

EAST GOSHEN TOWNSHIP
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2013



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Supervisors
East Goshen Township
West Chester, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Goshen Township as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise East Goshen Township's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

East Goshen 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 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.

To the Board of Supervisors
East Goshen Township
West Chester, Pennsylvania

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Goshen Township as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 15, budgetary comparison information on pages 51 through 53 and pension plan funding progress on pages 54 and 55 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.



West Chester, Pennsylvania
June 18, 2014

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

Our discussion and analysis of the East Goshen Township (Township) financial performance provides an overview of the Township's financial activities for the fiscal year ended *December 31, 2013*. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which begin with the statement of net position.

FINANCIAL HIGHLIGHTS

- The Governmental Accounting Standards Board (GASB) has required all state and local governments to implement a governmental financial reporting model known as GASB 34. The Township's audited financial statements for fiscal year 2013 are compliant with GASB 34.
- The net position of the Township at the close of the 2013 fiscal year was \$24,888,576. Because retroactive reporting of general infrastructure assets is not required for the Township as a Phase 3 government under GASB 34 requirements, capital assets include only general infrastructure assets acquired from 2004 forward.
- The total net position of the governmental activities (General, Capital Reserve, Road Improvements and State Liquid Fuels (Highway Aid) Funds) are \$18,751,848. The comparable total as of December 31, 2012, was \$16,782,521.
- The net position of the business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds) is \$6,136,728. The unrestricted net position for the business-type activities as of December 31, 2013, is \$5,090,506, while \$1,046,222 is invested in capital assets.
- The Township implemented a local real estate tax of 1.25 mills in fiscal year 2004. The local tax rate remained the same for 2005 through 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's fiscal year 2013 financial statements. The Township's fiscal year 2013 financial statements are comprised of five components: (1) independent auditors' report, (2) management's discussion and analysis, (3) government-wide financial statements, (4) fund financial statements and (5) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Independent Auditors' Report

The *Independent Auditors' Report* briefly describes the audit engagement and also renders an opinion as to the material components of the Township's financial statements.

Management's Discussion and Analysis (MD&A)

Management's Discussion and Analysis, prepared by Township staff, 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.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

Government-Wide Financial Statements

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the Township's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

The *Government-wide Financial Statements*, which can be found on pages 16 and 17 of this report, distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* of the Township include general government, public safety (police, fire and codes), highways and streets, economic development and culture and recreation. The *business-type activities* include the sewer, refuse and Municipal Authority operations.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

Governmental Funds - *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Funds financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is useful in evaluating the Township's near-term financing requirements.

Because the focus of Governmental Funds is more narrow than that of the Government-wide Financial Statements, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *governmental activities* in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *governmental activities*.

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

The Township maintains four individual Governmental Funds. Information is presented separately in the Governmental Funds balance sheet and in the Governmental Funds statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. The Township has chosen not to report data for the one non-major Governmental Fund separately. The Township's four Governmental Funds are the General Fund, the Road Improvements Fund, the Capital Reserve Fund and the State Liquid Fuels (Highway Aid) Fund. The basic Governmental Funds financial statements can be found on pages 18 through 21 of this report.

Proprietary Funds - There are two different types of Proprietary Funds: Enterprise Funds and Internal Service Funds. The Township uses *Enterprise Funds* to report the same functions presented as *business-type activities* in the Government-wide Financial Statements. The Township uses Enterprise Funds to account for its Refuse Fund, Sewer Revenue Fund, Sewer Capital Reserve Fund and Municipal Authority Fund. The Township has no Internal Service Funds.

Proprietary Funds provide the same type of information as the Government-wide Financial Statements, only in more detail. The Proprietary Funds financial statements provide separate information for the individual Enterprise Funds, all of which are considered to be major funds of the Township.

The Proprietary Funds financial statements can be found on pages 22 through 24 of this report.

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the Government-wide Financial Statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. The Township has four Fiduciary Funds: the Non-Uniformed Pension Fund, the Non-Uniformed Defined Contribution Pension Fund, the Fire Pension Fund and the Other Post-Employment Benefits Trust.

The Fiduciary Funds financial statements can be found on pages 25 and 26 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements.

The notes to the financial statements can be found on pages 27 through 50 of this report.

Other Information

In addition to the financial statements and accompanying notes, this report also presents certain *required supplementary information* for the Township. The Township's budget policy and budgetary comparison statement for the General Fund can be found under required supplementary information. The budgetary comparison statement for the General Fund demonstrates compliance of the budget.

Required supplementary information can be found on pages 51 through 55 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the statement of net position (as shown below) may serve over time as a useful indicator of the Township's financial position. The Township's total net position was \$24,888,576 at the close of December 31, 2013. This represents an increase of \$2,180,832, or 9.6%, over the total net position of \$22,707,744 as of the close of fiscal year 2012.

The Township's investment in capital assets reflects the investment in land, building, machinery and equipment, etc., less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The debt outstanding is currently more than the reported investment in capital assets because retroactive reporting of general infrastructure assets is not required for the Township as a Phase 3 government under GASB 34 requirements. The Township has elected to include only general infrastructure assets acquired subsequent to December 31, 2003. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the remaining Township net position, \$1,050,190 represents resources that are subject to external restrictions on how they may be used. This is the net position of the Road Improvements Fund and the State Liquid Fuels (Highway Aid) Fund.

The majority of the Township's net position, \$19,272,602 or 77.4%, is unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors and to fund future capital asset replacement needs.

Statement of Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Current and other assets	\$ 15,749,959	\$ 5,317,363	\$ 21,067,322
Capital assets	9,354,340	12,174,222	21,528,562
TOTAL ASSETS	<u>25,104,299</u>	<u>17,491,585</u>	<u>42,595,884</u>
LIABILITIES			
Other liabilities	223,326	219,871	443,197
Long-term liabilities	6,129,125	11,134,986	17,264,111
TOTAL LIABILITIES	<u>6,352,451</u>	<u>11,354,857</u>	<u>17,707,308</u>
NET POSITION			
Net investment in capital assets	3,519,562	1,046,222	4,565,784
Restricted	1,050,190	-	1,050,190
Unrestricted	14,182,096	5,090,506	19,272,602
TOTAL NET POSITION	<u>\$ 18,751,848</u>	<u>\$ 6,136,728</u>	<u>\$ 24,888,576</u>

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

The Township's Statement of Activities shows how the net position changed during the fiscal year 2013. The Statement of Activities can be found on page 17 of this report.

As shown on the Statement of Activities, the Township's net position increased by \$2,180,832 from January 1, 2013; of this amount, 90.3% or \$1,969,327 came from governmental activities (General, Capital Reserve, Road Improvements and State Liquid Fuels (Highway Aid) Funds) and 9.7% or \$211,505 came from business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds).

Governmental Activities

To understand how the net position changed in the governmental activities, you must look at the "Statement of Revenues, Expenditures and Changes in Fund Balances" (page 20) along with the "Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities" (page 21).

Fund Financial Statements

On page 20, the Governmental Funds are broken down individually to show the "Net Change in Fund Balances" for each fund. The total of these individual changes is \$819,447, and it increases the fund balances from January 1, 2013 to December 31, 2013. The total fund balances at December 31, 2013, are \$14,430,339.

The reconciliation on page 21 explains how the Township arrived at the \$1,969,327 increase in net position of the governmental activities from the Governmental Funds given the increase in fund balances of \$819,447. Most of the change is due to the repayment of note principal in the amount of \$557,000 during 2013, which reduces long-term liabilities in the Statement of Net Position, and earned income tax receivables of \$562,046.

The *General Fund* reflects an increase of \$328,846 in fund balance for the year. The fund balance at December 31, 2013, is \$6,796,915 and is unrestricted.

The *Road Improvements Fund* reflects an increase in its fund balance of \$614.

The *Capital Reserve Fund* reflects an increase in its fund balance of \$489,896 for fiscal year 2013. Provisions are made to fund future capital asset replacement needs based on a detailed lapsing schedule which takes into consideration estimated useful lives of assets as well as inflationary cost increases.

The *Nonmajor Fund's* increase in fund balance was \$91 for the year 2013. The fund balance at December 31, 2013, for the *State Liquid Fuels (Highway Aid) Fund* is \$152.

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

The table below shows the percent of program revenues to expenditures for all the governmental activities.

Expenses - Governmental Funds

	<u>2013</u>	<u>2012</u>	Increase (Decrease)
General government	\$ 1,448,037	\$ 1,030,046	\$ 417,991
Public safety	4,119,065	4,377,766	(258,701)
Health and welfare	6,000	6,000	-
Sanitation	66,381	106,077	(39,696)
Highways and streets	1,740,709	1,483,806	256,903
Culture and recreation	583,921	482,600	101,321
Conservation and development	8,247	5,265	2,982
Principal and interest on long-term debt	767,203	957,592	(190,389)
Capital outlay and miscellaneous	291,921	361,930	(70,009)
	<u>\$ 9,031,484</u>	<u>\$ 8,811,082</u>	<u>\$ 220,402</u>

Expenses in Governmental Funds increased by \$220,402, or 2.5%, between the years 2012 and 2013.

The Township's governmental revenues are generated from a variety of sources. Total revenues for Governmental Funds shown on the "Statement of Revenues, Expenditures and Changes in Fund Balances" (page 20) for fiscal year 2013 were \$9,850,931. The percent of these revenues by source was as follows:

	<u>Revenues by Source</u>	<u>% of Total</u>
Taxes	\$ 7,673,118	77.9%
Fees, licenses and permits	431,983	4.4%
Fines and forfeits	47,181	0.5%
Interest and rents	209,710	2.1%
Intergovernmental	836,822	8.5%
Charges for services	585,334	5.9%
Miscellaneous	66,783	0.7%
	<u>\$ 9,850,931</u>	<u>100.0%</u>

Business-Type Activities

As noted previously in this MD&A, the increase in net position for business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds) was \$211,505 (page 23).

The business-type activities referred to in the Government-wide Financial Statements (pages 16 and 17) are reported as Proprietary (or Enterprise) Funds in the Fund Financial Statements (pages 22 through 24).

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

The *Sewer Revenue Fund's* share of the \$211,505 increase in net position was an increase of \$254,480 for 2013, as compared to an increase of \$514,845 for 2012.

Sewer Revenue Fund Statements of Revenues, Expenses and Changes in Net Position
2013 Comparison to 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES	\$ 2,416,122	\$ 2,509,307
OPERATING EXPENSES	<u>2,471,113</u>	<u>2,565,910</u>
OPERATING INCOME (LOSS)	(54,991)	(56,603)
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus settlement revenue	<u>166,343</u>	<u>849</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	111,352	(55,754)
INTERFUND TRANSFERS	<u>143,128</u>	<u>570,599</u>
CHANGE IN NET POSITION	<u>\$ 254,480</u>	<u>\$ 514,845</u>

Quarterly sewage usage charges billed to residential and commercial customers were changed from flat rate to metered billing rate in the second quarter of 2010. The rate decreased in April 2013 from \$7.97/thousand gallons and \$26.15 fixed/quarter to \$7.51/thousand gallons and \$26.20 fixed/quarter.

The *Refuse Fund's* share of the increase in net position was a decrease of \$12,014 for 2013. The Refuse Fund's net position decreased by \$28,154 in 2012.

Refuse Fund Statements of Revenues, Expenses and Changes in Net Position
2013 Comparison to 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES	\$ 1,015,776	\$ 987,933
OPERATING EXPENSES	<u>1,030,069</u>	<u>1,017,945</u>
OPERATING LOSS	(14,293)	(30,012)
NONOPERATING REVENUES, net		
Interest income, less interest expenses	<u>2,279</u>	<u>1,858</u>
CHANGE IN NET POSITION	<u>\$ (12,014)</u>	<u>\$ (28,154)</u>

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

The current refuse rate, unchanged since 2011, is \$69.88/quarter.

The *Municipal Authority* experienced a decrease in net position of \$355,647 for the year 2013. The Municipal Authority's net position increased by \$6,850 during fiscal year 2012.

Municipal Authority Statements of Revenues, Expenses and Changes in Net Position
2013 Comparison to 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES	\$ 723,972	\$ 708,175
OPERATING EXPENSES	<u>587,661</u>	<u>492,593</u>
OPERATING INCOME	136,311	215,582
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus tapping fees	<u>(6,958)</u>	<u>5,368</u>
INCOME BEFORE INTERFUND TRANSFERS	129,353	220,950
INTERFUND TRANSFERS	<u>(485,000)</u>	<u>(214,100)</u>
CHANGE IN NET POSITION	<u>\$ (355,647)</u>	<u>\$ 6,850</u>

The East Goshen Municipal Authority is a component unit of East Goshen Township, which was established in 1967 to finance construction of the Township's sewage collection and treatment facilities. The major function of the Authority is to provide financing for capital construction, expansion and upgrades to the Township's sewer plants and other facilities. The Township has the responsibility for daily operations of the sewer system through a leaseback arrangement with the Authority which expires in 2033.

The lease agreement requires that the Township pay rents to the Authority equal to the amount of the Authority's monthly debt service on long-term guaranteed notes payable to the Delaware Valley Regional Finance Authority. The Authority has agreed to rebate 28% of its debt service rental collections on its Series 1998 notes to the Township through 2018.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues

During the year, General Fund revenues exceeded budgetary estimates by \$1,120,426.

Total tax revenues were over budget by \$230,975. Real estate property tax collections were under budget by \$6,486 or about 0.43%. Earned Income Tax ran over budget by \$126,304 due to improving economic conditions. Other favorable variances included real estate transfer tax of \$128,580 due to a strong residential market and the sale of two mid-sized commercial properties in 2013. Local Services Tax was under budget by \$17,423.

Fees, licenses and permits were over budget by \$20,703 or 5.0% due to growth in franchise fees from Verizon.

Fines and forfeits were under budget by \$4,462. The majority of this amount was collections from the County for fines collected from township residents for parole violations, as well as fines for vehicle violations.

Interest earnings and rents were \$9,180 over budget, aided by the new land lease with a cell tower company that was executed in 2012.

Intergovernmental revenues were \$16,332 over budget largely due to somewhat higher than anticipated state pension aid.

Charges for services were over budget by \$158,646 due to strong commercial construction permit activity.

Firefighter reimbursement was over budget by \$35,508 due to higher than expected Heart & Lung payments and overtime activity, but this line item is a pass-through revenue only.

Miscellaneous revenues were under budget by \$5,690.

Reimbursements to the General Fund from other Township funds was over-budget by \$659,234 due to the creation of two new funds that are still technically accounted for in the General Fund: the Events Fund (\$15,000) and the Operating Reserve Fund (\$500,000). In addition, under an agreement with PennDOT, the Township transferred \$165,919 from the General Fund to the State Liquid Fuels (Highway Aid) Fund early in 2013 and then transferred that funding back to the General Fund at year-end, resulting in a much higher-than-usual State Liquid Fuels transfer. At the same time, quarterly transfer for administrative, maintenance and other operating costs incurred in conjunction with sewer and refuse operations were under budget by \$42,072.

Expenses

General Fund expenses were over budget by \$232,616 for 2013.

General government expenditures (administration, finance, tax collection, legal and municipal building costs accounted for under general government) were under budget by \$388,741, due primarily to the delay of the installation of a budgeted Geothermal HVAC system at the Township Building until 2014.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

Public safety (police, fire and codes expenses) and health and welfare ran \$36,736 under budget due to personnel savings in the Codes department and a credit from Police savings carried over from 2012.

Public works - sanitation was under budget by \$10,139 mostly due to less identified need for preventive maintenance over the past year on township sewer lines, which has resulted in sewer pumps not being overworked. New infiltration and inflow technology that limits the amount of open excavation on sewer lines has also helped control costs.

Public works - highways and streets was under budget by \$110,763 for 2013. Significant savings were found in blacktop materials (\$112,253) and snow removal (\$12,744 across all snow-related line-items), due to the average snowfall during the winter of 2012-2013.

Culture and recreation was under budget by \$260,085. These savings were primarily related to the deferral of the Hershey Mill Dam restoration project into a future year.

Community development (conservation and development) costs were \$3,351 under budget as well.

Interest expense and other charges ran over budget by \$1.

Insurance premiums were under budget by \$837.

Employee benefits costs were over budget by \$24,948, due to changes in the family status of selected Township employees over the course of 2013.

Transfers expenses were \$1,018,319 over budget due to the creation of the new funds described above in the revenue section, as well as the additional one-time State Liquid Fuel transfer pursuant to the Township's agreement with PennDOT. In addition, the Township increased its annual transfer from the General Fund to the Sinking Fund in 2013 by \$337,400 over the budgeted level to ensure that the Sinking Fund had sufficient assets to pay for the full replacement value of all capital assets, excluding roads, bridges and sewer assets, as of December 31, 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's total capital assets for its governmental and business-type activities as of December 31, 2013, were \$21,528,562. This includes land, buildings and improvements, furniture and equipment, automobiles and trucks, land improvements and infrastructure. Infrastructure includes roads, bridges, stormwater and sewer lines and traffic signals.

Long-Term Debt

At the end of the fiscal year, the Township had total long-term debt outstanding of \$17,253,814. This debt consists of three general obligation notes and three guaranteed notes, all payable to the Delaware Valley Regional Finance Authority (DVRFA) and backed by the full faith and credit of the government. In 2013, the Municipal Authority borrowed \$2.5 million for various sewer diversion projects through DVRFA. Details of the Township's debt holdings and related long-term debt service requirements can be found in Note F to these financial statements on pages 38 through 40.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

Goshen was part of the "Welsh Tract" that was granted by William Penn in 1684. In 1799, the Borough of West Chester was chartered and split off from Goshen Township. In 1817, East Goshen Township was incorporated when the Township of Goshen was further divided into two Townships--East and West Goshen. East Goshen Township encompasses an area of 10 square miles and services a community of 18,026 residents. The Township owns and maintains 62.50 miles of road and 434 acres of parkland and/or open space.

The major function of the Township is to provide local government services to its residents as specified in the Second Class Township Code. A five-member Board of Supervisors, elected by the voters, governs the Township. The Board establishes the policies which determine services provided, the amount of taxes levied and regulation of public safety, land use control, land subdivision, road construction and road maintenance. The Township is a charter member of the Westtown-East Goshen Regional Police Department, and the Department provides police and detective services to Township residents.

Next Year's Budget

The 2014 budget was adopted with a surplus of \$86,939. Revenues projected in the 2014 budget are of a conservative nature based on the previous three years of actual collections. There are no increases in tax rates reflected in the 2013 budget.

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, please contact the Director of Finance at 1580 Paoli Pike, West Chester, PA 19380.

EAST GOSHEN TOWNSHIP
STATEMENT OF NET POSITION
December 31, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 10,000,357	\$ 4,788,922	\$ 14,789,279
Certificates of deposit	4,515,001	-	4,515,001
Receivables, net	1,178,943	528,220	1,707,163
Prepaid expenses	18,845	221	19,066
Net pension asset	36,813	-	36,813
Capital assets not being depreciated	94,907	43,596	138,503
Capital assets being depreciated, net	<u>9,259,433</u>	<u>12,130,626</u>	<u>21,390,059</u>
TOTAL ASSETS	<u>\$ 25,104,299</u>	<u>\$ 17,491,585</u>	<u>\$ 42,595,884</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable and accrued expenses	\$ 223,326	\$ 219,871	\$ 443,197
Accrued interest	3,311	6,986	10,297
Long-term liabilities			
Portion due or payable within one year			
Notes payable	583,000	466,000	1,049,000
Compensated absences	291,036	-	291,036
Portion due or payable after one year			
Notes payable	<u>5,251,778</u>	<u>10,662,000</u>	<u>15,913,778</u>
TOTAL LIABILITIES	<u>6,352,451</u>	<u>11,354,857</u>	<u>17,707,308</u>
NET POSITION			
Net investment in capital assets	3,519,562	1,046,222	4,565,784
Restricted for			
Road improvements	1,050,038	-	1,050,038
Other projects	152	-	152
Unrestricted	<u>14,182,096</u>	<u>5,090,506</u>	<u>19,272,602</u>
TOTAL NET POSITION	<u>18,751,848</u>	<u>6,136,728</u>	<u>24,888,576</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 25,104,299</u>	<u>\$ 17,491,585</u>	<u>\$ 42,595,884</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,217,283	\$ 31,320	\$ -	\$ -
Public safety	4,153,155	617,922	273,915	-
Health and welfare	6,000	-	-	-
Public works				
Sanitation	81,705	-	-	-
Highways and streets	1,793,386	3,585	363,306	-
Culture and recreation	552,872	133,831	-	-
Conservation and development	8,240	26,533	-	-
Interest on long-term debt	214,786	-	-	-
Capital outlay	(2,403)	-	-	-
Depreciation, unallocated	450,882	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	8,475,906	813,191	637,221	-
BUSINESS-TYPE ACTIVITIES				
Refuse	1,030,069	988,995	-	-
Sewer	3,116,053	3,167,658	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	4,146,122	4,156,653	-	-
TOTAL TOWNSHIP ACTIVITIES	\$ 12,622,028	\$ 4,969,844	\$ 637,221	\$ -

GENERAL REVENUES

Property taxes, levied for general purposes
Real estate transfer taxes
Earned income tax
Local services tax
Franchise taxes
Public realty tax
Permits and fees
Fines and forfeitures
Unrestricted investment earnings
Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
\$ (1,185,963)	\$ -	\$ (1,185,963)
(3,261,318)	-	(3,261,318)
(6,000)	-	(6,000)
(81,705)	-	(81,705)
(1,426,495)	-	(1,426,495)
(419,041)	-	(419,041)
18,293	-	18,293
(214,786)	-	(214,786)
2,403	-	2,403
(450,882)	-	(450,882)
<u>(7,025,494)</u>	<u>-</u>	<u>(7,025,494)</u>
-	(41,074)	(41,074)
<u>-</u>	<u>51,605</u>	<u>51,605</u>
-	10,531	10,531
<u>(7,025,494)</u>	<u>10,531</u>	<u>(7,014,963)</u>
2,002,990	-	2,002,990
613,680	-	613,680
5,328,191	-	5,328,191
297,801	-	297,801
430,113	-	430,113
10,723	-	10,723
1,870	-	1,870
47,181	-	47,181
44,597	6,152	50,749
217,675	194,822	412,497
<u>8,994,821</u>	<u>200,974</u>	<u>9,195,795</u>
1,969,327	211,505	2,180,832
<u>16,782,521</u>	<u>5,925,223</u>	<u>22,707,744</u>
<u>\$ 18,751,848</u>	<u>\$ 6,136,728</u>	<u>\$ 24,888,576</u>

EAST GOSHEN TOWNSHIP

BALANCE SHEET GOVERNMENTAL FUNDS

December 31, 2013

	<u>General Fund</u>	<u>Road Improvements Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Fund State Liquid Fuels (Highway Aid) Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 5,109,239	\$ 1,053,158	\$ 3,837,808	\$ 152	\$ 10,000,357
Investments	1,757,480	-	2,757,521	-	4,515,001
Taxes receivable, net	78,885	-	-	-	78,885
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Other receivables	56,200	-	-	-	56,200
Prepaid expenses	18,845	-	-	-	18,845
TOTAL ASSETS	\$ 7,020,649	\$ 1,053,158	\$ 6,595,329	\$ 152	\$ 14,669,288
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 109,260	\$ 3,120	\$ 12,095	\$ -	\$ 124,475
Due to other funds	-	-	-	-	-
Accrued interest	3,311	-	-	-	3,311
Accrued salaries and benefits	98,851	-	-	-	98,851
TOTAL LIABILITIES	211,422	3,120	12,095	-	226,637
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues, real estate taxes	12,312	-	-	-	12,312
FUND BALANCES					
Nonspendable, prepaid expenses	18,845	-	-	-	18,845
Restricted					
Road improvements	-	1,050,038	-	-	1,050,038
Special revenue	-	-	-	152	152
Assigned, capital projects					
Capital projects	-	-	6,583,234	-	6,583,234
Operating reserve	500,008	-	-	-	500,008
Special events	15,000	-	-	-	15,000
Unassigned	6,263,062	-	-	-	6,263,062
TOTAL FUND BALANCES	6,796,915	1,050,038	6,583,234	152	14,430,339
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,020,649	\$ 1,053,158	\$ 6,595,329	\$ 152	\$ 14,669,288

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP

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

December 31, 2013

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 14,430,339
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Net pension asset	36,813
Historical treasures	24,267
Construction in progress	70,640
Infrastructure	1,890,769
Vehicles	1,819,912
Buildings and improvements	9,014,698
Machinery, equipment and furniture	2,233,980
Accumulated depreciation	(5,699,926)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Compensated absences	(291,036)
Notes payable	(5,834,778)
<p>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 recorded as receivables or are deferred in the funds.</p>	
	<u>1,056,170</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 18,751,848</u>

See accompanying notes to the basic financial statements.

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

	<u>General Fund</u>	<u>Road Improvements Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Fund State Liquid Fuels (Highway Aid) Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes					
Real estate	\$ 1,995,492	\$ -	\$ -	\$ -	\$ 1,995,492
Real estate transfer	613,680	-	-	-	613,680
Local services tax	297,801	-	-	-	297,801
Earned income	4,766,145	-	-	-	4,766,145
Fees, licenses and permits	431,983	-	-	-	431,983
Fines and forfeits	47,181	-	-	-	47,181
Intergovernmental	472,771	745	-	363,306	836,822
Charges for services	585,334	-	-	-	585,334
Interest and rents	188,384	3,849	16,211	1,266	209,710
Miscellaneous	66,783	-	-	-	66,783
TOTAL REVENUES	<u>9,465,554</u>	<u>4,594</u>	<u>16,211</u>	<u>364,572</u>	<u>9,850,931</u>
EXPENDITURES					
Current					
General government	1,448,037	-	-	-	1,448,037
Public safety	4,119,065	-	-	-	4,119,065
Health and welfare	6,000	-	-	-	6,000
Public works					
Sanitation	66,381	-	-	-	66,381
Highways and streets	1,206,329	3,980	-	530,400	1,740,709
Culture and recreation	583,921	-	-	-	583,921
Conservation and development	8,247	-	-	-	8,247
Debt service					
Principal	557,000	-	-	-	557,000
Interest and other charges	210,203	-	-	-	210,203
Capital outlay	-	-	291,921	-	291,921
TOTAL EXPENDITURES	<u>8,205,183</u>	<u>3,980</u>	<u>291,921</u>	<u>530,400</u>	<u>9,031,484</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,260,371</u>	<u>614</u>	<u>(275,710)</u>	<u>(165,828)</u>	<u>819,447</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	765,606	165,919	931,525
Transfers out	(931,525)	-	-	-	(931,525)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(931,525)</u>	<u>-</u>	<u>765,606</u>	<u>165,919</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	328,846	614	489,896	91	819,447
FUND BALANCES AT BEGINNING OF YEAR	<u>6,468,069</u>	<u>1,049,424</u>	<u>6,093,338</u>	<u>61</u>	<u>13,610,892</u>
FUND BALANCES AT END OF YEAR	<u>\$ 6,796,915</u>	<u>\$ 1,050,038</u>	<u>\$ 6,583,234</u>	<u>\$ 152</u>	<u>\$ 14,430,339</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 819,447
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	9,031
Net pension asset is reported in Governmental Funds as an expenditure. However, it is not recognized in the statement of activities because the expense is related to a future period.	2,388
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real estate taxes	7,498
Earned income taxes	562,046
Repayment of note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	557,000
Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds until paid.	<u>11,917</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,969,327</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2013

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 783,647	\$ 586,512	\$ 1,820,492	\$ 1,598,271	\$ 4,788,922
Receivables, net	72,930	455,290	-	-	528,220
Prepaid expenses	-	221	-	-	221
TOTAL CURRENT ASSETS	856,577	1,042,023	1,820,492	1,598,271	5,317,363
NONCURRENT ASSETS					
Due from other funds	-	-	-	9,230,789	9,230,789
Capital assets					
Construction in progress	-	43,596	-	-	43,596
Sewer treatment plant and improvements	-	13,359,963	-	-	13,359,963
Accumulated depreciation	-	(1,229,337)	-	-	(1,229,337)
TOTAL CAPITAL ASSETS net of accumulated depreciation	-	12,174,222	-	-	12,174,222
TOTAL NONCURRENT ASSETS	-	12,174,222	-	9,230,789	21,405,011
TOTAL ASSETS	\$ 856,577	\$ 13,216,245	\$ 1,820,492	\$ 10,829,060	\$ 26,722,374
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts payable	\$ 8,678	\$ 181,291	\$ 19,456	\$ 10,446	\$ 219,871
Accrued interest	-	-	-	6,986	6,986
Notes payable, current	-	-	-	466,000	466,000
TOTAL CURRENT LIABILITIES	8,678	181,291	19,456	483,432	692,857
NONCURRENT LIABILITIES					
Due to other funds	-	9,230,789	-	-	9,230,789
Notes payable	-	-	-	10,662,000	10,662,000
TOTAL NONCURRENT LIABILITIES	-	9,230,789	-	10,662,000	19,892,789
TOTAL LIABILITIES	8,678	9,412,080	19,456	11,145,432	20,585,646
NET POSITION					
Net investment in capital assets	-	1,046,222	-	-	1,046,222
Unrestricted	847,899	2,757,943	1,801,036	(316,372)	5,090,506
TOTAL NET POSITION	847,899	3,804,165	1,801,036	(316,372)	6,136,728
TOTAL LIABILITIES AND NET POSITION	\$ 856,577	\$ 13,216,245	\$ 1,820,492	\$ 10,829,060	\$ 26,722,374

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended December 31, 2013

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
OPERATING REVENUES					
Charges for services	\$ 1,015,776	\$ 3,125,272	\$ -	\$ -	\$ 4,141,048
Lease rentals, net	-	(709,150)	-	723,972	14,822
TOTAL OPERATING REVENUES	<u>1,015,776</u>	<u>2,416,122</u>	<u>-</u>	<u>723,972</u>	<u>4,155,870</u>
OPERATING EXPENSES					
Operations	1,030,069	2,118,763	19,457	587,661	3,755,950
Depreciation	-	352,350	-	-	352,350
TOTAL OPERATING EXPENSES	<u>1,030,069</u>	<u>2,471,113</u>	<u>19,457</u>	<u>587,661</u>	<u>4,108,300</u>
OPERATING INCOME (LOSS)	<u>(14,293)</u>	<u>(54,991)</u>	<u>(19,457)</u>	<u>136,311</u>	<u>47,570</u>
NONOPERATING REVENUES					
Interest and investment revenue	2,279	1,165	2,271	437	6,152
Tapping fees	-	-	-	15,605	15,605
Settlement revenue	-	180,000	-	-	180,000
Loan costs	-	-	-	(23,000)	(23,000)
Interest expense	-	(14,822)	-	-	(14,822)
TOTAL NONOPERATING REVENUES	<u>2,279</u>	<u>166,343</u>	<u>2,271</u>	<u>(6,958)</u>	<u>163,935</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(12,014)</u>	<u>111,352</u>	<u>(17,186)</u>	<u>129,353</u>	<u>211,505</u>
TRANSFERS IN	-	391,128	1,037,000	750,000	2,178,128
TRANSFERS OUT	<u>-</u>	<u>(248,000)</u>	<u>(695,128)</u>	<u>(1,235,000)</u>	<u>(2,178,128)</u>
CHANGE IN NET POSITION	<u>(12,014)</u>	<u>254,480</u>	<u>324,686</u>	<u>(355,647)</u>	<u>211,505</u>
NET POSITION AT BEGINNING OF YEAR	<u>859,913</u>	<u>3,549,685</u>	<u>1,476,350</u>	<u>39,275</u>	<u>5,925,223</u>
NET POSITION AT END OF YEAR	<u>\$ 847,899</u>	<u>\$ 3,804,165</u>	<u>\$ 1,801,036</u>	<u>\$ (316,372)</u>	<u>\$ 6,136,728</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended December 31, 2013

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,005,630	\$ 3,132,253	\$ -	\$ -	\$ 4,137,883
Lease rental payments	-	(709,150)	-	723,972	14,822
Payments to suppliers	(1,033,361)	(2,150,939)	(1)	(598,845)	(3,783,146)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(27,731)</u>	<u>272,164</u>	<u>(1)</u>	<u>125,127</u>	<u>369,559</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	391,128	1,037,000	750,000	2,178,128
Transfers to other funds	-	(248,000)	(695,128)	(1,235,000)	(2,178,128)
Due to (from) other funds	-	244,789	-	(238,782)	6,007
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>387,917</u>	<u>341,872</u>	<u>(723,782)</u>	<u>6,007</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Tapping fees received	-	-	-	15,605	15,605
Principal payments on debt	-	-	-	(358,000)	(358,000)
Proceeds from issuance of note	-	-	-	2,500,000	2,500,000
Payment of issuance costs	-	-	-	(23,000)	(23,000)
Acquisition, construction and improvements of capital assets	-	(650,739)	-	-	(650,739)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(650,739)</u>	<u>-</u>	<u>2,134,605</u>	<u>1,483,866</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	<u>2,279</u>	<u>1,165</u>	<u>2,271</u>	<u>437</u>	<u>6,152</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,452)	10,507	344,142	1,536,387	1,865,584
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
	<u>809,099</u>	<u>576,005</u>	<u>1,476,350</u>	<u>61,884</u>	<u>2,923,338</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	<u>\$ 783,647</u>	<u>\$ 586,512</u>	<u>\$ 1,820,492</u>	<u>\$ 1,598,271</u>	<u>\$ 4,788,922</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (14,293)	\$ (54,991)	\$ (19,457)	\$ 136,311	\$ 47,570
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	-	352,350	-	-	352,350
(Increase) decrease in					
Accounts receivable	(10,146)	6,981	-	-	(3,165)
Prepaid expenses	-	(221)	-	-	(221)
Increase (decrease) in accounts payable	(3,292)	(31,955)	19,456	(11,184)	(26,975)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (27,731)</u>	<u>\$ 272,164</u>	<u>\$ (1)</u>	<u>\$ 125,127</u>	<u>\$ 369,559</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2013

	<u>Fire Pension Fund</u>	<u>Non- Uniformed Pension Fund</u>	<u>Non- Uniformed Defined Contribution Pension Fund</u>	<u>Other Post- Employment Benefits Trust Fund</u>	<u>Total Fiduciary Funds</u>
ASSETS					
Cash and cash equivalents	\$ 71,422	\$ 145,225	\$ 19,877	\$ 18,412	\$ 254,936
Receivables					
Members' contributions	202	-	-	-	202
State aid	-	-	6,254	-	6,254
Investments					
Certificates of deposit	25,581	59,571	-	-	85,152
U.S. Government obligations	51,549	161,023	-	47,332	259,904
Corporate bonds	25,783	69,211	-	47,882	142,876
Municipal bonds	152,016	257,332	-	89,932	499,280
Bond funds	48,971	163,213	82,469	-	294,653
Equity funds	616,692	1,786,908	244,746	619,589	3,267,935
	<u>992,216</u>	<u>2,642,483</u>	<u>353,346</u>	<u>823,147</u>	<u>4,811,192</u>
TOTAL ASSETS	\$ 992,216	\$ 2,642,483	\$ 353,346	\$ 823,147	\$ 4,811,192
LIABILITIES AND NET POSITION					
LIABILITIES					
Transfer of state aid to Non-Uniformed Plan	\$ 6,254	\$ -	\$ -	\$ -	\$ 6,254
NET POSITION					
Held in trust for pension benefits	<u>985,962</u>	<u>2,642,483</u>	<u>353,346</u>	<u>823,147</u>	<u>4,804,938</u>
	<u>992,216</u>	<u>2,642,483</u>	<u>353,346</u>	<u>823,147</u>	<u>4,811,192</u>
TOTAL LIABILITIES AND NET POSITION	\$ 992,216	\$ 2,642,483	\$ 353,346	\$ 823,147	\$ 4,811,192

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Year Ended December 31, 2013

	Fire Pension Fund	Non- Uniformed Pension Fund	Non- Uniformed Defined Contribution Pension Fund	Other Post- Employment Benefits Trust Fund	Total Fiduciary Funds
ADDITIONS					
Contributions					
Members' contributions	\$ 11,599	\$ -	\$ -	\$ -	\$ 11,599
State contributions	57,784	-	102,554	-	160,338
Employer contributions	-	-	-	335,891	335,891
TOTAL CONTRIBUTIONS	<u>69,383</u>	<u>-</u>	<u>102,554</u>	<u>335,891</u>	<u>507,828</u>
Investment income					
Net appreciation in fair value of investments	120,563	349,220	29,322	94,753	593,858
Interest and dividends	8,184	31,942	6,013	33,524	79,663
TOTAL INVESTMENT INCOME	<u>128,747</u>	<u>381,162</u>	<u>35,335</u>	<u>128,277</u>	<u>673,521</u>
Investment expense	(4,209)	(12,319)	(1,258)	(3,023)	(20,809)
INVESTMENT INCOME, net	<u>124,538</u>	<u>368,843</u>	<u>34,077</u>	<u>125,254</u>	<u>652,712</u>
TOTAL ADDITIONS	<u>193,921</u>	<u>368,843</u>	<u>136,631</u>	<u>461,145</u>	<u>1,160,540</u>
DEDUCTIONS					
Pension payments	3,286	54,072	5,921	-	63,279
Administrative expenses	5,900	7,300	5,100	-	18,300
TOTAL DEDUCTIONS	<u>9,186</u>	<u>61,372</u>	<u>11,021</u>	<u>-</u>	<u>81,579</u>
CHANGE IN NET POSITION	184,735	307,471	125,610	461,145	1,078,961
NET POSITION AT BEGINNING OF YEAR	<u>801,227</u>	<u>2,335,012</u>	<u>227,736</u>	<u>362,002</u>	<u>3,725,977</u>
NET POSITION AT END OF YEAR	<u>\$ 985,962</u>	<u>\$ 2,642,483</u>	<u>\$ 353,346</u>	<u>\$ 823,147</u>	<u>\$ 4,804,938</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

East Goshen Township (the "Township") operates under a Board of Supervisors and provides public safety, health and welfare, public works, culture and recreation, conservation and development, public improvements, planning and zoning and general administrative services.

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

Reporting Entity

The Township, for financial purposes, includes all of the funds relevant to the operation of the Township, except as noted.

The Township utilizes Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. In evaluating the Township as a primary government, management has addressed all potential component units. Consistent with applicable guidance, the criteria used by the Township to evaluate the possible inclusion of related entities within its reporting entity is financial accountability and the nature and significance of the relationship.

The financial statements of the Township include the East Goshen Municipal Authority (the "Municipal Authority"), a body corporate and politic, incorporated under the Municipal Authorities Act of 1945, P. L. 382, as amended, pursuant to ordinances enacted by the Township, which is blended in these financial statements under the governing criteria of governmental accounting and financial reporting standards. A copy of the component unit's financial statements can be obtained at the Township's office located at 1580 Paoli Pike, West Chester, Pennsylvania.

The Municipal Authority is a "lease-back authority," the purpose of which is to borrow money to finance the construction or acquisition of needed facilities. These facilities are leased back to the Township, which operates them and is responsible for their proper management.

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:

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.

The *Road Improvements Fund* and *Capital Reserve Fund* are used to account for financial resources to be used for the acquisition or construction and maintenance of major capital assets (other than those financed by Proprietary Funds).

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

The Township reports the following Nonmajor Fund:

The *State Liquid Fuels (Highway Aid) Fund*, as required by state law, accounts for revenue from the State Motor License Fund (gasoline tax distribution, etc.) and the approved expenditures of such monies for highway purposes.

The Township reports the following major Proprietary Funds:

The *Refuse Fund* and *Sewer Revenue Fund* are used to account for refuse and sewer operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The *Sewer Capital Reserve Fund* is used to account for financial resources to be used for the acquisition or construction and maintenance of major sewer capital assets.

The *Municipal Authority* is a blended component unit of the Township. It was established in 1967 to finance construction of the Township's sewage collection and treatment facilities. The major function of the Municipal Authority is to provide financing for capital construction, expansion and upgrades to the Township's sewer plants and other facilities. The Township has the responsibility for daily operations of the sewer system through a leaseback arrangement with the Authority which expires in 2018.

Additionally, the Township reports the following Fiduciary Fund types:

The *Pension Trust Funds* account for the activities of the Fire and Non-Uniformed Pension Plans, which accumulate resources for pension benefit payments to qualified employees. The *OPEB Trust Fund* accounts for monies set aside by the Township to be used to satisfy the Township's contractual obligation to contribute its pro-rata share of the Westtown East Goshen Regional Police Commission's OPEB obligation.

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. 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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Township and for each function or program of the Township's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Township.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the Township. The focus of Governmental and Proprietary 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 (Nonmajor Fund). Fiduciary Funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, 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.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Township finances and meets the cash flow needs of its proprietary activities.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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 the Proprietary Funds' ongoing operations. The principal operating revenues of the Township's Enterprise Funds are sewer and refuse charges. Operating expenses of the Township's Enterprise Funds include operating and administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and Proprietary Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments purchased with an original maturity of one year or less are considered cash equivalents.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, curbs, sidewalks, drainage systems and lighting systems), are reported in the applicable governmental or business-type activities 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 if purchased or constructed.

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

Property, plant and equipment of the Township are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Automobiles	5-12
Building and improvements	10-50
Equipment, furniture and fixtures	3-12

Under GASB Statement No. 34, the Township is a Phase 3 government. Prospective reporting of general infrastructure assets is required upon implementation of GASB Statement No. 34, according to the GASB 34 Cod. Sec. 1400.125. Retroactive reporting of general infrastructure assets is required for Phase 1 and Phase 2 governments but not for Phase 3 governments. The Township has elected not to retroactively report general infrastructure assets at this time; therefore, capital assets only include general infrastructure assets acquired since the implementation of GASB Statement No. 34 in 2004.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Long-Term Obligations

In the government-wide and Proprietary Funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Funds statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the period incurred. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Accrued Compensated Absences

Employees, upon termination, will receive compensation for unused sick and vacation days accumulated. Eligible employees receive 72 sick leave hours per year and are allowed to accumulate up to 480 hours. Employees may carry over a maximum of 80 vacation hours to the following year. Any unused vacation in excess of 80 hours is forfeited.

Real Estate Tax Calendar and Reserve

The original tax duplicate is received by the Township and given to the tax collector for mailing by February 1. The discount period extends through April 30, followed by the flat period through June 30 and ends with the penalty period after July 1. The penalty is 10%. Any unpaid taxes at the end of the year are required to be lienied by January 15 with the county.

Receivables and Payables

External transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Allowance for Uncollectible Accounts

The Township calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. There was no allowance at December 31, 2013.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Fund Balance

Beginning with the year ended December 31, 2011, the Township has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Township's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

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

The Board of Supervisors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is intended to be used by the Township for specific purposes but does not meet the criteria to be classified as restricted or committed.

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

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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Deferred Outflows of Resources and Deferred Inflows of Resources

Effective January 1, 2012, the Township has implemented Government Accounting Standards Board Statement No. 63, *Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 no items that qualify for reporting in this category.

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

NOTE B DEPOSITS AND INVESTMENTS

Deposits

The Township's deposits with financial institutions at December 31, 2013, consisted of checking and savings accounts as well as certificates of deposit with an original maturity ranging from three to 18 months, as follows:

	<u>Carrying Amount</u>
CASH AND CASH EQUIVALENTS	
Government-wide	
Cash	\$ 14,789,279
Certificates of deposit	<u>4,515,001</u>
	19,304,280
 Fiduciary Funds	 <u>254,936</u>
	 <u>\$ 19,559,216</u>

Custodial Credit Risk - The Township utilizes both insurance provided by the Federal Deposit Insurance Corporation (FDIC) and collateralization to guard against custodial credit risk. Under the Township's current procedures, deposits in excess of FDIC insurance are fully collateralized. The Township has adopted a deposit policy which, in accordance with state law, requires all its banking partners to pledge collateral held by an independent third-party institution, not in the Township's name, in the amount of at least 102% of the deposit value. As of December 31, 2013, \$2,283,248 of the Township's bank balance of \$19,645,691 was covered under FDIC insurance, and the remaining \$17,362,443 was collateralized as described.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Credit Risk - Pennsylvania statutes authorize the Township to invest in U.S. Treasury bills, short-term obligations of the U.S. Government, obligations of the U.S. Government or Commonwealth of Pennsylvania or political subdivisions of the Commonwealth that are backed by the full faith and credit of the issuing government and shares of authorized investment companies provided that all of the company investments are authorized investments for a township.

In addition, the Township may invest in time deposits, savings accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent that such investments are insured and, where amounts exceed the insured maximums, that the depository pledge collateral as provided by Pennsylvania law.

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 loan's or savings bank's assets, net of its liabilities. The Township may also invest in shares of registered investment companies provided that investments of the company are authorized investments, as noted above.

Investments

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. 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. Investments with interest rate risk are selected so that the risk of interest decline below area savings accounts rates is minimal.

As of December 31, 2013, investment balances exposed to interest rate risk were as follows:

Investment Type	Fair Value	Investment Maturities			
		Less Than 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years
Certificates of deposit	\$ 4,600,153	\$ 4,566,163	\$ 33,990	\$ -	\$ -
U.S. Government obligations	259,904	-	120,609	139,295	-
Bond funds	294,653	-	60,328	234,325	-
Corporate bonds	142,876	77,343	-	65,533	-
Municipal bonds	499,280	110,285	121,511	251,496	15,988
	<u>\$ 5,796,866</u>	<u>\$ 4,753,791</u>	<u>\$ 336,438</u>	<u>\$ 690,649</u>	<u>\$ 15,988</u>

Interest Rate Risk - The Township recognizes interest rate risk and extension risk with some of the obligations. The Township has stratified its portfolio so that the investments with extension risk are comprised of monies needed on a long-term basis. Investments with interest rate risk are selected so that the risk of interest decline below area savings accounts rates is minimal.

Credit Risk - The law provides that the Township's Pension and OPEB Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the Township to be prudent.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

The credit risk of a debt instrument as measured by a Nationally Recognized Statistical Rating Organization (NRSRO) (Morningstar, Inc. for bond mutual funds or Moody's Investor Services for bonds and mortgages) is as follows:

INVESTMENT TYPE	<u>Fair Value</u>	<u>Credit Quality</u>
U.S. Government securities	\$ 259,904	AAA
Bond mutual funds	84,718	AAA
Bond mutual funds	41,306	AA
Corporate bonds	15,023	AA
Municipal bonds	258,966	AA
Corporate bonds	86,581	A
Municipal bonds	121,553	A
Corporate bonds	41,272	BAA
Bond mutual funds	168,629	Not Rated
Municipal bonds	118,761	Not Rated
Equity funds	3,248,058	Not Rated
Certificates of deposit, Fiduciary Funds	85,152	Not Rated
Certificates of deposit, Governmental Funds	4,515,001	Not Rated
Money market funds	19,877	Not Rated
	<u>\$ 9,064,801</u>	

U.S. Government obligations are not considered to have credit risk and do not require disclosure of credit quality. Pooled investments within Nationwide Life Insurance Company are not rated by an NRSRO, such as Morningstar, Inc. or Moody's Investor Services. Nationwide Life Insurance Company is rated Aa for long-term insurance financial strength according to Moody's Investor Services.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the pension and OPEB plans will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The plans do not have a formal investment policy that addresses custodial credit risk.

Investments in external investment pools or in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Securities underlying reverse repurchase agreements are not exposed to custodial credit risk because they are held by the buyer-lender. The term securities, as used in this paragraph, includes securities underlying repurchase agreements and investment securities.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributable to the magnitude of a pension plan's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The plans do not have a formal investment policy that addresses concentration of credit risk; however, as of December 31, 2013, no investment in any one organization represented five percent (5%) or more of total investments.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The pension and OPEB plans do not have a formal investment policy that addresses foreign currency risk; however, the plans held no investments that were exposed to foreign currency risk as of December 31, 2013.

NOTE C RECEIVABLES

Receivables in the government-wide financial statements are comprised of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
RECEIVABLES			
Earned income tax	\$ 1,064,052	\$ -	\$ 1,064,052
Local services tax	2,661	-	2,661
Real estate taxes	56,030	-	56,030
Other receivables	56,200	-	56,200
Sewer and refuse charges	-	348,220	348,220
Settlement receivable	-	180,000	180,000
	<u>\$ 1,178,943</u>	<u>\$ 528,220</u>	<u>\$ 1,707,163</u>

NOTE D INTERFUND TRANSFERS

Interfund transfers at December 31, 2013, are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
State Liquid Fuels Fund	General Fund	\$ 165,919
Capital Reserve Fund	General Fund	765,606
Sewer Revenue Fund	Municipal Authority	358,000
Sewer Revenue Fund	Sewer Capital Reserve Fund	33,128
Sewer Capital Reserve Fund	Sewer Revenue Fund	160,000
Sewer Capital Reserve Fund	Municipal Authority	877,000
Municipal Authority	Sewer Revenue Fund	88,000
Municipal Authority	Sewer Capital Reserve Fund	662,000
		<u>\$ 3,109,653</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE E CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Historical treasures	\$ 24,267	\$ -	\$ -	\$ 24,267
Construction in progress	20,949	49,691	-	70,640
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>45,216</u>	<u>49,691</u>	<u>-</u>	<u>94,907</u>
Capital assets being depreciated				
Infrastructure	1,850,951	39,818	-	1,890,769
Vehicles	1,685,585	243,047	(108,720)	1,819,912
Buildings and improvements	8,977,378	37,320	-	9,014,698
Machinery, equipment and furniture	2,136,874	111,781	(14,675)	2,233,980
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>14,650,788</u>	<u>431,966</u>	<u>(123,395)</u>	<u>14,959,359</u>
Accumulated depreciation				
Infrastructure	(301,059)	(43,935)	-	(344,994)
Vehicles	(1,145,931)	(109,814)	86,976	(1,168,769)
Buildings and improvements	(2,218,156)	(225,611)	-	(2,443,767)
Machinery, equipment and furniture	(1,685,549)	(71,522)	14,675	(1,742,396)
TOTAL ACCUMULATED DEPRECIATION	<u>(5,350,695)</u>	<u>(450,882)</u>	<u>101,651</u>	<u>(5,699,926)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>9,300,093</u>	<u>(18,916)</u>	<u>(21,744)</u>	<u>9,259,433</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>9,345,309</u>	<u>30,775</u>	<u>(21,744)</u>	<u>9,354,340</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	30,774	39,515	(26,693)	43,596
Capital assets being depreciated				
Sewer treatment plant and improvements	12,736,868	623,095	-	13,359,963
Accumulated depreciation	(876,987)	(352,350)	-	(1,229,337)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>11,859,881</u>	<u>270,745</u>	<u>-</u>	<u>12,130,626</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>11,890,655</u>	<u>310,260</u>	<u>(26,693)</u>	<u>12,174,222</u>
CAPITAL ASSETS, net	<u>\$ 21,235,964</u>	<u>\$ 341,035</u>	<u>\$ (48,437)</u>	<u>\$ 21,528,562</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE F GENERAL LONG-TERM DEBT

The following is a summary of changes in long-term liability activity of the Township:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Notes					
Series A of 1999	\$ 1,426,000	\$ -	\$ (173,000)	\$ 1,253,000	\$ 182,000
Series A of 2000	177,000	-	(16,000)	161,000	17,000
Series A of 2003	3,536,000	-	(263,000)	3,273,000	274,000
Westtown Township	<u>1,252,778</u>	<u>-</u>	<u>(105,000)</u>	<u>1,147,778</u>	<u>110,000</u>
TOTAL NOTES	6,391,778	-	(557,000)	5,834,778	583,000
Compensated absences	<u>302,953</u>	<u>-</u>	<u>(11,917)</u>	<u>291,036</u>	<u>291,036</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>6,694,731</u>	<u>-</u>	<u>(568,917)</u>	<u>6,125,814</u>	<u>874,036</u>
BUSINESS-TYPE ACTIVITIES					
Guaranteed Notes					
Series of 1998	518,000	-	(74,000)	444,000	79,000
Series of 2008	8,468,000	-	(284,000)	8,184,000	296,000
Series of 2013	<u>-</u>	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>	<u>91,000</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>8,986,000</u>	<u>2,500,000</u>	<u>(358,000)</u>	<u>11,128,000</u>	<u>466,000</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 15,680,731</u>	<u>\$ 2,500,000</u>	<u>\$ (926,917)</u>	<u>\$ 17,253,814</u>	<u>\$ 1,340,036</u>

Notes payable consisted of:

General Obligation Note, Series A of 1999, payable to the Delaware Valley Regional Finance Authority (DVRFA); in 2003, the note was converted from a variable rate to a fixed rate of 3.66% with maturity scheduled for 2019; interest is payable monthly, principal is payable annually and is subject to a swap agreement \$ 1,253,000

Guaranteed Revenue Note, Series A of 2000, payable to the DVRFA; in 2003, the note was converted from a variable rate to a fixed rate of 3.76% with maturity scheduled for 2021; interest is payable monthly, principal is payable annually and is subject to a swap agreement 161,000

SUBTOTAL FORWARD \$ 1,414,000

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

SUBTOTAL FORWARDED	\$ 1,414,000
General Obligation Note, Series A of 2003, payable to the DVRFA; in 2003, the note was converted from a variable rate to a fixed rate of 3.91% with maturity scheduled for 2023; interest is payable monthly, principal is payable annually and is subject to a swap agreement	3,273,000
East Goshen Township's portion of the General Obligation Bonds of Westtown Township, Series of 2012; the bonds mature in 2023 with interest rates ranging up to 2.30% (see Note H for further details on the agreement with Westtown Township)	1,147,778
The Municipal Authority issued a Guaranteed Note, Series of 1998, to the DVRFA; in 2003, the note was converted from a variable rate to a fixed rate of 3.84% with maturity scheduled for 2018; interest is payable monthly, principal is payable annually and is subject to a swap agreement	444,000
The Municipal Authority issued a Guaranteed Note, Series of 2008, to the DVRFA; in 2008, the note was converted from a variable rate to a fixed rate of 3.96% with maturity scheduled for 2032; interest is payable monthly, principal is payable annually and is subject to a swap agreement	8,184,000
The Municipal Authority issued a Guaranteed Note, Series of 2013, to the DVRFA; in 2013, the note was converted from a variable rate to a fixed rate of 3.049% with maturity scheduled for 2033; interest is payable monthly, principal is payable annually and is subject to a swap agreement	<u>2,500,000</u>
	<u>\$ 16,962,778</u>

Funds to repay outstanding notes will be provided from future taxes, other general revenues and charges for services. Total interest expense paid during the year ended December 31, 2013, was \$600,933. Interest costs incurred for the year ended December 31, 2013, were \$234,961 in the General Fund. This includes \$210,203 recorded as a direct expenditure and \$24,758 directly netted with an equal reimbursement per an agreement with an unrelated third party. Total interest capitalized and charged to the Sewer Revenue Fund was \$365,972 in 2013.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Debt Service Requirements

A summary of long-term debt service requirements to maturity, including principal and interest, other than compensated absences is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 1,049,000	\$ 271,371	\$ 1,320,371
2015	1,084,000	253,992	1,337,992
2016	1,132,000	230,218	1,362,218
2017	1,177,000	205,420	1,382,420
2018	1,227,000	180,719	1,407,719
2019 to 2023	5,215,778	541,651	5,757,429
2024 to 2028	3,036,000	181,111	3,217,111
2029 to 2033	<u>3,042,000</u>	<u>72,871</u>	<u>3,114,871</u>
	<u>\$ 16,962,778</u>	<u>\$ 1,937,353</u>	<u>\$ 18,900,131</u>

Swap Agreements

The Township financed all outstanding notes through the DVRFA. The DVRFA has in turn entered into interest rate swap agreements with various counterparties to provide fixed interest rates to borrowers. These agreements may be terminated under the following circumstances: (1) The DVRFA and the counterparty mutually consent to termination; (2) the borrower defaults on its loan; or (3) the DVRFA or the counterparty default or their financial conditions deteriorate to make a default imminent. Upon termination, the DVRFA would receive or make a payment depending on the market value of the related interest rate swap. If the DVRFA was obligated to make such a payment and sufficient funds were not available, the DVRFA could assess each borrower its allocable share of the termination payment.

At December 31, 2013, the market value of the Township's interest rate swap agreements for fixed rate loans was \$(1,099,805) and for the DVRFA bonds was \$2,076,309. As of December 31, 2013, the DVRFA would have received a payment of nearly \$116 million if all the swap agreements were terminated. None of these amounts are reflected in the Township's statements of net position or activities at December 31, 2013.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE G EMPLOYEE RETIREMENT PLANS

Westtown-East Goshen Township Police Pension Plan

Summary of Significant Accounting Policies

Basis of Accounting - The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Plan Description and Contribution Information - Membership of the plan consisted of the following at January 1, 2013, the date of the last actuarial valuation:

Active plan members	23
Retirees and beneficiaries receiving benefits	12
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
TOTAL MEMBERSHIP	<u><u>36</u></u>

Plan Description - The plan is a single employer defined benefit plan that covers all full-time police officers. The plan provides retirement, death and disability benefits to plan members and their beneficiaries. Benefits and contribution provisions are established by Pennsylvania law. All benefits are vested after 12 years of credit service.

Contributions - Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions. The net pension obligation is the difference between the annual pension cost and the contributions made on a cumulative basis.

The plan is funded by the Township through Act 205 Pension Funds from the Commonwealth. If deemed necessary, the Township must contribute any additional funding to the plan. Member contributions are currently required at a rate of 5.0% of compensation. 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 to the plan for the year 2013.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Financial Reporting - The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Township's office located at 1580 Paoli Pike, West Chester, Pennsylvania.

Annual Pension Cost and Net Pension Obligation - The Township's annual pension cost and net pension obligation to the Westtown-East Goshen Township Police Pension Plan for 2013 were as follows:

Annual required contribution	\$ 778,959
Interest on net pension obligation	-
Adjustments to annual required contribution	-
ANNUAL PENSION COST	778,959
Contributions made	778,959
INCREASE IN NET PENSION OBLIGATION	-
Net pension obligation at beginning of year	-
NET PENSION OBLIGATION AT END OF YEAR	\$ -

The annual required contribution for 2013 was determined using the assumptions from the January 1, 2013 actuarial valuation.

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 525,754	100%	\$ -
2012	791,589	100%	-
2013	778,959	100%	-

Funded Status and Funding Progress - As of January 1, 2013, the most recent actuarial valuation date, the plan was 63.4% funded. The actuarial accrued liability for benefits was \$13,156,713 and the actuarial value of assets was \$8,331,357, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,825,356. The covered payroll (annual payroll of active employees covered by the plan) was \$2,301,027, and the ratio of the UAAL to the covered payroll was 209.7%.

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

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Fire Pension Plan

Summary of Significant Accounting Policies

Basis of Accounting - The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Plan Description and Contribution Information - Membership of the plan consisted of the following at January 1, 2013, the date of the last actuarial valuation:

Active plan members	9
Retirees and beneficiaries currently receiving benefits	<u>1</u>
TOTAL MEMBERSHIP	<u>10</u>

Plan Description - The plan is a single-employer defined benefit plan that covers the East Goshen Fire Company full-time paid employees. The plan provides retirement, death and disability benefits to plan members and their beneficiaries. Benefits and contribution provisions are established by Pennsylvania law. All benefits are vested after five years of credited service.

Contributions - Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions. The net pension obligation is the difference between the annual pension cost and the contributions made on a cumulative basis.

The plan is funded by the Township through Act 205 Pension Funds from the Commonwealth. If deemed necessary, the Township must contribute any additional funding to the plan. Member contributions are currently required at a rate of 2.5% of compensation. In accordance with Act 205, the Township was not required to contribute to the plan for the year 2013.

Financial Reporting - The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Township's office located at 1580 Paoli Pike, West Chester, Pennsylvania.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Annual Pension Cost and Net Pension Obligation - The Township's annual pension cost and net pension obligation to the Fire Pension Plan for 2013 were as follows:

Annual required contribution	\$ 55,396
Interest on net pension obligation	-
Adjustments to annual required contribution	-
ANNUAL PENSION COST	<u>55,396</u>
Contributions made	<u>57,784</u>
INCREASE IN NET PENSION ASSET	<u>(2,388)</u>
Net pension asset at beginning of year	<u>(34,425)</u>
NET PENSION ASSET AT END OF YEAR	<u><u>\$ (36,813)</u></u>

The annual required contribution for 2013 was determined using the assumptions from the January 1, 2013 actuarial valuation listed in the required supplementary information to the pension plan funding progress.

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
2011	\$ 38,031	181%	\$ (30,975)
2012	51,412	107%	(34,425)
2013	55,396	104%	(36,813)

Funded Status and Funding Progress - As of January 1, 2013, the most recent actuarial valuation date, the plan was 91.2% funded. The actuarial accrued liability for benefits was \$878,625 and the actuarial value of assets was \$801,227, resulting in an unfunded actuarial accrued liability (UAAL) of \$77,398. The covered payroll (annual payroll of active employees covered by the plan) was \$503,580, and the ratio of the UAAL to the covered payroll was 15.4%.

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

Non-Uniformed Employees Pension Plan

Summary of Significant Accounting Policies

Basis of Accounting - The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Plan Description and Contribution Information - Membership of the plan consisted of the following at January 1, 2013, the date of the last actuarial valuation:

Active plan members	23
Terminated plan members entitled to but not yet receiving benefits	<u>12</u>
TOTAL MEMBERSHIP	<u>35</u>

Plan Description - The plan is a single-employer defined benefit plan that covers all full-time non-uniform employees. The plan provides retirement benefits to plan members and their beneficiaries. Benefits and contribution provisions are established by Pennsylvania law. All benefits are vested after five years of credited service.

Contributions - Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions. The net pension obligation is the difference between the annual pension cost and the contributions made on a cumulative basis.

The plan is funded by the Township through Act 205 Pension Funds from the Commonwealth. If deemed necessary, the Township must contribute any additional funding to the plan. Members do not contribute to the plan. In accordance with Act 205, the Township was required to contribute to the plan for the year 2013.

Financial Reporting - The plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Township's office located at 1580 Paoli Pike, West Chester, Pennsylvania.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Annual Pension Cost and Net Pension Obligation - Beginning in 2012, the Township is no longer contributing to the Defined Benefit Pension Plan for non-uniformed employees. The Township offers its non-uniformed employees and non-uniformed employees of the Westtown East Goshen Regional Police Department a deferred compensation plan created in accordance with Internal Revenue Code Section 457. See below for further information on Non-Uniformed Employees Defined Contribution Pension Plan.

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$ 24,187	100%	\$ -
2012	-	N/A	-
2013	-	N/A	-

Funded Status and Funding Progress - As of January 1, 2013, the most recent actuarial valuation date, the plan was 133.7% funded. The actuarial accrued liability for benefits was \$1,746,596 and the actuarial value of assets was \$2,335,011, resulting in an unfunded actuarial accrued liability (UAAL) of \$(588,415). The covered payroll (annual payroll of active employees covered by the plan) was \$0, and the ratio of the UAAL to the covered payroll was 0%.

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

Additional Plan Information

Additional information as of the latest actuarial valuation follows:

	<u>Westtown- East Goshen Township Police Pension Plan</u>	<u>Fire Pension Plan</u>	<u>Non-Uniformed Employees Pension Plan</u>
Valuation date	January 1, 2013	January 1, 2013	January 1, 2013
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar	Level dollar	N/A
Asset valuation method	Fair value	Fair value	Fair value
Actuarial assumptions			
Investment rate of return	8%	7%	8%
Projected salary increases	5%	5%	N/A
Cost-of-living adjustments	None	None	None

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Non-Uniformed Employees Defined Contribution Pension Plan

The Township offers its non-uniformed employees and non-uniformed employees of the Westtown East Goshen Regional Police Department a deferred compensation plan created in accordance with Internal Revenue Code Section 457. For the plan year 2013, the Township contributed an allocation equal to 6.0% of the eligible participant's compensation on behalf of the participating non-uniformed employees. Participants may not contribute to this plan, and the plan does not accept rollovers or direct transfers. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Additions to an employee's account in this plan and to his accounts in any other defined contribution plans maintained by the Township in any year are limited to the lesser of \$40,000 or 100% of the employee's compensation. Control over plan investments is held by a committee appointed by the Board of Supervisors.

NOTE H JOINT AGREEMENTS

Police

The Township, along with Westtown Township, established the Westtown East Goshen Regional Police Commission (the Commission), a separate legal entity, whose function is to provide comprehensive, quality police protection for the participating municipalities. The Commission consists of three voting members: one Supervisor from Westtown Township, one Supervisor from East Goshen Township and one citizen-at-large. Each Township pays the Commission its proportionate share of the Commission's annual budget allocation. For 2013, the Township's share of these costs was \$2,738,021.

The Township entered into an Intergovernmental Subsidy Agreement with Westtown Township to jointly cooperate in the development and construction of the regional police building. The Township has agreed to pay to Westtown Township an amount equal to approximately 46% of the debt service on Westtown Township's General Obligation Bonds, Series of 2004, which was used to construct the police building. The Township received an equity interest in the building equal to its contribution of approximately 46% of the costs. The Township's interest in the building is included in capital assets and its share of the debt is likewise included in long-term debt on the statement of net position.

In 2012, Westtown Township's General Obligation Bonds, Series of 2004, were refunded through the issuance of Westtown Township's General Obligation Bonds, Series of 2012. The Intergovernmental Subsidy Agreement with Westtown Township remains in effect. The Township's principal obligation for the new note was \$1,360,000, an increase from the beginning balance on the Township's books of \$55,000. As of December 31, 2013, the Township's unpaid principal obligation was \$1,147,778.

A separate audit report is available by contacting the Westtown East Goshen Regional Police Commission at 1041 Wilmington Pike, West Chester, PA 19382.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

NOTE I 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. It is the policy of the Township to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE J CONTINGENCIES

The Township is party to litigation involving various matters that have arisen in the normal course of business. Management believes the outcome of these matters will not have a material effect on the Township's financial condition.

NOTE K POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description and Funding Policy

The Westtown East Goshen Regional Police Commission (the Commission) provides medical and prescription drug insurance benefits to eligible retired employees and spouses through a multi-employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by the Commission and can be amended by the Commission. East Goshen Township's portion of the plan, currently 56%, is accounted for as a trust fund. An irrevocable trust has been established to account for the Township's portion of the plan. The plan does not issue a stand-alone financial report. The activity is reported in the Township's General Fund.

The Commission negotiates the eligible benefits between it and its employees. The costs of administering the plan are paid by the Commission.

Annual OPEB Cost and Net OPEB Obligation

The Township's portion of the Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 20 years.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

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

Normal cost	\$ 153,483
Amortization of unfunded actuarial accrued liability	210,586
ANNUAL REQUIRED CONTRIBUTION (ARC)	364,069
Interest on net OPEB obligation	16,383
Portion credited for premiums paid	(44,561)
ANNUAL OPEB EXPENSE	335,891
Net OPEB contributions during the year	(335,891)
ANNUAL OPEB OBLIGATION	-
Net OPEB obligation at beginning of year	-
NET OPEB OBLIGATION AT END OF YEAR	\$ -

Three-Year Trend Information

<u>Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ -	N/A	\$ -
2012	335,891	100%	-
2013	335,891	100%	-

Funded Status and Funding Progress

As of January 1, 2010, the Commission's actuarial accrued liability for benefits was \$5,177,714 and the actuarial value of assets was \$66,000. As of January 1, 2012, the Township's portion of actuarial accrued liability was \$2,899,520. The Township has set aside funds totaling \$335,891, in 2013 and 2012, in an irrevocable trust solely for the benefit of covering the Township's portion of retiree healthcare benefits.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2013

Methods and Assumptions

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

The Commission opted to use an actuarial valuation for the police OPEB calculation. In the January 1, 2010 actuarial valuation, the entry age actuarial cost method was used. The discount rate is based upon the funding method that the sponsor employs. When a pay-as-you-go method is used, benefits are expected to be paid out of the general fund of the Commission, which is expected to earn approximately 4.0% on short-term investments. Under a partial funding scenario, it is assumed that the Commission would contribute additional monies over the pay-as-you-go costs, and can support a discount rate of between 4.0% and 7.0% depending upon the amount of additional monies contributed. This can be achieved only if a separate trust is developed that is earmarked solely for retiree healthcare benefits, which the Township has established. In a fully funded plan, this trust would have sufficient assets to invest in an equity-fixed income diversified portfolio and is assumed to earn approximately 7.0%. Since the Commission has chosen to contribute an additional \$66,000 per year over the pay-as-you-go costs, a discount rate of 4.5% was assumed.

NOTE L SETTLEMENT REVENUE

In 2012, the Township filed a suit against the company contracted with to operate the Township's sewage treatment plant for a breach of contract relating to the operation and maintenance of the plant. The Township sought breach of contract damages, damages for overpayment of fees and liquidating damages. On February 25, 2014, a settlement with the contractor was reached, and the Township was awarded \$180,000 with the settlement. This amount was recorded as other revenue in the Sewer Operating Fund, and is receivable as of December 31, 2013. The Township will not be seeking further action against the other party.

REQUIRED SUPPLEMENTARY INFORMATION

EAST GOSHEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)

GENERAL FUND

Year Ended December 31, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS)				
Taxes				
Real estate	\$ 2,001,978	\$ 2,001,978	\$ 1,995,492	\$ (6,486)
Real estate transfer	500,000	500,000	628,580	128,580
Local services tax	315,000	315,000	297,577	(17,423)
Earned income	4,631,700	4,631,700	4,758,004	126,304
Fees, licenses and permits	411,280	411,280	431,983	20,703
Fines and forfeits	51,643	51,643	47,181	(4,462)
Intergovernmental	456,439	456,439	472,771	16,332
Charges for services	426,688	426,688	585,334	158,646
Interest and rents	179,204	179,204	188,384	9,180
Paid firefighter reimbursement	931,510	931,510	967,018	35,508
Spray irrigation loan revenue	24,758	24,758	24,758	-
Miscellaneous	124,592	124,592	118,902	(5,690)
Transfers	817,455	817,455	1,476,689	659,234
AMOUNT AVAILABLE FOR APPROPRIATION				
	<u>10,872,247</u>	<u>10,872,247</u>	<u>11,992,673</u>	<u>1,120,426</u>
CHANGES TO APPROPRIATIONS (OUTFLOWS)				
Current				
General government	1,693,316	1,693,316	1,304,575	388,741
Public safety	5,238,516	5,238,516	5,201,780	36,736
Health and welfare	6,000	6,000	6,000	-
Public works				
Sanitation	139,686	139,686	129,547	10,139
Highways and streets	2,075,569	2,075,569	1,964,806	110,763
Culture and recreation	761,255	761,255	501,170	260,085
Conservation and development	10,725	10,725	7,374	3,351
Debt service				
Principal	452,000	452,000	452,000	-
Interest and other charges	215,102	215,102	215,103	(1)
Insurance premiums	324,097	324,097	323,260	837
Employee benefits	408,052	408,052	433,000	(24,948)
Transfers	-	-	1,018,319	(1,018,319)
TOTAL CHANGES TO APPROPRIATIONS (OUTFLOWS)	<u>11,324,318</u>	<u>11,324,318</u>	<u>11,556,934</u>	<u>(232,616)</u>
EXCESS (DEFICIENCY) OF RESOURCES (INFLOWS) OVER CHANGES TO APPROPRIATIONS (OUTFLOWS)				
	<u>\$ (452,071)</u>	<u>\$ (452,071)</u>	<u>\$ 435,739</u>	<u>\$ 887,810</u>

See accompanying note to the budgetary comparison schedule.

EAST GOSHEN TOWNSHIP
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2013

NOTE A BUDGETARY INFORMATION

The Township's process for establishing its annual operating budget involves submission of the budget by the Township Manager to the Board of Supervisors for its approval and adoption. The Township Manager, Finance Director and the Budget Review Committee are responsible for the preparation of the annual budget.

The budgetary process consists of the evaluation and review of appropriation requests of the operating directors of the various Township departments. Revenue estimates are made throughout the process to determine the amount of Township property taxes and other revenue required to balance the budget.

The Board of Supervisors is required to introduce the budget for the following year by 20 days prior to the end of the fiscal year, after which it is advertised and reviewed at public hearings held by the Board of Supervisors of the Township. After the close of the public hearings, the Board of Supervisors approves and adopts the budget on or before December 31, the close of the Township's fiscal year.

The Township Supervisors may authorize supplemental appropriations for any lawful purpose via resolution. In addition, the Supervisors are permitted to transfer funds from one Township account to another, however, such transfers are not permitted during the first three months of the fiscal year. Appropriations lapse at the close of the fiscal year to the extent they have not been expended. It is the Township's policy to maintain budgetary control at the fund level.

The Township prepares budgets for Governmental Funds on the cash basis of accounting, which is a comprehensive basis other than accounting principles generally accepted in the United States of America.

EAST GOSHEN TOWNSHIP
PENSION PLAN FUNDING PROGRESS
Year Ended December 31, 2013

FIRE PENSION PLAN

Schedule of Funding Progress

<u>Actuarial Valuation Date January 1,</u>	<u>(a) Actuarial Value of Net Assets</u>	<u>(b) Actuarial Accrued Liability Obligation</u>	<u>(c) Percentage Funded (a)/(b)</u>	<u>(d) (UAAL) Unfunded Actuarial Accrued Liability (b)-(a)</u>	<u>(e) Projected Annual Covered Payroll</u>	<u>(f) UAAL as a Percentage of Payroll (d)/(e)</u>
2009	\$ 484,981	\$ 534,722	\$ 90.7%	\$ 49,741	\$ 383,058	12.99%
2011	597,042	687,428	86.9%	90,386	429,062	21.07%
2013	801,227	878,625	91.2%	77,398	503,580	15.37%

Schedule of Contributions from the Employer and Other Contributing Entities

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 39,418	100%
2009	40,441	100%
2010	41,367	100%
2011	38,031	100%
2012	51,412	100%
2013	55,396	100%

NON-UNIFORMED EMPLOYEES PENSION PLAN

Schedule of Funding Progress

<u>Actuarial Valuation Date January 1,</u>	<u>(a) Actuarial Value of Net Assets</u>	<u>(b) Actuarial Accrued Liability Obligation</u>	<u>(c) Percentage Funded (a)/(b)</u>	<u>(d) (UAAL) Unfunded Actuarial Accrued Liability (b)-(a)</u>	<u>(e) Projected Annual Covered Payroll</u>	<u>(f) UAAL as a Percentage of Payroll (d)/(e)</u>
2009	\$ 1,823,808	\$ 2,020,227	90.3%	\$ 196,419	\$ 1,530,807	12.83%
2011	2,122,304	1,491,807	142.3%	(630,497)	-	N/A
2013	2,335,011	1,746,596	133.7%	(588,415)	-	N/A

EAST GOSHEN TOWNSHIP
PENSION PLAN FUNDING PROGRESS
Year Ended December 31, 2013

Schedule of Contributions from the Employer and Other Contributing Entities

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 111,778	100%
2009	109,619	100%
2010	120,497	100%
2011	24,187	100%
2012	-	N/A
2013	-	N/A