau of Census 2010 Population Total by Municipality
 2011-2015 Bureau of Census 2011-2013 American Community Survey
 2016-2018 United States Census Bureau QuickFacts

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

Montgomery Township				TABLE 14
Computation of Direct and Overlapping Debt				
December 31, 2018 (Unaudited)				
	Net Debt Outstanding		Debt Applicable to Montgomery	
Direct Debt of the Township and Related Entities				
Montgomery Township	\$ -	\$	-	
Overlapping Debt				
County of Montgomery	\$ 459,884,018	(1)	\$ 15,743,249	
North Penn School District	\$ 103,835,000	(2)	\$ 30,574,686	
Total Overlapping Debt	\$ 563,719,018		\$ 46,317,935	
Total Direct and Overlapping Debt	\$ 563,719,018		\$ 46,317,935	
Notes:				
(1) Percentage of total Montgomery County debt as of December 31, 2018, based on the ratio of Montgomery Twp Assessed valuation to Montgomery County 2018 Assessed Value.				
(2) Percentage of total North Penn School District debt as of June 30, 2018, based on the ratio of Montgomery Twp Assessed valuation to North Penn School District 2018 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, 2018 (Unaudited)	
Borrowing base revenues (1):	
2016	\$ 17,326,958
2017	17,690,310
2018	17,429,421
Total Revenues	<u>\$ 52,446,689</u>
Debt limit for General Obligation Bonds:	
Average borrowing base revenues	\$ 17,482,230
Debt limit percent	250%
Debt limit	<u>\$ 43,705,574</u>
Total amount of debt applicable to debt limit	-
Legal debt margin	<u>\$ 43,705,574</u>
Debt limit for General Obligation bonds and lease rental debt:	
Average borrowing base revenues	\$ 17,482,230
Debt limit percent	350%
Debt limit	<u>\$ 61,187,804</u>
Total amount of debt applicable to debt limit	-
Legal debt margin	<u>\$ 61,187,804</u>
Notes: Borrowing base represents total revenues per Act 177 of 1996 recodified Unit Debt Act.	
Source: Montgomery Township Annual Financial Statements.	

Table 16

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

Year Ended 31-Dec	Debt Limit	Gross		Legal Debt Margin	Total Gross General Obligation Debt as a Percentage of Debt Limit	
		General Obligation Debt	Debt			
2009	37,105,083	1,751,000	35,354,083	4.72%		
2010	35,282,084	1,410,490	33,871,594	4.00%		
2011	33,211,068	1,061,290	32,149,778	3.20%		
2012	37,151,067	2,524,392	34,626,675	6.79%		
2013	39,169,754	2,242,844	36,926,910	5.73%		
2014	40,339,682	2,243,621	38,096,061	5.56%		
2015	41,151,242	4,548,448	36,602,794	11.05%		
2016	42,319,213	4,216,122	38,103,091	9.96%		
2017	43,705,574	2,547,313	41,158,261	5.83%		
2018	43,705,574	5,978,817	37,726,757	13.68%		

Source: Montgomery Township Annual Financial Statements.

<p style="text-align: center;">Montgomery Township Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures Last Ten Years (Unaudited)</p>						
Year Ended	Principal	Interest	Debt Services	Total General Governmental Expenditures	Ratio of Debt Service to Total General Governmental Expenditures	
31-Dec						
2009	318,914	59,888	378,802	13,132,220		2.88%
2010	340,510	43,792	384,302	13,949,988		2.75%
2011	349,200	29,661	378,861	15,476,675		2.45%
2012	451,262	51,613	502,875	16,802,782		2.99%
2013	1,283,917	226,727	1,510,644	16,116,728		9.37%
2014	132,515	23,529	156,044	16,389,707		0.95%
2015	654,452	13,288	667,740	16,643,880		4.01%
2016	453,509	4,937	458,446	15,829,442		2.90%
2017	0	0	0	15,613,245		0.00%
2018	0	0	0	16,857,104		0.00%
Source: Montgomery Township Annual Financial Statements.						

<div> <div>Table 18</div> <div> Montgomery Township Demographic and Economic Statistics Last Ten Years (Unaudited) </div> </div>				
Year Ended 31-Dec	Per Capita Income (1)	Population (1)	Per Capita Personal Income	Unemployment Rate (2)
2009	44,142	23,504	1,037,513,568	6.7
2010	41,095	24,790	1,018,745,050	6.8
2011	40,891	24,790	1,013,687,890	7.0
2012	42,539	25,121	1,068,622,219	4.3
2013	42,539	25,121	1,068,622,219	4.5
2014	44,629	25,386	1,132,951,794	4.5
2015	43,880	26,025	1,141,977,000	3.0
2016	44,130	26,025	1,148,483,250	3.6
2017	45,702	26,143	1,194,787,386	3.4
2018	49,293	25,890	1,276,195,770	3.1
Source: (1) United States Census Bureau (2) U.S. Dept. of Labor Statistics for Montgomery County, Montgomery Twp				

Table 19

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

Employer	Description	2018			2009		
		Employees		Rank	Employees		Rank
		Total Township Employment		% of	Total Township Employment		% of
Teva Pharmaceutical	Pharmaceutical	780	1	3.62%	775	1	3.40%
Cobham Advanced Electronics	Manufacturing	538	2	2.50%	-	-	-
McCallion Temps, Inc.	Employment Agency	450	3	2.09%	670	2	2.94%
Wegmans Food Markets	Grocery Store	431	4	2.00%	-	-	-
Harriet Carter Gifts	Catalog/Online Sales	385	5	1.79%	485	3	2.12%
Capital Wine and Spirits	Distributor	363	6	1.68%	-	-	-
Costco	Retail Store	348	7	1.61%	339	8	1.49%
Gemalto, Inc.	Manufacturing	307	8	1.42%	351	7	1.54%
Target	Retail Store	286	9	1.33%	432	6	1.89%
FedEx Ground Package Sys, Inc.	Logistics	286	10	1.33%	-	-	-
Macy's	Department Store	-	-	-	464	4	2.03%
American Pool Management	Manufacturing	-	-	-	329	9	1.44%
BAE Systems	Manufacturing	-	-	-	445	5	1.95%
Giant Food Stores	Grocery Store	-	-	-	319	10	1.40%
TOTAL		4,174		19.36%	4,609		20.19%

Notes:

Total Number of individuals employed in the Township in 2018: 21,563

Total Number of individuals employed in the Township in 2009: 22,826

Source: 2009 Township Occupational Privilege/Local Services Tax Records and 2018 Berkheimer, Inc. Records.

Table 20

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government	8.0	8.0	8.0	7.5	7.5	7.5	7.7	7.0	7.6	7.9
Finance and Tax Collection	7.5	7.5	6.5	6.5	6.5	6.5	7.5	8.0	7.5	7.5
Public Safety										
Officers	35.0	35.0	36.0	36.0	36.0	36.0	35.0	36.0	35.0	36.0
Civilians	9.0	9.0	9.0	9.0	9.0	9.0	8.0	9.0	9.0	9.0
Fire Safety										
Officers	5.8	5.8	5.8	5.8	5.8	6.8	6.1	6.3	6.4	6.1
Clerical	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.7	0.7
Code Enforcement, Building & Zoning	6.3	6.3	6.3	5.0	5.0	5.4	5.5	5.5	5.1	4.4
Public Works										
Highway, Storm Sewers, Street Lights, Traffic Signals, Facilities and Parks	21.3	21.3	23.3	22.3	21.3	21.3	19.2	20.1	19.2	19.7
Culture and Recreation	2.0	2.0	2.0	2.0	2.0	2.0	9.9	13.0	14.1	12.8
Totals:	95.3	95.3	97.4	94.6	93.6	95.0	99.5	105.5	104.6	104.1

Source: Montgomery Township, Montgomery County, Pennsylvania Records.

<div> <div>Table 21</div> <div> <div>Montgomery Township</div> <div>Operating Indicators by Function</div> <div>Last Ten Fiscal Years (Unaudited)</div> </div> </div>										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Part I Crimes	561	479	531	443	418	465	397	425	409	366
Part II Crimes	1,127	1,226	1,113	1,028	1,142	1,085	1,117	1,104	773	1,174
Total Calls for Service	26,028	26,607	29,306	26,250	28,966	29,841	31,980	30,976	32,510	32,537
Fire Safety										
Total Responses	570	572	599	588	565	639	615	585	562	646
Code Enforcement & Zoning										
Total Permits	928	1,160	1,374	1,349	1,314	1,345	1,388	1,441	1,298	1,388
Land Development Submittals	7	3	1	10	9	8	10	7	6	10
Zoning Hearing Board Applications	19	14	15	15	17	18	11	18	12	21
Rezoning Requests	0	0	0	0	1	2	0	1	1	0
Conditional Use Applications	1	0	2	2	2	1	2	1	1	3
Highway and Streets										
Streets Resurfaced (miles)	0 (1)	4.34	5.02	5.47	5.43	2.71	2.84	3.01	3.38	4.03
Notes:	(1) Due to favorable conditions of streets, the Township opted to defer annual street resurfacing work in 2009 but continued funding of 14-Year Road Program reserve.									
Source:	Montgomery Township, Montgomery County, Pennsylvania Records									

<div>Table 22</div> <div>Montgomery Township</div> <div>Capital Asset Statistics by Function</div> <div>Last Ten Fiscal Years (Unaudited)</div>										
Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
Municipal Building	1	1	1	1	1	1	1	1	1	1
Public Works Building	1	1	1	1	1	1	1	1	1	1
Recreation Center Building	-	-	-	-	-	1	1	1	1	1
Public Safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicle Units	20	19	19	19	19	19	19	19	19	19
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Apparatus	5	5	5	5	5	5	4	4	4	4
Highway and Streets										
Street Miles	73	73	73	73	73	73	73	73	74	74
Traffic Signals	43	42	41	48	48	48	49	50	50	50
Stormwater Detention Basins	63	63	63	63	63	63	63	63	63	63
Culture and Recreation										
Park Sites	11	11	11	13	13	14	14	14	14	14
Acres	306	306	314	326	326	376	376	376	376	376
Playgrounds	8	8	8	8	8	8	8	8	8	8
Soccer Fields	11	11	11	11	11	11	11	11	11	11
Baseball Fields	14	14	14	14	14	14	14	14	14	14
Tennis Courts	16	16	16	16	16	16	16	16	16	16
Basketball Courts	7	9	9	9	9	8.5	8.5	8.5	9.0	9
Street Hockey	4	4	4	4	4	4	4	4	4	4
Disc Golf Course	1	1	1	1	1	1	1	1	1	1
Volleyball Courts	2	2	2	2	2	2	2	2	2	2
Dog Park	1	1	1	1	1	1	1	1	1	1

Source: Montgomery Township, Montgomery County, Pennsylvania Records.

Table 23

SCHEDULE OF INSURANCE COVERAGES 12/31/2018
PROPERTY COVERAGE

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

o.	Scheduled Landscaping, Tees, Sand Traps, Greens and Athletic Fields with sublimits per item per form	\$5,000,000	Each Occurrence
p.	Unscheduled Fine Arts	\$2,500,000	Each Occurrence
q.	Furs, Jewelry, Precious Metals and Stones	\$500,000	Each Occurrence,
			Each Participant
r.	Unscheduled Watercraft (under twenty-seven feet in length, unless scheduled)	\$2,500,000	Each Occurrence
s.	Off Premises Service Interruption including Extra Expense Resulting from a Covered Peril at Non-Owned/Operated Locations	\$25,000,000	Each Interruption
t.	Business Interruption, including Rental Income, Tuition and Related Fees Income and Tax Interruption, if values have been reported	\$100,000,000	Each Interruption for All Participants
u.	Extended Period of Indemnity	180	Combined
v.	Business Interruption, including Rental Income, Tuition and Related Fees Income and Tax Interruption, if values have not been reported	\$500,000	Days
w.	Contingent Business Interruption (including Rental Income, Tuition and Fees Income, Tax Interruption) Resulting from a Covered Peril at Direct Supplier or Direct Customer Locations	\$3,000,000	Each Interruption for All Participants
x.	Contingent Extra Expense Resulting from a Covered Peril at Direct Supplier or Direct Customer Locations	\$3,000,000	Combined
y.	Leasehold Interest	\$500,000	Each Interruption for All Participants
z.	Claims Preparation Expense	\$1,000,000	Each Occurrence
aa.	Accidental Contamination of Land	\$250,000	Each Occurrence for All Participants
bb.	Accidental Contamination of Land	\$250,000	Participants Combined
cc.	Earthquake Shock	\$50,000,000	Annual Aggregate for All Participants
dd.	Flood	\$100,000,000	Annual Aggregate for All Participants
ee.	Flood - Zones A, AE, V and all other 100 year Floodplains	\$50,000,000	Annual Aggregate for All Participants
ff.	Terrorism **	\$25,000,000	Annual Aggregate for All Participants

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

 - ** This terrorism coverage applies excess of any terrorism coverage available through the Trust's property reinsurance underwritten by Alliant Insurance Services' Public Entity Property Insurance Program (PEPIP USA). Per occurrence and aggregate limits of the PEPIP USA program for terrorism are shared by Delaware Valley Insurance Trust and other public entity group self-insurance pools and public entity insureds throughout the United States. This \$25,000,000 terrorism limit applies on a stand-alone basis and is dedicated to Delaware Valley Insurance Trust membership only and is not shared with other public entities covered by the PEPIP USA program.
- | | | | | |
|----|--|----------|----------------|-----------------------------------|
| 3 | Deductibles | | | |
| a. | All Coverages Combined - Property Perils | \$1,000 | | Each Occurrence |
| b. | Flood (Other Than Zone A, AE or V locations, water or sewer plant locations, pump stations, water or sewer lines or wells) | \$25,000 | | Each Occurrence |
| c. | Flood (Zone A, AE or V locations, water or sewer plant locations, pump stations, water or sewer lines or wells) | \$50,000 | | Each Occurrence |
| d. | Service Interruption (Property Damage and Time Element) | 24 Hours | Waiting Period | Annual Tax Values, |
| e. | Tax Interruption | 2.5% | | Each Location,
Each Occurrence |

BOILER COVERAGE

1	Limit of Liability		
	The following Limit of Liability applies: All Coverages Combined (Property Damage and Business Interruption and Extra Expense)	\$100,000,000	Each Accident
2	Sublimits of Liability		
	The following Sublimits of Liability apply. These are part of and not in addition to the Limit of Liability:		
	a. Expediting Expense	\$50,000,000	Each Accident
	b. Errors and Omissions	\$50,000,000	Each Accident
	c. Hazardous Substances	\$10,000,000	Each Accident
	d. Water Damage	Included	Each Accident
	e. Consequential Damage	Included	Each Accident
	f. Ordinance or Law - Value of Undamaged Portion of Building, Demolition and Increased Cost of Construction Due to Ordinance or Law	\$25,000,000	Each Accident
	g. EDP Media	\$10,000,000	Each Accident
	h. Earthquake Resultant Damage	\$2,000,000	Annual Aggregate
	i. Utility Interruption for Utilities Owned by Others and For Covered Objects and Covered Perils	\$10,000,000	Each Accident
	j. Automatic Acquisitions	\$25,000,000	Each Accident
3	Deductibles		
	a. Property Damage	\$1,000	Each Accident
	b. Business Interruption and Extra Expense	24 Hours	Waiting Period
	c. Off Premises Service Interruption (Property Damage and Time Element)	24 Hours	Waiting Period

CRIME COVERAGE

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

LIABILITY COVERAGE

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

2	Deductibles	o. Heart and Lung Act Liability			Annual Aggregate
		p. Privacy Liability (effective May 1, 2009)	\$100,000		Annual Aggregate
	a. General Liability	General Liability arising out of Skateboarding or Rollerblading			Each Occurrence
		General Liability arising out of Backup of Sewage	\$0		Each Occurrence
		General Liability arising out of Backup of Sewage	\$2,500		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
		General Liability arising out of Backup of Sewage	n/a		Each Occurrence
		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

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

SCHEDULE OF PREMIUMS CONTRIBUTIONS PAID IN 2018

<u>DELAWARE VALLEY INSURANCE TRUST</u>	
Property	\$54,169
Crime	\$2,223
Auto Liability	\$34,430
Auto Physical Damage	\$32,369
General Liability	\$79,536
Law Enforcement Liability	\$80,943
Public Officials Liability	\$54,095
Heart and Lung Act Liability	\$17,456
Sub Total	\$355,221
Less 5% Multi-trust Discount	(\$16,888)
<small>(does not apply to Heart and Lung Act Liability Contribution)</small>	
Less Rate Stabilization Contribution	(\$26,705)
Less Prior Year Dividend	(\$37,345)
Net Contribution	\$274,283

<u>DELAWARE VALLEY WORKERS COMPENSATION TRUST</u>	
Annual contribution	\$313,364
Less 3% Multi-trust Discount	(\$9,401)
Less Rate Stabilization Contribution	(\$46,172)
Less Prior Year Dividend	(\$32,694)
Net Contribution	\$225,097

Source: Montgomery Township Insurance Records

<p style="text-align: center;">Table 24 Montgomery Township Selected Data - Police Pension Plan Last Ten Years (Unaudited)</p>							
Year Ended 31-Dec	Number of Active Members	Contributions			Number of Retired Members (1)		
		Members	Township	State		Total	
2009	32	143,224	151,359	225,935	7	520,518	
2010	32	135,123	142,441	229,440	11	507,004	
2011	32	134,351	22,489	410,011	13	566,851	
2012	33	122,216	259,417	204,643	14	586,276	
2013	33	148,340	386,423	240,147	16	774,910	
2014	33	150,850	355,422	255,596	18	761,868	
2015	32	158,990	508,209	243,040	17	910,239	
2016	31	164,706	482,032	279,277	17	926,015	
2017	34	174,855	486,249	284,472	18	945,576	
2018	35	195,000	523,950	327,907	19	1,046,857	
Notes:							
(1) Includes officers participating in DROP.							
Source: Montgomery Township, Montgomery County, Pennsylvania Records.							

<p style="text-align: center;">Montgomery Township Employee Pension Plans Annual Contributions by Township Last Ten Years (Unaudited)</p>						Table 25
Year Ended	Primary Plan (1)		Secondary Plan		Total	
31-Dec	Non Uniform	Police	Non Uniform		All	
2009	88,615	151,359	22,752		262,726	
2010	62,550	142,441	21,028		226,019	
2011	13,683	22,489	17,466		53,638	
2012	48,201	259,417	21,050		328,668	
2013	45,769	386,423	20,150		452,342	
2014	58,054	355,422	23,000		436,476	
2015	73,096	508,209	23,689		604,994	
2016	60,159	482,032	15,338		557,529	
2017	49,387	486,249	15,012		550,648	
2018	91,227	523,950	15,508		630,685	
Notes:						
(1) Contributions Net of State Aid.						
Source: Montgomery Township, Montgomery County, Pennsylvania Records.						

<div> <div>Table 26</div> <div> Montgomery Township Salaries of Elected Officials December 31, 2018 (Unaudited) </div> </div>	
Official/Title	Annual Salary
Supervisor, Chairman	\$4,250
Supervisor, Vice-Chairman	\$4,250
Supervisor	\$4,250
Supervisor	\$4,250
Supervisor	\$4,250
Tax Collector	\$10,000
Source: Montgomery Township, Montgomery County Pennsylvania Records.	

Table 27

**Montgomery Township
Miscellaneous Statistics
December 31, 2018 (Unaudited)**

<u>Date Founded</u>	Incorporated 1714
<u>Form of Government</u>	2nd Class Township Governed by 5 Member Board of Supervisors Elected at Large
<u>Area</u>	10.82 Square Miles
<u>Miles of Road</u>	73.92 Maintained by the Township
<u>Fire Protection</u>	Combination Department with 5 Career and over 50 Volunteer Fire Fighters manning two (2) stations with four (4) apparatus
<u>Police Protection</u>	36 Officers Including Chief of Police. 9 Civilian Support/Dispatch Staff.
<u>Recreation</u>	14 Park sites and over 375 acres of park space. 40,000+ square foot Community & Recreation Center opened in October of 2015.
<u>Libraries</u>	Montgomery County Public Library System
<u>Transportation:</u>	
<u>Bus</u>	SEPTA Bus Service on Routes 94, 96, 132 and 134
<u>Railway</u>	SEPTA Regional Rail Line R-5 with access at the Colmar, Link Belt, Fortuna and Lansdale Rail Stations
<u>Highway</u>	Township is located at the crossroads of Rt 309, Rt 202 business and the Rt 202 Parkway.
<u>Education:</u>	
<u>Number of Schools (Fall 2017)</u>	
<u>Elementary</u>	Public 2 Nonpublic 1
<u>Middle</u>	Public 0 Nonpublic 0
<u>Secondary</u>	Public 0 Nonpublic 0

Hospitals:

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

Township Employees:

<u>Full Time</u>	<u>2018</u>
	96
<u>Part Time</u>	58
<u>Seasonal</u>	46

Population:

<u>2018</u>	<u>2009</u>
25,890	23,504

Age Group Comparisons:

	<u>Township</u>		<u>State</u>		<u>US</u>	
	<u>2018</u>	<u>2009</u>	<u>2018</u>	<u>2009</u>	<u>2018</u>	<u>2009</u>
<u>% Under 18</u>	23.3%	26.1%	21.0%	22.4%	22.9%	24.4%
<u>% 18-64</u>	61.8%	60.6%	61.9%	62.3%	62.2%	62.9%
<u>% Over 65</u>	14.9%	13.3%	17.1%	15.3%	14.9%	12.7%
<u>Median (years)</u>	42.9	40.9	40.7	39.8	37.8	36.9

Average Household Size (persons):

<u>Montgomery Township</u>	<u>2018</u>	<u>2009</u>
	2.32	2.43
<u>U.S.</u>	2.61	2.55

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

<u>Montgomery Township</u>	<u>2018</u>	<u>2009</u>
	62.0%	67.3%
<u>U.S.</u>	48.4%	49.7%

Married couple families by presence of children under 18:

<u>With children</u>	<u>2018</u>	<u>2009</u>
	3,312	3,441
<u>Without children under 18</u>	6,189	5,406
<u>Difference</u>	2,877	1,964

Source: United States Census Bureau - American Fact Finder Data and Montgomery Township, Montgomery County, Pennsylvania records.