
Report of Audit

on the

Financial Statements

of the

Township of Montgomery

in the

County of Somerset
New Jersey

for the

Year Ended
December 31, 2012

TOWNSHIP OF MONTGOMERY

I N D E X

PAGES

PART I

Independent Auditor's Report

1-3

EXHIBITS

Financial Statements - Regulatory Basis

Current Fund:

Balance Sheets - Regulatory Basis

"A"

Statements of Operations and Change in Fund Balance-Regulatory Basis

"A-1"

Statement of Revenues-Regulatory Basis - Year Ended December 31, 2012

"A-2"

Statement of Expenditures-Regulatory Basis - Year Ended December 31, 2012

"A-3"

Trust Fund:

Balance Sheets-Regulatory Basis

"B"

Statement of Assessment Trust Fund Balance-Regulatory Basis

"B-1"

General Capital Fund:

Balance Sheets-Regulatory Basis

"C"

Statement of Fund Balance-Regulatory Basis

"C-1"

Sewer Utility Fund:

Balance Sheets-Regulatory Basis

"D"

Statements of Operations and Change in Fund Balance-Regulatory Basis
for the Year Ended December 31, 2012

"D-1"

Statement of Capital Surplus - Regulatory Basis

"D-2"

Statement of Revenues-Regulatory Basis - Sewer Utility Operating Fund
for the Year Ended December 31, 2012

"D-3"

Statement of Expenditures-Regulatory Basis - Sewer Utility Operating Fund
for the Year Ended December 31, 2012

"D-4"

Public Assistance Trust Fund:

Balance Sheets - Regulatory Basis

"E"

General Fixed Assets Account Group:

Balance Sheets - Regulatory Basis

"F"

PAGES

Notes to Financial Statements

4-24

TOWNSHIP OF MONTGOMERY

I N D E X (CONTINUED)

Supplementary Schedules - All Funds

EXHIBITS

Current Fund:

Schedule of Cash-Treasurer	"A-4"
Schedule of Cash-Collector	"A-5"
Schedule of Petty Cash Fund	"A-6"
Schedule of Change Funds	"A-7"
Schedule of Due State of New Jersey for Senior Citizens and Veterans Deductions Per Chapter 20, P.L.1971	"A-8"
Schedule of Taxes Receivable and Analysis of Property Tax Levy	"A-9"
Schedule of Tax Title Liens	"A-10"
Schedule of Property Acquired for Taxes (at Assessed Valuation)	"A-11"
Schedule of Revenue Accounts Receivable	"A-12"
Schedule of Interfunds	"A-13"
Schedule of Reserve for Miscellaneous Deposits	"A-14"
Schedule of Reserve for Sale of Municipal Assets	"A-15"
Schedule of Tax Overpayments	"A-16"
Schedule of Special District Taxes Payable	"A-17"
Schedule of 2011 Appropriation Reserves	"A-18"
Schedule of Reserve for Encumbrances	"A-19"
Schedule of Reserve for Encumbrances - Grant Fund	"A-20"
Schedule of Prepaid Taxes	"A-21"
Schedule of County Taxes Payable	"A-22"
Schedule of Local District School Tax Payable	"A-23"
Schedule of Municipal Open Space Tax Payable	"A-24"
Schedule of Interfunds - Grant Fund	"A-25"
Schedule of Grants Receivable - Grant Fund	"A-26"
Schedule of Reserve for Grants-Appropriated - Grant Fund	"A-27"
Schedule of Reserve for Grants-Unappropriated - Grant Fund	"A-28"
Schedule of Deferred Charges	"A-29"

Trust Fund:

Schedule of Cash-Treasurer	"B-2"
Schedule of Assessments Receivable	"B-3"
Schedule of Interfunds - Assessment Trust Funds	"B-4"
Schedule of Prospective Assessments Funded	"B-5"
Schedule of Reserve for Prospective Assessments	"B-6"
Schedule of Reserve for Assessments Receivable	"B-7"
Schedule of Due State of New Jersey - Animal Control Trust Fund	"B-8"
Schedule of Reserve for Animal Control Fund Expenditures	"B-9"
Schedule of Encumbrances Payable - Animal Control Fund	"B-10"
Schedule of Interfunds - Animal Control Trust Funds	"B-11"
Schedule of Reserve for Various Trust Deposits	"B-12"
Schedule of Reserve for Open Space Trust Fund	"B-13"
Schedule of Interfunds - Other Funds	"B-14"
Schedule of Reserve for Encumbrances	"B-15"

TOWNSHIP OF MONTGOMERY

I N D E X (CONTINUED)

EXHIBITS

General Capital Fund:

Schedule of Cash-Treasurer	"C-2"
Analysis of Cash	"C-3"
Schedule of Deferred Charges to Future Taxation-Funded	"C-4"
Schedule of Deferred Charges to Future Taxation-Unfunded	"C-5"
Schedule of Contracts Payable	"C-6"
Schedule of Improvement Authorizations	"C-7"
Schedule of Capital Improvement Fund	"C-8"
Schedule of Developers' Contribution Deposits	"C-9"
Schedule of Interfunds	"C-10"
Schedule of Accounts Receivable	"C-11"
Schedule of Green Acres Trust Loans Payable	"C-12"
Schedule of General Serial Bonds	"C-13"
Schedule of Bond Anticipation Notes	"C-14"
Schedule of Various Reserves	"C-15"
Schedule of Investments - U.S. Government Securities	"C-16"
Schedule of Due From Developers	"C-17"
Schedule of Bonds and Notes Authorized But Not Issued	"C-18"

Sewer Utility Fund:

Schedule of Cash-Treasurer	"D-5"
Schedule of Cash-Collector - Sewer Utility Operating Fund	"D-6"
Schedule of Consumer Accounts Receivable - Sewer Utility Operating Fund	"D-7"
Schedule of Loans Receivable - Sewer Utility Capital Fund	"D-8"
Schedule of Sewer Overpayments - Sewer Utility Operating Fund	"D-9"
Schedule of 2011 Appropriation Reserves - Sewer Utility Operating Fund	"D-10"
Schedule of Reserve Encumbrances - Sewer Utility Operating Fund	"D-11"
Schedule of Contracts Payable - Sewer Utility Capital Fund	"D-12"
Schedule of Prepaid Sewer Rents - Sewer Utility Operating Fund	"D-13"
Schedule of Capital Improvement Fund - Sewer Utility Capital Fund	"D-14"
Schedule of Improvement Authorization - Sewer Utility Capital Fund	"D-15"
Schedule of Fixed Capital Authorized and Uncompleted - Sewer Utility Capital Fund	"D-16"
Schedule of New Jersey Environmental Infrastructure Trust Fund Loans Payable - Sewer Utility Capital Fund	"D-17"
Schedule of Fixed Capital - Sewer Utility Capital Fund	"D-18"
Schedule of Accrued Interest - Sewer Utility Operating Fund	"D-19"
Schedule of Interfunds - Sewer Utility Operating Fund	"D-20"
Schedule of Reserve for Amortization - Sewer Utility Capital Fund	"D-21"
Schedule of Miscellaneous Reserves - Sewer Utility Operating Fund	"D-22"
Schedule of Bond Anticipation Notes - Sewer Utility Capital Fund	"D-23"
Schedule of Interfunds - Sewer Utility Capital Fund	"D-24"
Schedule of Sewer Liens Receivable - Sewer Utility Operating Fund	"D-25"
Schedule of Deferred Charges - Sewer Utility Operating Fund	"D-26"
Schedule of General Serial Bonds - Sewer Utility Capital Fund	"D-27"
Schedule of Reserve for Deferred Amortization-Sewer Utility Capital Fund	"D-28"
Schedule of Bonds and Notes Authorized But Not Issued - Sewer Utility Capital Fund	"D-29"

TOWNSHIP OF MONTGOMERY

I N D E X (CONTINUED)

EXHIBITS

Public Assistance Trust Fund:

Schedule of Public Assistance Cash-Treasurer	"E-1"
Schedule of Public Assistance Cash and Reconciliation Per N.J.S.A. 40A:5-5	"E-2"
Schedule of Public Assistance Cash and Reconciliation as of December 31, 2012	"E-3"
Schedule of Public Assistance Revenues - Year Ended December 31, 2012	"E-4"

PAGES

PART II

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	25-26
Independent Auditor's Report on Compliance with Requirements Applicable to Major Federal and State Financial Assistance Programs and Internal Control Over Compliance in Accordance with U.S. OMB Circular A-133 and State of New Jersey OMB Circular 04-04	27-28
Schedule of Expenditures of Federal Awards - Year Ended December 31, 2012	29
Schedule of Expenditures of State Financial Assistance - Year Ended December 31, 2012	30
Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance - Year Ended December 31, 2012	31-32
Schedule of Findings and Questioned Costs for the Year Ended December 31, 2012	33-35

PART III

Statistical Data	36-40
Officials in Office and Surety Bonds	41
Comments and Recommendations	42-46

TOWNSHIP OF MONTGOMERY

PART I

INDEPENDENT AUDITOR'S REPORT ON
AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES AND DATA

FINANCIAL STATEMENTS - REGULATORY BASIS - ALL FUNDS

NOTES TO FINANCIAL STATEMENTS - REGULATORY BASIS

SUPPLEMENTARY SCHEDULES - ALL FUNDS

YEAR ENDED DECEMBER 31, 2012 AND 2011



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@senco.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the Township Committee
Township of Montgomery
County of Somerset
Belle Mead, New Jersey 08502

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various individual funds and account group of the Township of Montgomery, as of December 31, 2012 and 2011, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various individual funds for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township's regulatory financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these regulatory financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the provisions of U.S. Office of Management and Budget (OMB) Circular 133, "Audits of States, Local Governments and Non-Profit Organizations" and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

SUPLEE, CLOONEY & COMPANY

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory financial statements. The procedures selected depend on the auditor's 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 Township of Montgomery'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 Township of Montgomery'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 regulatory financial statements.

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

Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles.

As described in Note 1 of the regulatory financial statements, the regulatory financial statements are prepared by the Township of Montgomery on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the various individual funds and account group of the Township of Montgomery as of December 31, 2012 and 2011, or the results of its operations and changes in fund balance for the years then ended of the revenues or expenditures for the year ended December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the regulatory financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets of the various individual funds and account group as of December 31, 2012 and 2011, the regulatory basis statement of operations and changes in fund balance for the years then ended and the regulatory basis statement of revenues and expenditures and changes in fund balance for the year ended December 31, 2012 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

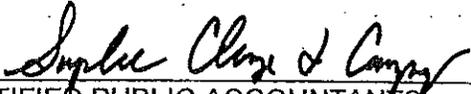
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Montgomery's regulatory financial statements. The information included in the supplementary information and data listed in the table of contents as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are presented for purposes of additional analysis and are not a required part of the regulatory financial statements.

The supplemental information and schedules listed above and also listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the regulatory financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory financial statements or to the regulatory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed and data in the table of contents, as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of expenditures of state financial assistance as required by NJ OMB 04-04 are fairly stated, in all material respects, in relation to the regulatory financial statements as a whole.

The general comments and recommendations section has not been subject to the auditing procedures applied in the audit of the regulatory financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013 on our consideration of the Township of Montgomery's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Montgomery's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS



REGISTERED MUNICIPAL ACCOUNTANT NO. 439

October 24, 2013

CURRENT FUND

TOWNSHIP OF MONTGOMERY

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

<u>ASSETS</u>	<u>REF.</u>	<u>BALANCE DECEMBER 31, 2012</u>	<u>BALANCE DECEMBER 31, 2011</u>
Current Fund:			
Cash	A-4	\$ 9,609,369.45	\$ 8,262,523.37
Change Funds	A-7	675.00	675.00
		<u>\$ 9,610,044.45</u>	<u>\$ 8,263,198.37</u>
Receivables with Full Reserves:			
Delinquent Property Taxes Receivable	A-9	\$ 739,141.46	\$ 850,162.54
Tax Title Liens Receivable	A-10	253,064.75	230,229.34
Property Acquired for Taxes - Assessed Valuation	A-11	115,210.00	115,210.00
Revenue Accounts Receivable	A-12	10,202.14	15,261.49
Interfunds Receivable	A-13	310,597.88	201,660.19
	A	<u>\$ 1,428,216.23</u>	<u>\$ 1,412,523.56</u>
Deferred Charges:			
Emergency Authorization	A-29	\$ 90,550.00	\$ 82,500.00
		<u>\$ 90,550.00</u>	<u>\$ 82,500.00</u>
		<u>\$ 11,128,810.68</u>	<u>\$ 9,758,221.93</u>
Grant Fund:			
Grants Receivable	A-26	\$ 1,204,720.37	\$ 1,124,127.66
Interfunds Receivable	A-25	780,903.18	806,644.63
		<u>\$ 1,985,623.55</u>	<u>\$ 1,930,772.29</u>
		<u>\$ 13,114,434.23</u>	<u>\$ 11,688,994.22</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY

CURRENT FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Current Fund:			
Liabilities:			
Appropriation Reserves	A-3:A-18	\$ 2,104,020.09	\$ 1,813,286.24
Encumbrances Payable	A-19	767,252.80	487,317.11
Due State of New Jersey-Senior Citizens and Veterans Deductions	A-8	12,915.67	9,320.46
Reserve for Sale of Municipal Assets	A-15	93,742.81	91,647.00
Tax Overpayments	A-16	263,122.46	159,279.93
Interfunds Payable	A-13	821,316.55	852,501.52
Prepaid Taxes	A-21	588,583.96	975,196.65
Local District School Tax Payable	A-23	0.43	
Reserve for Miscellaneous Deposits	A-14	836,761.12	970,760.53
		<u>\$ 5,487,715.89</u>	<u>\$ 5,359,309.44</u>
Reserve for Receivables	A	1,428,216.23	1,412,523.56
Fund Balance	A-1	<u>4,212,878.56</u>	<u>2,986,388.93</u>
		<u>\$ 11,128,810.68</u>	<u>\$ 9,758,221.93</u>
Grant Fund:			
Reserve for Grants-Appropriated	A-27	\$ 1,926,032.16	\$ 1,808,524.42
Reserve for Grants-Unappropriated	A-28		2,329.08
Encumbrances Payable	A-20	<u>59,591.39</u>	<u>119,918.79</u>
		<u>\$ 1,985,623.55</u>	<u>\$ 1,930,772.29</u>
		<u>\$ 13,114,434.23</u>	<u>\$ 11,688,994.22</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY

CURRENT FUND

STATEMENTS OF OPERATIONS AND
CHANGE IN FUND BALANCE - REGULATORY BASIS

REVENUE AND OTHER INCOME	REF.	YEAR ENDED	
		DECEMBER 31, 2012	DECEMBER 31, 2011
Fund Balance Utilized	A-1:A-2	\$ 2,500,000.00	\$ 5,300,000.00
Miscellaneous Revenues Anticipated	A-2	19,347,654.48	9,259,453.48
Receipts from Delinquent Taxes	A-2	839,468.57	758,070.73
Receipts from Current Taxes	A-2	101,303,357.11	99,702,156.54
Non-Budget Revenues	A-2	783,268.03	564,601.11
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	A-18	1,655,421.29	1,495,744.59
Miscellaneous Deposits	A-14	170,487.97	
Grants Canceled	A-28	2,329.08	
Interfunds Returned			54,678.76
Total Income		\$ 126,601,986.53	\$ 117,134,705.21
EXPENDITURES			
Budget and Emergency Appropriations:			
Within "CAPS":			
Operations Including Contingent	A-3	\$ 15,961,210.00	\$ 16,173,935.00
Deferred Charges and Regulatory			
Expenditures - Municipal	A-3	2,056,214.00	1,995,048.00
Excluded from "CAPS"			
Operations	A-3	1,620,580.93	2,832,247.31
Capital Improvement Fund	A-3	123,637.50	94,774.25
Municipal Debt Service	A-3	13,096,673.18	4,682,076.68
Deferred Charges and Judgments	A-3	82,500.00	
County Tax	A-22	16,534,301.26	16,525,048.45
County Tax for Added and Omitted Taxes	A-22	47,533.80	44,195.25
Local District School Tax	A-23	70,275,816.44	69,125,898.53
Fire District Tax	A-17	1,496,050.00	1,480,050.00
Municipal Open Space Tax	A-24	1,487,977.77	1,501,619.50
Interfund Advances		108,937.69	
Refund of Prior Years Revenues	A-4	74,614.33	80,907.93
Total Expenditures		\$ 122,966,046.90	\$ 114,535,800.90
Excess in Revenue		\$ 3,635,939.63	\$ 2,598,904.31
Adjustments to Income Before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-3	90,550.00	82,500.00
Statutory Excess to Fund Balance		\$ 3,726,489.63	\$ 2,681,404.31
Fund Balance			
Balance, January 1	A	2,986,388.93	5,604,984.62
Decreased by:			
Utilization as Anticipated Revenue	A-1:A-2	2,500,000.00	5,300,000.00
Balance, December 31	A	\$ 4,212,878.56	\$ 2,986,388.93

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	REF.	ANTICIPATED		REALIZED	EXCESS OR (DEFICIT)
		BUDGET	SPECIAL N.J.S.A. 40A:4-87		
Fund Balance Anticipated	A-1	\$ 2,500,000.00		\$ 2,500,000.00	
Miscellaneous Revenues:					
Alcoholic Beverage Licenses	A-12	\$ 18,500.00		\$ 18,252.00	\$ (248.00)
Other Licenses	A-2				
Construction Code Official - Fees and Permits	A-12	558,800.00		542,214.00	(16,586.00)
Other Fees and Permits	A-2	698,400.00		758,905.93	60,505.93
Fines and Costs - Municipal Court	A-12	225,300.00		236,902.68	11,602.68
Interest and Costs on Taxes	A-12	184,000.00		230,870.97	46,870.97
Interest on Investments and Deposits	A-12	10,000.00		37,860.47	27,860.47
Burglar Alarms	A-12	11,000.00		11,610.00	610.00
Energy Receipts Tax	A-12	1,379,037.00		1,379,037.00	
Sale of Municipal Assets	A-16	32,500.00		32,500.00	
Preschool Registration	A-12	395,000.00		395,000.00	
Pre K Program Registration Fees	A-12	1,012,300.00		943,098.32	(69,201.68)
Municipal Alliance Drug Program	A-26	15,313.00		15,313.00	
Child Safety Grant	A-26		3,850.00	3,850.00	
NJ Health Officers	A-26		4,000.00	4,000.00	
Somerset County Youth Services	A-26		5,000.00	5,000.00	
Drunk Driving Enforcement Fund	A-26		4,849.35	4,849.35	
Open Space Partnership	A-26		34,600.00	34,600.00	
DOT Millstone Valley	A-26		76,320.00	76,320.00	
State Body Armor Replacement Program	A-26	3,056.22	3,126.97	6,183.19	
Sustainable Land Use	A-26	3,750.00		3,750.00	
Recycling Tonnage Grant	A-26		24,788.82	24,788.82	
Clean Communities Grant	A-26		44,302.59	44,302.59	
Safe Corridors	A-26		19,009.98	19,009.98	
Cell Phone Enforcement	A-26		10,000.00	10,000.00	
Shared Services - Pennington	A-12	36,000.00		37,840.00	1,840.00
Shared Services - Hopewell	A-12	28,350.00		28,350.00	
Utility Operating Surplus	A-12	957,100.00		957,100.00	
Zero Coupons Maturing	A-12	97,000.00		98,000.00	1,000.00
Open Space Trust Fund	A-12	1,384,018.77		1,384,018.77	
Lease Income - Cell Tower	A-12	185,000.00		192,368.65	7,368.65
Green Trust Fund	A-12	117,500.00		117,526.22	26.22
General Capital Fund - Premiums 2010	A-12	479,500.00		479,592.12	92.12
Capital Fund in Lieu of Construction	A-12	971,549.16		971,549.19	0.03
Capital Fund Reserve for Debt Payment	A-12	566,123.50		566,123.50	
Sale of NPDC Payment Applied to Debt	A-12	8,500,000.00		8,500,000.00	
Sale of NPDC Payment Applied to Current Year	A-12	351,737.45		351,737.45	
Reserve for Demolition	A-12	785,000.00		785,000.00	
Cable Franchise Fee	A-12	35,000.00		40,230.38	5,230.38
	A-1	\$ 19,040,835.10	\$ 229,847.71	\$ 19,347,654.48	\$ 76,971.67
Receipts From Delinquent Taxes	A-2	\$ 670,100.00		\$ 839,468.57	\$ 169,368.57
Amount to be Raised by Taxes for Support of Municipal Budget	A-9:A-2	\$ 11,567,318.20		\$ 12,007,600.00	\$ 440,281.80
Budget Totals		\$ 33,778,253.30	\$ 229,847.71	\$ 34,694,723.05	\$ 686,622.04
Non-Budget Revenues	A-2			783,268.03	783,268.03
		\$ 33,778,253.30	\$ 229,847.71	\$ 35,477,991.08	\$ 1,469,890.07

REF. A-3 A-3

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	<u>REF.</u>	
Allocations of Current Tax Collections:		
Revenues from Collections	A-1:A-9	\$ 101,303,357.11
Allocated to:		
School and County Taxes		\$ 87,467,587.92
Fire District Tax		1,496,050.00
Township Open Space Tax		<u>1,487,977.77</u>
		<u>90,451,615.69</u>
Balance for Support of Municipal Appropriations		\$ 10,851,741.42
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,155,858.58</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 12,007,600.00</u>

ANALYSIS OF REALIZED REVENUES

Receipts from Delinquent Taxes:		
Delinquent Tax Collections	A-9	\$ <u>839,468.57</u>
	A-1:A-2	<u>\$ 839,468.57</u>
Other Fees and Permits:		
Engineering Department	A-12	\$ 4,869.00
Recreation	A-12	704,350.60
Police Department	A-12	3,600.00
Health Officer	A-12	9,932.00
Township Clerk	A-12	17,720.00
Tax Assessor	A-12	300.00
Miscellaneous Fees	A-12	6,524.33
Zoning Board	A-12	<u>11,610.00</u>
	A-2	<u>\$ 758,905.93</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY

CURRENT FUND

STATEMENT OF REVENUES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

ANALYSIS OF NON-BUDGET REVENUE

	<u>REF.</u>	
Miscellaneous Revenue Not Anticipated:		
Fire Safety		\$ 75,854.37
Code Enforcement		20,382.52
Planning		1,802.50
Police		1,104.00
Finance		323,980.65
Clerk		13,134.75
Health		68,177.59
Recreation		9,412.41
Collector		160.00
Engineering		240.00
Public Works		3,230.71
Assessor		74.90
Zoning		11,450.00
Kid Connection		719.47
Police Outside Overtime		218,260.00
DMV Inspections		17,938.00
Reimbursement of Costs		40.00
Excess Animal Control		<u>10,550.07</u>
	A-4	776,511.94
Tax Collector	A-5	<u>6,756.09</u>
	A-1:A-2	<u>\$ 783,268.03</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION			
OPERATIONS WITHIN "CAPS"					
GENERAL GOVERNMENT					
Administrative and Executive:					
Salaries and Wages	\$ 235,000.00	\$ 235,000.00	\$ 235,025.82	\$ 1,974.18	
Other Expenses	26,600.00	26,000.00	12,530.85	13,469.15	
Special Projects Expense	47,500.00	47,500.00	13,178.85	34,321.15	
Mayor and Committee:					
Salaries and Wages	21,000.00	21,000.00	20,014.20	985.80	
Other Expenses	4,835.00	4,835.00	2,864.49	1,970.51	
Municipal Clerk:					
Salaries and Wages	219,500.00	221,500.00	219,220.41	2,279.59	
Other Expenses	53,100.00	51,100.00	45,053.37	6,046.63	
Newsletter	3,000.00	3,000.00	1,125.00	1,875.00	
Financial Administration:					
Salaries and Wages	313,000.00	313,000.00	302,094.65	10,905.35	
Other Expenses	40,950.00	40,950.00	28,254.16	12,695.84	
Audit Services	45,000.00	45,000.00	23,981.25	21,018.75	
Data Processing:					
Salaries and Wages	68,000.00	68,000.00	66,488.86	1,511.14	
Other Expenses	75,650.00	75,650.00	23,408.16	52,241.84	
Geographic Information Technology:					
Salaries and Wages	69,000.00	69,000.00	66,645.44	2,354.56	
Other Expenses	48,505.00	48,505.00	31,936.35	16,568.65	
Assessment of Taxes:					
Salaries and Wages	103,300.00	103,300.00	102,358.36	941.64	
Other Expenses	21,100.00	21,100.00	17,719.89	3,380.11	
Revenue Administration (Collection of Taxes):					
Salaries and Wages	37,500.00	37,500.00	35,992.58	1,507.42	
Other Expenses	22,600.00	22,600.00	18,579.72	4,020.28	
Legal Services and Costs:					
Other Expenses	425,000.00	425,000.00	209,831.10	215,168.90	
Engineering Services and Costs:					
Salaries and Wages	323,000.00	323,000.00	317,374.21	5,625.79	
Other Expenses	64,150.00	64,150.00	43,118.05	21,031.95	
Public Buildings and Grounds:					
Salaries and Wages	90,000.00	90,000.00	78,320.76	11,679.24	
Other Expenses	100,900.00	100,900.00	97,194.93	3,705.07	
Municipal Land Use Law (N.J.S. 40:55D-1):					
Planning Board:					
Salaries and Wages	168,500.00	168,500.00	167,818.69	681.31	
Other Expenses	42,050.00	42,050.00	27,181.18	14,868.82	
Revision of Master Plan:					
Other Expenses	100,000.00	82,000.00	13,242.82	68,757.18	

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION			
OPERATIONS WITHIN "CAPS" (CONTINUED)					
GENERAL GOVERNMENT (CONTINUED)					
Zoning Commission:					
Salaries and Wages	\$ 114,000.00	\$ 114,000.00	\$ 110,379.24	\$ 3,620.76	\$
Other Expenses	8,000.00	8,000.00	3,004.38	4,995.62	
Landmarks Commission:					
Other Expenses	6,500.00	6,500.00	5,394.23	1,105.77	
Environmental Commission (R.S. 40:56A-1 et seq.):					
Other Expenses	3,000.00	3,000.00	1,546.85	1,453.15	
Shade Tree Commission:					
Other Expenses	9,000.00	9,000.00	9,492.79	107.21	
Insurance:					
Group Insurance for Employees	1,950,000.00	1,950,000.00	1,874,871.02	75,128.98	
Health Benefit Waiver	25,000.00	25,000.00	25,000.00		
Other Insurance Premiums	380,400.00	380,400.00	262,987.81	117,402.19	
Workers Compensation	255,000.00	255,000.00	251,387.28	3,612.72	
Long Term Disability Fund:					
Other Expenses	65,000.00	65,000.00	55,628.67	9,370.33	
Deferred Compensation Plan:					
Other Expenses	155,000.00	155,000.00	132,999.47	22,000.53	
PUBLIC SAFETY					
Fire Hydrant Service					
Uniform Fire Safety Act:					
Salaries and Wages	662,500.00	662,500.00	563,290.00	99,210.00	
Other Expenses	119,500.00	122,100.00	121,725.52	374.48	
Police:	10,375.00	10,075.00	8,554.04	1,520.96	
Salaries and Wages	3,689,300.00	3,664,150.00	3,551,299.00	112,851.00	
Other Expenses	264,970.00	276,970.00	275,181.87	1,788.13	
First Aid Organization and Maintenance Contract:					
Other Expenses	32,500.00	32,500.00	27,326.80	5,173.20	
Emergency Management:					
Other Expenses	5,000.00	6,850.00	6,777.13	72.87	
Emergency Services Committee:					
Other Expenses	475.00	1,775.00	1,767.50	7.50	
Condominium Services Law (c.6, P.L. 1993):					
Other Expenses	65,000.00	65,000.00	40,070.57	24,929.43	

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION			
OPERATIONS WITHIN "CAPS" (CONTINUED)					
PUBLIC WORKS					
Road Repairs and Maintenance:					
Salaries and Wages	\$ 742,400.00	\$ 742,400.00	\$ 602,894.10	\$ 139,465.90	\$
Other Expenses	514,000.00	514,000.00	384,325.32	129,674.68	
Vehicle Maintenance:					
Other Expenses	479,500.00	497,500.00	446,854.49	50,645.51	
Public Works:					
Salaries and Wages	103,000.00	103,000.00	99,909.09	3,090.91	
Other Expenses	44,350.00	44,350.00	21,282.60	23,067.40	
Hurricane Sandy		90,550.00	87,444.76	3,105.24	
HEALTH AND WELFARE					
Board of Health:					
Salaries and Wages	294,000.00	294,000.00	291,500.46	2,499.54	
Other Expenses	45,600.00	45,600.00	39,097.94	6,502.06	
Animal Control Regulation:					
Salaries and Wages	53,000.00	53,000.00	44,172.60	8,827.40	
Other Expenses	6,000.00	6,000.00	5,154.45	845.55	
Administration of Public Assistance:					
Other Expenses	250.00	250.00		250.00	
Blood Borne Pathogens	1,000.00	1,000.00	339.71	660.29	
RECREATION AND EDUCATION					
Recreation:					
Salaries and Wages	413,500.00	400,500.00	339,162.35	61,337.65	
Other Expenses	397,600.00	410,600.00	390,119.17	20,480.83	
Parks and Playgrounds:					
Salaries and Wages	320,000.00	320,000.00	308,601.84	11,398.16	
Other Expenses	80,875.00	80,875.00	59,255.52	21,619.48	
Economic Development Committee:					
Other Expenses	1,125.00	1,125.00	2.25	1,122.75	
Senior Citizen's Program:					
Other Expenses	95,650.00	95,650.00	74,793.15	21,856.85	
SANITATION					
Garbage and Trash Removal:					
Other Expenses	80,500.00	80,500.00	71,913.60	8,586.40	
Somerset County Mandatory Recycling Program:					
Other Expenses	200,000.00	200,000.00	188,796.60	11,203.40	

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELLED
	BUDGET	BUDGET AFTER MODIFICATION			
<u>OPERATIONS WITHIN "CAPS" (CONTINUED)</u>					
<u>MUNICIPAL COURT</u>					
Municipal Court:					
Salaries and Wages	4,000.00	4,000.00	3,816.22	183.78	\$
Other Expenses	168,000.00	168,000.00	151,051.42	16,948.58	\$
<u>UNIFORM CONSTRUCTION CODE</u>					
Construction Official:					
Salaries and Wages	308,500.00	328,500.00	325,411.10	3,088.90	\$
Other Expenses	25,700.00	13,400.00	10,494.97	2,905.03	\$
<u>UNCLASSIFIED</u>					
Utilities:					
Electricity	282,800.00	282,800.00	122,579.10	160,220.90	\$
Telephones	109,000.00	109,000.00	93,586.79	15,413.21	\$
Water	32,700.00	32,700.00	21,501.00	11,199.00	\$
Natural Gas	82,400.00	82,400.00	33,329.63	49,070.37	\$
Gasoline	334,950.00	334,950.00	271,892.09	63,057.91	\$
Street Lighting	60,000.00	60,000.00	43,503.52	16,496.48	\$
<u>TOTAL OPERATIONS WITHIN "CAPS"</u>	<u>15,870,660.00</u>	<u>15,961,210.00</u>	<u>14,080,075.16</u>	<u>1,881,134.84</u>	<u>\$</u>
<u>TOTAL OPERATIONS INCLUDING CONTINGENT WITHIN "CAPS"</u>	<u>15,870,660.00</u>	<u>15,961,210.00</u>	<u>14,080,075.16</u>	<u>1,881,134.84</u>	<u>\$</u>
<u>DEFERRED CHARGES AND REGULATORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"</u>					
Regulatory Expenditures:					
Contribution to:					
Public Employees' Retirement System	614,735.00	614,735.00	614,023.00	712.00	\$
Social Security System	724,000.00	724,000.00	652,963.60	71,036.40	\$
Police and Firemen's Retirement System of NJ	617,229.00	617,229.00	617,229.00		\$
Defined Contribution Retirement Program	250.00	250.00		250.00	\$
Unemployment Insurance	100,000.00	100,000.00	25,000.00	75,000.00	\$
<u>TOTAL DEFERRED CHARGES AND REGULATORY EXPENDITURES - MUNICIPAL WITHIN "CAPS"</u>	<u>2,056,214.00</u>	<u>2,056,214.00</u>	<u>1,908,215.60</u>	<u>146,998.40</u>	<u>\$</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY
CURRENT FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		PAID OR CHARGED	RESERVED	UNEXPENDED BALANCE CANCELED
	BUDGET	BUDGET AFTER MODIFICATION			
<u>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</u>					
Capital Improvement Fund	\$ 123,637.50	\$ 123,637.50	\$ 123,637.50	\$	\$
<u>TOTAL CAPITAL IMPROVEMENTS - EXCLUDED FROM "CAPS"</u>	\$ 123,637.50	\$ 123,637.50	\$ 123,637.50	\$	\$
<u>MUNICIPAL DEBT SERVICE-EXCLUDED FROM "CAPS"</u>					
Payment of Bond Principal	\$ 2,800,000.00	\$ 2,800,000.00	\$ 2,800,000.00	\$	\$
Payment of Bond Anticipation Notes and Capital Notes	8,772,900.00	8,772,900.00	8,772,900.00		
Interest on Bonds	577,250.00	577,250.00	577,250.00		
Interest on Notes	479,000.00	479,000.00	477,098.41		1,906.59
Loan Repayments for Principal and Interest	468,500.00	468,500.00	468,428.77		70.23
<u>TOTAL MUNICIPAL DEBT SERVICE EXCLUDED FROM "CAPS"</u>	\$ 13,098,650.00	\$ 13,098,650.00	\$ 13,096,678.18	\$	\$ 1,976.82
<u>DEFERRED CHARGES-EXCLUDED FROM "CAPS"</u>					
Emergency Authorizations	\$ 82,500.00	\$ 82,500.00	\$ 82,500.00	\$	\$
<u>TOTAL DEFERRED CHARGES-EXCLUDED FROM "CAPS"</u>	\$ 82,500.00	\$ 82,500.00	\$ 82,500.00	\$	\$
<u>TOTAL GENERAL APPROPRIATIONS FOR MUNICIPAL PURPOSES EXCLUDED FROM "CAPS"</u>	\$ 14,995,520.72	\$ 14,925,368.43	\$ 14,847,504.76	\$ 75,886.85	\$ 1,976.82
<u>SUB-TOTAL GENERAL APPROPRIATIONS RESERVE FOR UNCOLLECTED TAXES</u>	\$ 32,622,394.72	\$ 32,842,792.43	\$ 30,836,795.52	\$ 2,104,020.09	\$ 1,976.82
	1,155,858.58	1,155,858.58	1,155,858.58		
<u>TOTAL GENERAL APPROPRIATIONS</u>	\$ 33,778,253.30	\$ 34,098,651.01	\$ 31,992,654.10	\$ 2,104,020.09	\$ 1,976.82
REF.	A-2		A-1	A-A-1	
Appropriation by 40A-4-87					
Emergency Authorizations	\$	229,847.71			
Budget		90,550.00			
		33,778,253.30			
		\$ 34,098,651.01			
Cash Disbursements					
Reserve for Encumbrances			\$ 29,757,412.63		
Reserve for Grants Appropriated			744,915.96		
Deferred Charges			251,966.93		
Reserve for Uncollected Taxes			82,500.00		
			1,155,858.58		
			\$ 31,992,654.10		

The accompanying Notes to the Financial Statements are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

TRUST FUND

TOWNSHIP OF MONTGOMERY

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	BALANCE DECEMBER <u>31, 2012</u>	BALANCE DECEMBER <u>31, 2011</u>
<u>ASSETS</u>			
Assessment Fund:			
Cash	B-2	\$ 158,299.59	\$ 158,130.63
Assessments Receivable	B-3	17,379.05	17,379.05
Prospective Assessments	B-5	138,223.80	138,223.80
Interfunds Receivable	B-4	<u>4,773.03</u>	<u>4,773.03</u>
		\$ <u>318,675.47</u>	\$ <u>318,506.51</u>
Animal Control Fund:			
Cash	B-2	\$ 52,014.26	\$ 111,858.90
Interfunds Receivable	B-11	<u>3,075.43</u>	<u>125.50</u>
		\$ <u>55,089.69</u>	\$ <u>111,984.40</u>
Other Funds:			
Cash	B-2	\$ 12,152,300.76	\$ 12,097,659.49
Interfunds Receivable	B-14	<u>37,463.44</u>	<u>27,773.76</u>
		\$ <u>12,189,764.20</u>	\$ <u>12,125,433.25</u>
		\$ <u>12,563,529.36</u>	\$ <u>12,555,924.16</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY

TRUST FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Assessment Fund:			
Interfunds Payable	B-4	\$ 99,984.40	\$ 99,815.44
Reserve for:			
Prospective Assessments Funded	B-6	138,223.80	138,223.80
Assessments Receivable	B-7	17,379.05	17,379.05
Fund Balance	B-1	<u>63,088.22</u>	<u>63,088.22</u>
		\$ <u>318,675.47</u>	\$ <u>318,506.51</u>
Animal Control Fund:			
Due State of New Jersey	B-8	\$ 4.80	\$ 2.20
Encumbrances Payable	B-10	6,600.09	3,663.99
Interfunds Payable	B-11		67,229.51
Prepaid Licenses	B-2	1,486.00	
Reserve for Animal Control Expenditures	B-9	<u>46,998.80</u>	<u>41,088.70</u>
		\$ <u>55,089.69</u>	\$ <u>111,984.40</u>
Other Funds:			
Encumbrances Payable	B-15	\$ 193,586.92	\$ 250,585.06
Interfunds Payable	B-14	810,521.55	2,640,345.08
Reserve For:			
Township Open Space	B-13	3,403,563.45	3,571,833.45
Various Trust Deposits	B-12	<u>7,782,092.28</u>	<u>5,662,669.66</u>
		\$ <u>12,189,764.20</u>	\$ <u>12,125,433.25</u>
		\$ <u>12,563,529.36</u>	\$ <u>12,555,924.16</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY

TRUST FUND

STATEMENT OF ASSESSMENT TRUST FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>		
Balance, December 31, 2011	B	\$	63,088.22
Balance, December 31, 2012	B	\$	<u>63,088.22</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL CAPITAL FUND

TOWNSHIP OF MONTGOMERYGENERAL CAPITAL FUNDBALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>
<u>ASSETS</u>			
Cash	C-2:C-3	\$ 16,002,062.46	\$ 23,844,167.85
Investments- U.S. Government Securities	C-16	194,322.69	291,265.90
Deferred Charges to Future Taxation - Funded	C-4	29,629,124.92	20,043,427.17
Deferred Charges to Future Taxation - Unfunded	C-5	2,357,611.21	27,562,129.04
Interfunds Receivable	C-10	805,088.81	2,653,229.68
Accounts Receivable	C-11	331,462.62	331,462.62
Due From Developers	C-17	333,937.75	333,937.75
		<u>\$ 49,653,610.46</u>	<u>\$ 75,059,620.01</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Serial Bonds Payable	C-13	\$ 27,590,000.00	\$ 17,582,000.00
Bond Anticipation Notes	C-14		23,928,100.00
Green Trust Loans Payable	C-12	2,039,124.92	2,461,427.17
Improvement Authorizations:			
Funded	C-7	7,995,382.31	6,634,708.75
Unfunded	C-7	300,358.05	2,214,016.69
Interfunds Payable	C-10	7,154,103.17	4,253,000.00
Reserve for:			
Contracts Payable	C-6	295,279.57	740,072.43
Various Reserves	C-15	754,882.86	14,885,949.30
Developers Contribution Deposits	C-9	710,280.90	665,479.39
Capital Improvement Fund	C-8	110,092.99	218,567.99
Fund Balance	C-1	2,704,105.69	1,476,298.29
		<u>\$ 49,653,610.46</u>	<u>\$ 75,059,620.01</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY

GENERAL CAPITAL FUND

STATEMENT OF FUND BALANCE - REGULATORY BASIS

	<u>REF.</u>	
Balance, December 31, 2011	C	\$ 1,476,298.29
Increased by:		
Fully Funded Ordinances Canceled	C-7	<u>2,678,948.71</u>
		\$ 4,155,247.00
Decreased by:		
Utilized as Anticipated Revenue-Current Fund	C-2	<u>1,451,141.31</u>
Balance, December 31, 2012	C	<u><u>\$ 2,704,105.69</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

SEWER UTILITY FUND

TOWNSHIP OF MONTGOMERY

SEWER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	BALANCE DECEMBER <u>31, 2012</u>	BALANCE DECEMBER <u>31, 2011</u>
<u>ASSETS</u>			
Operating Fund:			
Cash-Treasurer	D-5	\$ 4,195,366.42	\$ 5,318,668.47
Interfunds Receivable	D-20	686,739.91	681,410.65
		<u>\$ 4,882,106.33</u>	<u>\$ 6,000,079.12</u>
Receivables With Full Reserves:			
Consumer Accounts Receivable	D-7	\$ 281,942.87	403,650.15
Sewer Liens Receivable	D-25		590.15
		<u>\$ 281,942.87</u>	<u>\$ 404,240.30</u>
Deferred Charges:			
Emergency Authorizations	D-26	\$ 22,100.00	352,500.00
		<u>\$ 5,186,149.20</u>	<u>\$ 6,756,819.42</u>
<u>Total Operating Fund</u>			
Capital Fund:			
Cash-Treasurer	D-5	\$ 9,014,434.21	4,423,145.77
Fixed Capital	D-18	945,845.93	896,345.93
Fixed Capital Authorized and Uncompleted	D-16	49,967,499.65	49,520,599.65
Loans Receivable	D-8	1,899,660.00	5,276,050.00
Interfunds Receivable	D-24	7,145,919.30	4,253,300.00
		<u>\$ 68,973,359.09</u>	<u>\$ 64,369,441.35</u>
		<u>\$ 74,159,508.29</u>	<u>\$ 71,126,260.77</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY

SEWER UTILITY FUND

BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2012</u>	<u>BALANCE</u> <u>DECEMBER</u> <u>31, 2011</u>
<u>LIABILITIES, RESERVES AND FUND BALANCE</u>			
Operating Fund:			
Liabilities:			
Appropriation Reserves	D-4:D-10	\$ 449,193.66	\$ 473,732.86
Sewer Overpayments	D-9	1,674.56	4,072.04
Encumbrances Payable	D-11	194,168.02	518,955.71
Prepaid Sewer Rents	D-13	8,601.52	3,358.01
Accrued Interest	D-19	35,106.86	35,106.86
Interfunds Payable	D-20	202,129.61	34,615.24
Miscellaneous Reserves	D-22		1,513,090.03
		\$ 890,874.23	\$ 2,582,930.75
Reserve for Receivables	D	281,942.87	404,240.30
Fund Balance	D-1	4,013,332.10	3,769,648.37
		<u>\$ 5,186,149.20</u>	<u>\$ 6,756,819.42</u>
<u>Total Operating Fund</u>			
Capital Fund:			
Capital Improvement Fund	D-14	\$ 872,900.00	\$ 869,300.00
Contracts Payable	D-12	767,487.19	3,168,034.41
New Jersey Environmental Infrastructure			
Trust Loans Payable	D-17	25,910,235.07	27,216,019.00
Bond Anticipation Notes	D-23		5,458,200.00
Sewer Bonds Payable	D-27	12,095,000.00	
Interfunds Payable	D-24	686,505.70	681,410.65
Reserve for:			
Deferred Amortization	D-28	9,015,987.58	7,458,486.05
Amortization	D-21	795,845.93	755,259.53
Miscellaneous Deposits		100,000.00	100,000.00
Improvement Authorizations:			
Funded	D-15	15,461,291.72	7,703,306.79
Unfunded	D-15	2,955,190.60	10,959,424.92
Fund Balance	D-2	312,915.30	
		<u>\$ 68,973,359.09</u>	<u>\$ 64,369,441.35</u>
		<u>\$ 74,159,508.29</u>	<u>\$ 71,126,260.77</u>
		<u>\$ 74,159,508.29</u>	<u>\$ 71,126,260.77</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERYSEWER UTILITY FUND

STATEMENTS OF OPERATIONS
AND CHANGE IN FUND BALANCE - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>REF.</u>	YEAR ENDED DECEMBER <u>31, 2012</u>	YEAR ENDED DECEMBER <u>31, 2011</u>
<u>REVENUE AND OTHER INCOME REALIZED</u>			
Fund Balance Utilized	D-3	\$ 2,131,300.00	\$ 1,100,000.00
Sewer Use Charges	D-3	5,140,889.11	4,717,397.85
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-10	357,106.49	278,545.08
Miscellaneous Revenue Not Anticipated	D-3	48,424.90	45,885.93
Miscellaneous Reserves Canceled	D-22	1,513,090.03	
Overpayments Canceled	D-9	<u>202.37</u>	
<u>TOTAL INCOME</u>		<u>\$ 9,191,012.90</u>	<u>\$ 6,141,828.86</u>
<u>EXPENDITURES</u>			
Operating	D-4	\$ 3,258,400.00	\$ 3,596,960.00
Capital Improvements	D-4	100,000.00	100,000.00
Debt Service	D-4	1,988,627.69	236,900.00
Regulatory Expenditures and Deferred Charges	D-4	514,500.00	156,300.00
Surplus (General Budget)	D-4	957,100.00	974,350.00
Refund of Prior Year Revenues	D-5	<u>19,501.48</u>	<u>67,194.00</u>
<u>TOTAL EXPENDITURES</u>		<u>\$ 6,838,129.17</u>	<u>\$ 5,131,704.00</u>
Excess in Revenue		\$ 2,352,883.73	\$ 1,010,124.86
Adjustments to Income Before Surplus:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	D-26	<u>22,100.00</u>	<u>352,500.00</u>
Statutory Excess to Surplus		2,374,983.73	1,362,624.86
<u>Fund Balance</u>			
Balance, January 1	D	3,769,648.37	3,507,023.51
		<u>\$ 6,144,632.10</u>	<u>\$ 4,869,648.37</u>
Decreased by:			
Utilization by Sewer Operating Budget	D-1:D-3	<u>2,131,300.00</u>	<u>1,100,000.00</u>
Balance, December 31	D	<u>\$ 4,013,332.10</u>	<u>\$ 3,769,648.37</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY

SEWER UTILITY CAPITAL FUND

STATEMENT OF CAPITAL SURPLUS - REGULATORY BASIS

	<u>REF.</u>		
Increased by:			
Premium on Sale of Bonds	D-5	\$	312,915.30
Balance, December 31, 2012	D	\$	<u>312,915.30</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY

SEWER UTILITY OPERATING FUND

STATEMENT OF REVENUES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>REF.</u>	<u>ANTICIPATED</u>	<u>REALIZED</u>	<u>EXCESS</u>
Fund Balance Anticipated	D-1	\$ 2,131,300.00	\$ 2,131,300.00	\$
Sewer Use Charges	D-1:D-3	4,665,500.00	5,140,889.11	475,389.11
Miscellaneous	D-1:D-3		48,424.90	48,424.90
	D-4	\$ <u>6,796,800.00</u>	\$ <u>7,320,614.01</u>	\$ <u>523,814.01</u>

ANALYSIS OF REALIZED REVENUE

Sewer Use Charges:

Consumer Accounts Receivable:

Collected	D-7	\$ 5,137,531.10
Prepaid Applied	D-7	<u>3,358.01</u>
	D-3	\$ <u>5,140,889.11</u>

Miscellaneous:

Interest on Investments - Treasurer	\$ 3,608.93
Sump and Drain	9,020.00
Miscellaneous	<u>12,844.51</u>

D-5 \$ 25,473.44

Collector:

Interest on Delinquent Accounts	D-6	<u>22,951.46</u>
		\$ <u>22,951.46</u>
	D-3	\$ <u>48,424.90</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

TOWNSHIP OF MONTGOMERY

SEWER UTILITY OPERATING FUND

STATEMENT OF EXPENDITURES - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

	APPROPRIATIONS		EXPENDED		CANCELED
	BUDGET	BUDGET AFTER MODIFICATION	PAID OR CHARGED	RESERVED	
Operating:					
Salaries and Wages	\$ 912,000.00	\$ 912,000.00	\$ 868,864.12	\$ 43,135.88	\$
Other Expenses	2,324,300.00	2,324,300.00	1,923,350.61	400,949.39	
Hurricane Sandy - Emergency		22,100.00	21,884.80	215.20	
Total Operating	\$ 3,236,300.00	\$ 3,258,400.00	\$ 2,814,099.53	\$ 444,300.47	\$
Capital Improvements:					
Capital Improvement Fund	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00		\$
Total Capital Improvements	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00		\$
Debt Service:					
Payment of Bond Anticipation Notes	\$ 70,900.00	\$ 70,900.00	\$ 70,900.00		\$
Interest on Notes	109,000.00	109,000.00	109,000.00		
NJ EIT Loan Payment for Principal and Interest	1,809,000.00	1,809,000.00	1,808,727.69		272.31
Total Debt Service	\$ 1,988,900.00	\$ 1,988,900.00	\$ 1,988,627.69		\$ 272.31
Deferred Charges and Statutory Expenditures:					
Emergency Authorizations	\$ 352,500.00	\$ 352,500.00	\$ 352,500.00		\$
Total Deferred Charges	\$ 352,500.00	\$ 352,500.00	\$ 352,500.00		\$
Regulatory Expenditures:					
Contributions To:					
Social Security System (O.A.S.I.)	\$ 70,000.00	\$ 70,000.00	\$ 65,106.81	\$ 4,893.19	\$
Public Employees' Retirement System	92,000.00	92,000.00	92,000.00		
Total Regulatory Expenditures	\$ 162,000.00	\$ 162,000.00	\$ 157,106.81	\$ 4,893.19	\$
Surplus (General Budget)	\$ 957,100.00	\$ 957,100.00	\$ 957,100.00		\$
	\$ 6,796,800.00	\$ 6,818,900.00	\$ 6,389,434.03	\$ 449,193.66	\$ 272.31
	REF.	D-3	D-1	D:D-1	
Budget	D-3	\$ 6,796,800.00			
Emergency Appropriation	D-26	22,100.00			
		\$ 6,818,900.00			
Cash Disbursements	D-5		\$ 5,762,232.55		
Accrued Interest	D-19		109,000.00		
Deferred Charges	D-26		352,500.00		
Encumbrances Payable	D-11		145,701.48		
			\$ 6,369,434.03		

The accompanying Notes to the Financial Statements are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK

PUBLIC ASSISTANCE TRUST FUND

"E"

TOWNSHIP OF MONTGOMERY
PUBLIC ASSISTANCE TRUST FUND
BALANCE SHEETS - REGULATORY BASIS

	<u>REF.</u>	BALANCE DECEMBER <u>31, 2012</u>	BALANCE DECEMBER <u>31, 2011</u>
<u>ASSETS</u>			
Cash - P.A.T.F. I	E-1	\$ 2,211.10	\$ 2,209.46
Cash - P.A.T.F. II	E-1	1,395.65	1,394.01
Due P.A.T.F. I - P.A.T.F. II		<u>188.49</u>	<u>188.49</u>
		<u>\$ 3,795.24</u>	<u>\$ 3,791.96</u>
<u>LIABILITIES AND RESERVES</u>			
Due State of New Jersey		\$ 960.00	\$ 960.00
Due P.A.T.F. I - P.A.T.F. II		188.49	188.49
Reserve for Public Assistance		<u>2,646.75</u>	<u>2,643.47</u>
		<u>\$ 3,795.24</u>	<u>\$ 3,791.96</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

GENERAL FIXED ASSETS ACCOUNT GROUP

"F"

TOWNSHIP OF MONTGOMERY
GENERAL FIXED ASSETS ACCOUNT GROUP
BALANCE SHEET - REGULATORY BASIS

	BALANCE DECEMBER <u>31, 2012</u>
Fixed Assets:	
Land	\$ 28,813,754.38
Land Improvements	31,651.10
Buildings	37,244,247.05
Machinery and Equipment	<u>2,803,540.45</u>
<u>Total Fixed Assets</u>	<u>\$ 68,893,192.98</u>
Reserve:	
Investments in General Fixed Assets	<u>\$ 68,893,192.98</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF MONTGOMERY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2012 AND 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Township of Montgomery is an instrumentality of the State of New Jersey, established to function as a municipality. The governing body consists of five members, each elected on a partisan basis, serving the Township for staggered three-year terms.

Except as noted below, the financial statements of the Township of Montgomery include every board, body, officer or commission supported and maintained wholly or in part by funds appropriated by the Township of Montgomery, as required by N.J.S.A. 40A:5-5. Accordingly, the financial statements of the Township of Montgomery do not include the operations of the first aid organizations, volunteer fire companies or the Board of Education, inasmuch as their activities are administered by separate boards.

B. Description of Funds

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB codification establishes three fund types and two account groups to be used by general purpose governmental units when reporting financial position and results of operations in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The accounting policies of the Township of Montgomery conform to the accounting principles applicable to municipalities which have been prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the financial transactions and accounts of the Township of Montgomery are organized on the basis of funds and an account group which is different from the fund structure required by GAAP. A fund or account group is an accounting entity with a separate set of self-balancing accounts established to record the financial position and results of operation of a specific government activity. As required by the Division of Local Government Services, the Township accounts for its financial transactions through the following individual funds and account group:

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Description of Funds (Continued)

Current Fund - resources and expenditures for governmental operations of a general nature, including federal and state grant funds.

Trust Fund - receipts, custodianship and disbursement of funds in accordance with the purpose for which each reserve was created.

General Capital Fund - receipt and disbursement of funds for the acquisition of general capital facilities, other than those acquired in the Current Fund.

Sewer Utility Operating and Capital Funds - account for the operations and acquisition of capital facilities of the municipally owned Sewer Utility.

Public Assistance Trust Funds - receipt and disbursement of funds that provide assistance to certain residents of the Township pursuant to Title 44 of New Jersey statutes.

General Fixed Assets Account Group - utilized to account for property, land, buildings and equipment that have been acquired by other governmental funds.

C. Basis of Accounting

The accounting principles and practices prescribed for municipalities by the State of New Jersey differ in certain respects from generally accepted accounting principles applicable to local government units. The more significant accounting policies and differences in the State of New Jersey are as follows:

A modified accrual basis of accounting is followed with minor exceptions.

Revenues - are recorded when received in cash except for certain amounts which are due from other governmental units. All grants are realized as revenues when anticipated in the Township's budget. Receivables for property taxes are recorded with offsetting reserves on the balance sheet of the Township's Current Fund; accordingly, such amounts are not recorded as revenue until collected. Other amounts that are due the Township, which are susceptible to accrual, are also recorded as receivables with offsetting reserves and recorded as revenues when received. GAAP requires revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Expenditures - are recorded on the "budgetary" basis of accounting. Generally expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with the Encumbrance Accounting System. Outstanding encumbrances at December 31 are reported as a cash liability in the financial statements and constitute part of the Township's regulatory Appropriation Reserve balance.

Appropriation reserves covering unexpended appropriation balances are automatically created at December 31st of each year and recorded as liabilities, except for amounts which may be canceled by the governing body. Appropriation reserves are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding fiscal year. Lapsed appropriation reserves are recorded as income. Appropriations for principal payments on outstanding general capital and utility bonds and notes are provided on the cash basis, interest on general capital indebtedness is on the cash basis, whereas interest on utility indebtedness is on the accrual basis.

Encumbrances - Contractual orders at December 31 are reported as expenditures through the establishment of encumbrances payable. Under GAAP, encumbrances outstanding at year end are reported as reservations of fund balance because they do not constitute expenditures or liabilities.

Foreclosed Property - Foreclosed property is recorded in the Current Fund at the assessed valuation when such property was acquired and is fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at its market value.

Sale of Municipal Assets - The proceeds from the sale of municipal assets can be held in a reserve until anticipated as a revenue in a future budget. GAAP requires such proceeds to be recorded as a revenue in the year of sale.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

General Fixed Assets - N.J.A.C. 5:30-5.6, Accounting for Governmental Fixed Assets, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles, requires the inclusion of a statement of general fixed assets of the Township as part of its basic financial statements. General fixed assets are defined as nonexpendable personal and real property having a physical existence, a useful life of more than one year and an acquisition cost of \$1,000.00 or more per unit. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized.

General Fixed Assets that have been acquired and are utilized in a governmental fund operation are accounted for in the General Fixed Asset Account Group rather than in a governmental fund. No depreciation has been provided on General Fixed Assets or reported in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital has not been accounted for separately.

Inventories of Supplies - the cost of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The cost of inventories is not included on the various balance sheets. GAAP requires the cost of inventories to be reported as a current asset and equally offset by a fund balance reserve.

Compensated Absences - the Township has adopted written policies through employee contract and municipal ordinances which set forth the terms under which an employee may accumulate earned, but not used, vacation and sick leave. The Township records expenditures for payment of earned and unused vacation and sick leave in the accounting period in which the payments are made. GAAP requires that expenditures be recorded in the governmental (Current) fund in an amount that would normally be liquidated with available resources, and that expenditures be recorded in the enterprise (Sewer Utility) fund on an accrual basis.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Fixed Capital - Water Utility and Sewer Utility

Accounting for utility fund "fixed capital" remains unchanged under the requirements of N.J.A.C. 5:30-5.6.

Property and equipment purchased by the Sewer Utility Fund are recorded in the capital account at cost and are adjusted for disposition and abandonment. The amounts shown do not purport to represent reproduction costs or current value. The fixed capital reported is as taken from the municipal records and does not necessarily reflect the true condition of such fixed capital. Contributions in aid of construction are not capitalized. The balance in the Reserve for Amortization and Deferred Reserve for Amortization accounts in the utility capital fund represents charges to operations for the cost of acquisition of property, equipment and improvements. The utility does not record depreciation on fixed assets.

D. Basic Financial Statements

The GASB codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be held in accordance with GAAP. The Township presents the financial statements listed in the table of contents of the "Requirements of Audit and Accounting Revision of 1987" as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which differ from the financial statements required by GAAP.

NOTE 2: CASH AND CASH EQUIVALENTS

The Township considers petty cash, change funds, cash in banks and certificates of deposit as cash and cash equivalents.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

A. Deposits

New Jersey statutes permit the deposit of public funds in public depositories which are located in New Jersey and which meet the requirements of the Governmental Unit Deposit Protection Act (GUDPA) or the State of New Jersey Cash Management Fund. GUDPA requires a bank that accepts public funds to be a public depository. A public depository is defined as a state bank, a national bank, or a savings bank, which is located in the State of New Jersey, the deposits of which are insured by the Federal Deposit Insurance Corporation. The statutes also require public depositories to maintain collateral for deposits of public funds that exceed certain insurance limits. All collateral must be deposited with the Federal Reserve Bank or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.00. Under (GUDPA), if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of the deposits to the governmental unit.

The Township of Montgomery had the following cash and cash equivalents at December 31, 2012:

FUND	CASH		LESS	TOTAL
	ON DEPOSIT	ON HAND	O/S CHECKS & DEDUCTIONS	
Current Fund	\$ 9,889,514.97	\$ 36,619.60	\$ 316,090.12	\$ 9,610,044.45
Assessment Trust Fund	158,299.59			158,299.59
Animal Control Fund	50,542.06	1,486.00	13.80	52,014.26
Other Trust Fund	12,265,075.01	2,605.00	115,379.25	12,152,300.76
General Capital Fund	16,199,900.03	0.09	3,514.97	16,196,385.15
Sewer Utility Operating Fund	4,239,226.16		43,859.74	4,195,366.42
Sewer Utility Capital Fund	9,014,434.81		0.60	9,014,434.21
Public Assistance Trust Fund	3,606.75			3,606.75
TOTAL DECEMBER 31, 2012	\$ 51,820,599.38	\$ 40,710.69	\$ 478,858.48	\$ 51,382,451.59

Custodial Credit Risk-Deposits - Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Township does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2012, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk. Of the cash on balance in the bank \$500,000.00 was covered by Federal Depository Insurance and \$51,320,599.38 was covered under the provisions of NJGUDPA.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments

The purchase of investments by the Township is strictly limited by the express authority of the New Jersey Local Fiscal Affairs Law, N.J.S.A. 40A:5-15.1. Permitted investments include any of the following type of securities:

1. Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
2. Government money market mutual funds which are purchased from an investment company or investment trust which is registered with the Securities and Exchange Commission under the "Investment Company Act of 1940," 15 U.S.C. 80a-1 et seq., and operated in accordance with 17 C.F.R. § 270.2a-7 and which portfolio is limited to U.S. Government securities that meet the definition of an eligible security pursuant to 17 C.F.R. § 270.2a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. These funds are also required to be rated by a nationally recognized statistical rating organization.
3. Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
4. Bonds or other obligations of the Local Unit or bonds or other obligations of school districts of which the Local Unit is a part or within which the school district is located.
5. Bonds or other obligations, having a maturity date not more than 397 days from date of purchase, approved by the Division of Investment of the Department of Treasury for investment by Local Units;
6. Local government investment pools that are fully invested in U.S. Government securities that meet the definition of eligible security pursuant to 17 C.F.R. § 270a-7 and repurchase agreements that are collateralized by such U.S. Government securities in which direct investment may be made pursuant to paragraphs (1) and (3) of N.J.S.A. 5-15.1. This type of investment is also required to be rated in the highest category by a nationally recognized statistical rating organization.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (c.52:18A-90.4); or
8. Agreements for the repurchase of fully collateralized securities if:
 - a. the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days;
 - d. the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (c. 17:19-41); and
 - e. a master repurchase agreement providing for the custody and security of collateral is executed.

The Township of Montgomery had the following investments outstanding at December 31, 2012:

<u>DESCRIPTION</u>	<u>PAR VALUE</u>	<u>MATURITY</u>	<u>ESTIMATED MARKET VALUE</u>
U.S. TREASURY STRIPS	\$ 98,000.00	11/15/12	\$ 97,912.78
U.S. TREASURY STRIPS	97,000.00	11/15/13	96,476.20
U.S. TREASURY STRIPS	<u>98,000.00</u>	11/15/14	<u>96,876.92</u>
<u>TOTAL DECEMBER 31, 2012</u>	<u>\$ 293,000.00</u>		<u>\$ 291,265.90</u>

Based upon the limitations set forth by New Jersey Statutes 40A:5-15.1 and existing investment practices, the Township is generally not exposed to credit risks, custodial credit risks, concentration of credit risks and interest rate risk for its investments nor is it exposed to foreign currency risk for its deposits and investments.

NOTE 3: MUNICIPAL DEBT

The Local Bond Law, Chapter 40A:2, governs the issuance of bonds to finance general municipal capital expenditures. All bonds are retired in annual installments within the regulatory period of usefulness. All bonds issued by the Township are general obligation bonds, based by the full faith and credit of the Township. Bond Anticipation Notes, which are issued to temporarily finance capital projects, shall mature and be paid off within ten years if financed by the issuance of bonds.

SUMMARY OF MUNICIPAL DEBT

	<u>YEAR 2012</u>	<u>YEAR 2011</u>	<u>YEAR 2010</u>
Issued:			
General:			
Bonds, Notes and Loans	\$ 29,629,124.92	\$ 43,971,527.17	\$ 47,940,908.40
Sewer Utility:			
Notes and Loans	38,005,235.07	32,674,219.00	32,745,119.00
Less:			
Funds Temporarily Held to Pay			
Bonds and Notes - General Capital	<u>395,268.09</u>	<u>2,068,592.44</u>	<u>2,232,900.06</u>
 <u>Net Debt Issued</u>	 <u>\$ 67,239,091.90</u>	 <u>\$ 74,577,153.73</u>	 <u>\$ 78,453,127.34</u>
Authorized But Not Issued:			
General - Bonds and Notes	\$ 2,357,611.21	\$ 3,634,029.53	\$ 2,730,118.53
Sewer Utility - Bonds and Notes	<u>3,096,277.00</u>	<u>9,528,981.00</u>	<u>4,433,981.00</u>
 <u>Total Authorized But Not Issued</u>	 <u>\$ 5,453,888.21</u>	 <u>\$ 13,163,010.53</u>	 <u>\$ 7,164,099.53</u>
 <u>NET BONDS AND NOTES ISSUED AND AUTHORIZED BUT NOT ISSUED</u>	 <u>\$ 72,692,980.11</u>	 <u>\$ 87,740,164.26</u>	 <u>\$ 85,617,226.87</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SUMMARY OF REGULATORY DEBT CONDITION
(ANNUAL DEBT STATEMENT)

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a regulatory net debt of .687%.

	<u>GROSS DEBT</u>	<u>DEDUCTIONS</u>	<u>NET DEBT</u>
Regional School District Debt	\$ 12,321,696.68	\$ 12,321,696.68	\$
Local School District Debt	58,990,000.00	58,990,000.00	
Sewer Utility Debt	41,101,512.07	41,101,512.07	
General Debt	<u>31,986,736.13</u>	<u>395,268.09</u>	<u>31,591,468.04</u>
	<u>\$ 144,399,944.88</u>	<u>\$ 112,808,476.84</u>	<u>\$ 31,591,468.04</u>

NET DEBT \$31,591,468.04 DIVIDED BY EQUALIZED VALUATION BASIS PER N.J.S.40A:2-2, AS AMENDED, \$4,599,567,715.00 EQUALS .687%.

EQUALIZED VALUATION BASIS

2010 Equalized Valuation Basis of Real Property	\$ 4,667,819,337.00
2011 Equalized Valuation Basis of Real Property	4,529,272,030.00
2012 Equalized Valuation Basis of Real Property	<u>4,601,611,778.00</u>
	<u>\$ 4,599,567,715.00</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

BORROWING POWER UNDER N.J.S.40A:2-6 AS AMENDED

Equalized Valuation Basis* - December 31, 2012	\$ <u>4,599,567,715.00</u>
3-1/2% of Equalized Valuation Basis	\$ 160,984,870.03
Net Debt	<u>31,591,468.04</u>
Remaining Borrowing Power	\$ <u>129,393,401.99</u>

*Equalized Valuation basis is the average of the equalized valuation of Real Estate, including improvements, and the assessed valuation of Class II Railroad Property of the Township for the last three (3) preceding years.

SCHOOL DEBT DEDUCTION

School debt is deductible up to the extent of 4% of the Average Equalized Assessed Valuation of real property for the Local and Regional School Districts.

CALCULATION OF "SELF-LIQUIDATING PURPOSE"
SEWER UTILITY PER N.J.S.40A:2-45

Cash Receipts from Fees, Rents of Other Charges for Year and Anticipated Surplus	\$7,320,614.01
Deduction:	
Operating and Maintenance Cost	\$3,420,400.00
Debt Service Per Sewer Utility Account	<u>1,988,627.69</u>
	<u>5,409,027.69</u>
Excess in Revenue - Self Liquidating	<u>\$1,911,586.32</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

GENERAL CAPITAL FUND

General Serial Bonds

\$29,152,000, General Improvement Bonds Series 2003, due in a final installment of \$2,000,000 February 1, 2013	\$	2,000,000.00
\$8,850,000, General Improvement Bonds Series 2006, due in a final installment of \$890,000 November 1, 2013		890,000.00
\$11,475,000, Refunding Bonds Series 2012, due in annual installments of \$30,000 to \$3,190,000 through August 1, 2018 at variable interest rates of 2% to 4%		11,475,000.00
\$13,225,000, General Improvement Bonds Series 2012, due in annual installments of \$355,000 to \$710,000 through September 1, 2037 at variable interest rates of 2% to 5%		<u>13,225,000.00</u>
<u>Total General Serial Bonds</u>	\$	<u>27,590,000.00</u>

Green Acres Loans

\$1,500,000, Open Space, due in annual installments of \$97,404.15 through December 27, 2013, interest at 2.00%	\$	95,962.32
\$3,787,500, Open Space, due in annual installments of \$240,593.34 through October 11, 2016, interest at 2.00%		920,471.38
\$45,000, Open Space, due in annual installments of \$2,798.24 through April 20, 2021, interest at 2.00%		21,773.43
\$2,025,000, Open Space, due in annual installments of \$128,634.06 through June 27, 2021, interest at 2.00%		<u>1,000,917.79</u>
<u>Total Green Acres Loans</u>	\$	<u>2,039,124.92</u>

TOTAL GENERAL CAPITAL DEBT \$ 29,629,124.92

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SEWER UTILITY CAPITAL FUND

N.J. Environmental Infrastructure Trust Loans

\$10,939,534, Skillman Fund Loan, due in annual installments of \$329,974.11 through 2029, interest at 0.00%	\$ 5,609,559.89
\$3,780,000, Skillman Trust Loan, due in annual installments of \$140,000 to \$290,000 through August 1, 2029, interest at 3.00% to 5.00%	3,640,000.00
\$3,310,235, Pike Brook Fund Loan, due in annual installments of \$183,901.93 through 2029, interest at 0.00%	3,126,333.07
\$4,400,000, Pike Brook Trust Loan, due in annual installments of \$160,000 to \$335,000 through August 1, 2029, interest at 3.00% to 5.00%	4,240,000.00
\$8,111,250, Pike Brook Trust Loan, due in annual installments of \$426,907.89 through 2029, interest at 0.00%	7,684,342.11
\$1,675,000, Pike Brook Fund Loan, due in annual installments of \$65,000 to \$120,000 through August 1, 2030, interest at 3.00% to 4.38%	<u>1,610,000.00</u>
<u>Total N.J. Environmental Infrastructure Trust Loans</u>	<u>\$ 25,910,235.07</u>

Serial Bonds

\$12,095,000, Sewer Utility Bonds Series 2012, due in annual installments of \$270,000 to \$540,000 through September 1, 2042 at variable interest rates of 2% to 5%	<u>12,095,000.00</u>
TOTAL SEWER UTILITY CAPITAL DEBT	\$ <u>38,005,235.07</u>

Bonds and Notes Authorized But Not Issued

At December 31, 2012, the Township has authorized but not issued bonds and notes as follows:

General Capital Fund	<u>\$2,357,611.21</u>
Sewer Utility Capital Fund	<u>\$3,096,277.00</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR BONDED DEBT ISSUED AND OUTSTANDING DECEMBER 31, 2012

Calendar Year	General Capital		Sewer Utility Capital		Total
	Principal	Interest	Principal	Interest	
2013	\$ 3,275,000.00	\$ 784,022.05	\$ 270,000.00	\$ 406,968.06	\$ 4,735,990.11
2014	3,405,000.00	781,812.50	275,000.00	407,300.00	4,869,112.50
2015	3,480,000.00	710,012.50	285,000.00	399,050.00	4,874,062.50
2016	3,590,000.00	605,612.50	295,000.00	390,500.00	4,881,112.50
2017	1,960,000.00	493,912.50	305,000.00	378,700.00	3,137,612.50
2018	1,010,000.00	412,812.50	315,000.00	363,450.00	2,101,262.50
2019	445,000.00	368,112.50	325,000.00	347,700.00	1,485,812.50
2020	455,000.00	345,862.50	335,000.00	331,450.00	1,467,312.50
2021	465,000.00	323,112.50	345,000.00	314,700.00	1,447,812.50
2022	475,000.00	299,862.50	350,000.00	297,450.00	1,422,312.50
2023	490,000.00	276,112.50	360,000.00	279,950.00	1,406,062.50
2024	505,000.00	261,412.50	370,000.00	269,150.00	1,405,562.50
2025	520,000.00	246,262.50	380,000.00	258,050.00	1,404,312.50
2026	535,000.00	230,662.50	390,000.00	246,650.00	1,402,312.50
2027	555,000.00	214,612.50	400,000.00	234,950.00	1,404,562.50
2028	575,000.00	197,962.50	410,000.00	222,950.00	1,405,912.50
2029	590,000.00	180,712.50	420,000.00	210,650.00	1,401,362.50
2030	605,000.00	163,012.50	425,000.00	198,050.00	1,391,062.50
2031	620,000.00	144,862.50	435,000.00	185,300.00	1,385,162.50
2032	635,000.00	126,262.50	445,000.00	172,250.00	1,378,512.50
2033	650,000.00	107,212.50	455,000.00	158,900.00	1,371,112.50
2034	665,000.00	87,712.50	465,000.00	145,250.00	1,362,962.50
2035	680,000.00	67,762.50	470,000.00	131,300.00	1,349,062.50
2036	695,000.00	45,662.50	480,000.00	116,025.00	1,336,687.50
2037	710,000.00	23,075.00	490,000.00	100,425.00	1,323,500.00
2038			500,000.00	84,500.00	584,500.00
2039			510,000.00	68,250.00	578,250.00
2040			520,000.00	51,675.00	571,675.00
2041			530,000.00	34,775.00	564,775.00
2042			540,000.00	17,550.00	557,550.00
Total	\$ <u>27,590,000.00</u>	\$ <u>7,498,434.55</u>	\$ <u>12,095,000.00</u>	\$ <u>6,823,868.06</u>	\$ <u>51,150,552.61</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST
FOR GREEN ACRES TRUST LOAN AS OF DECEMBER 31, 2012

CALENDAR YEAR	PRINCIPAL	INTEREST	TOTAL
2013	\$ 430,790.53	\$ 29,639.26	\$ 460,429.79
2014	341,558.25	30,467.59	372,025.84
2015	348,423.57	23,602.07	372,025.64
2016	355,426.88	16,598.76	372,025.64
2017	120,774.65	10,657.65	131,432.30
2018	123,202.22	8,230.08	131,432.30
2019	125,678.59	5,753.71	131,432.30
2020	128,204.73	3,227.57	131,432.30
2021	<u>65,065.50</u>	<u>650.65</u>	<u>65,716.15</u>
TOTAL	\$ <u>2,039,124.92</u>	\$ <u>128,827.34</u>	\$ <u>2,167,952.26</u>

NOTE 3: MUNICIPAL DEBT (CONTINUED)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL
AND INTEREST FOR NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE
TRUST LOAN AS OF DECEMBER 31, 2012

CALENDAR YEAR	PRINCIPAL	INTEREST	FEES	TOTAL
2013	\$ 1,320,783.93	\$ 395,812.50	\$ 90,181.26	\$ 1,806,777.69
2014	1,345,783.93	378,112.50	71,948.76	1,795,845.19
2015	1,360,783.93	359,262.50	41,640.63	1,761,687.06
2016	1,380,783.93	339,662.50	29,565.00	1,750,011.43
2017	1,400,783.93	319,062.50	29,565.00	1,749,411.43
2018	1,420,783.93	297,562.50	29,565.00	1,747,911.43
2019	1,445,783.93	274,312.50	29,565.00	1,749,661.43
2020	1,460,783.93	254,112.50	29,565.00	1,744,461.43
2021	1,490,783.93	228,912.50	29,565.00	1,749,261.43
2022	1,505,783.93	211,562.50	29,565.00	1,746,911.43
2023	1,525,783.93	188,962.50	29,565.00	1,744,311.43
2024	1,555,783.93	165,562.50	29,565.00	1,750,911.43
2025	1,580,783.93	140,962.50	29,565.00	1,751,311.43
2026	1,605,783.93	115,362.50	29,565.00	1,750,711.43
2027	1,625,783.93	91,562.50	29,565.00	1,746,911.43
2028	1,655,783.93	64,025.00	29,565.00	1,749,373.93
2029	1,680,784.21	35,137.50	29,565.00	1,745,486.71
2030	546,907.98	5,250.00	5,025.00	557,182.98
	<u>\$ 25,910,235.07</u>	<u>\$ 3,865,200.00</u>	<u>\$ 622,705.65</u>	<u>\$ 30,398,140.72</u>

NOTE 4: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2012 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2013 were as follows:

Current Fund	\$3,014,500.00
Sewer Operating Fund	\$2,427,500.00

NOTE 5: PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied based on the final adoption of the current year municipal budget, and are payable in four installments on February 1, May 1, August 1 and November 1. The Township bills and collects its own property taxes and also taxes for the County and local school district. The collections and remittance of county and school taxes are accounted for in the Current Fund. Township property tax revenues are recognized when collected in cash and any receivables are recorded with offsetting reserves on the balance sheet of the Township's Current Fund.

Taxes collected in advance - Taxes collected in advance and recorded as cash liabilities in the financial statements are as follows:

	BALANCE DECEMBER <u>31, 2012</u>	BALANCE DECEMBER <u>31, 2011</u>
Prepaid Taxes	<u>\$588,583.96</u>	<u>\$975,196.65</u>

NOTE 6: PENSION PLANS

Township employees, who are eligible for a pension plan, are enrolled in one of two pension systems administered by the Division of Pensions, Treasury Department of the State of New Jersey. The plans are: the Public Employees Retirement System and the Police and Firemen's Retirement System. The Division annually charges participating government units for their respective contributions to the plans based upon actuarial methods. Certain portions of the costs are contributed by the employees. The Township's share of pension costs, which is based upon the annual billings received from the State, is as follows:

FISCAL <u>YEAR</u>	<u>P.E.R.S.</u>	<u>P.F.R.S.</u>	TOTAL <u>OBLIGATIONS</u>
2012	\$ 614,023.00	\$ 617,229.00	\$ 1,231,252.00
2011	705,763.00	553,028.00	1,258,791.00
2010	617,601.00	506,022.00	1,123,623.00

Information as to the comparison of the actuarially computed value of vested benefits with the system's assets is not available from the State Retirement System and, therefore, is not presented.

NOTE 7: COMPENSATED ABSENCES

The Township of Montgomery has established uniform personnel policy procedures which set forth the terms under which an employee may accumulate unused benefits as follows:

Sick Leave – Sick leave for permanent employees accumulates in accordance with the terms of approved contracts or personnel policies at the rate of one day per month. Any amount of sick leave allowance not used in a calendar year accumulates to the employee's credit to be used if and when needed for medical purposes only. Accumulated sick leave allowances are forfeited upon separation of services.

Vacations – Vacation pay for permanent employees also accumulated in accordance with the terms of approved contracts and policies. Vacation days are to be taken in the year earned and do not accumulate, except that a maximum of ten days vacation time may be carried over to the next succeeding year only. Upon separation of employment, an employee is entitled in time or in pay to any earned vacation accumulated and not previously used.

The payroll department maintains records of each employee's status relating to earned and unused sick and vacation pay. Expenditures for payment of accrued sick and vacation benefits are recorded in the period in which the payments are made.

NOTE 8: LITIGATION

The Township Attorney's letter did not indicate any litigation, claims or contingent liabilities that are either not covered by the Township's insurance carrier or would have a material financial impact on the Township.

NOTE 9: TAX APPEALS

There are tax appeals filed with the County and State Tax Court of New Jersey requesting a reduction of assessments for the year 2012. Any reduction in assessed valuation will result in a refund of prior years' taxes in the year of settlement, which may be funded from tax revenues through the establishment of a reserve or by the issuance of refunding bonds per N.J.S.A. 40A:2-51.

NOTE 10: CONTINGENT LIABILITIES

The Township participates in several federal and state financial assistance grant programs. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of funds for eligible purposes. Findings and questioned costs, if any, relative to federal and state financial assistance programs will be discussed in detail in Part II of the 2012 audit report. In addition, these programs are also subject to compliance and financial audits by the grantors or their representatives. As of December 31, 2012, the Township does not believe that any material liabilities will result from such audits.

NOTE 11: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Township maintains commercial insurance coverage through the Mid Jersey Joint Insurance Fund covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

New Jersey Unemployment Compensation Insurance - The Township has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Township is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Township is billed quarterly for amounts due to the State. The following table is a summary of Township contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Township's expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2012	\$ 55,802.31	\$ 62,166.98	\$ 29,354.89
2011	92,816.62	60,851.94	35,719.56
2010	96,852.60	95,188.71	3,754.88

NOTE 12: DEFERRED COMPENSATION PLAN

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all Township employees, permits them to defer a portion of their salaries until future years. The Township does not make any contribution to the Plan. The deferred compensation is not available to employees until retirement, death, disability, termination or financial hardships.

The Township has engaged a private contractor to administer the plan.

The accompanying financial statements do not include the Township's Deferred Compensation Plan activities.

NOTE 13: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheets at December 31, 2012:

<u>FUND</u>	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
Current Fund	\$ 310,597.88	\$ 821,316.55
Grant Fund	780,903.18	
Assessment Trust Fund	4,773.03	99,984.40
Animal Control Trust Fund	3,075.43	
Trust Other Fund	37,463.44	810,521.55
General Capital Fund	805,088.81	7,154,103.17
Sewer Utility Operating Fund	686,739.91	202,129.61
Sewer Utility Capital Fund	<u>7,145,919.30</u>	<u>686,505.70</u>
	<u>\$ 9,774,560.98</u>	<u>\$ 9,774,560.98</u>

All balances resulted from the time lag between the dates that payments between funds are made.

NOTE 14: DEFERRED LOCAL DISTRICT SCHOOL TAXES

New Jersey statutes provide for the deferral of liability for not more than 50% of the annual levy when school taxes are raised on a school year basis and such taxes have not been requisitioned by the school district.

LOCAL DISTRICT SCHOOL TAX

	BALANCE DECEMBER <u>31, 2012</u>	BALANCE DECEMBER <u>31, 2011</u>
Balance of Tax	\$35,442,876.86	\$34,832,940.01
Deferred	<u>35,442,876.43</u>	<u>34,832,940.01</u>
School Tax Payable	<u>\$0.43</u>	<u>\$0.00</u>

NOTE 15: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2012, the following deferred charges are shown on the balance sheets of the various funds:

	BALANCE DECEMBER <u>31, 2012</u>	2013 BUDGET <u>APPROPRIATION</u>
Current:		
Emergency Authorization	<u>\$90,550.00</u>	<u>\$90,550.00</u>
Sewer Operating:		
Emergency Authorization	<u>\$22,100.00</u>	<u>\$22,100.00</u>

NOTE 16: POST-RETIRMENT HEALTH BENEFITS

As at December 31, 2012, the Township of Montgomery had no obligation to provide post-retirement health benefits.