

EAST GOSHEN TOWNSHIP

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2014

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, 2014, 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, 2014, 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 53 through 55 and pension plan funding progress on pages 56 and 57 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 5, 2015

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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, 2014*. 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 2014 are compliant with GASB 34.
- The net position of the Township at the close of the 2014 fiscal year was \$26,769,197. 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) is \$19,980,021. The comparable total as of December 31, 2013, was \$18,751,848.
- The net position of the business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds) is \$6,789,176. The unrestricted net position for the business-type activities as of December 31, 2014, is \$5,183,457, while \$1,605,719 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 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's fiscal year 2014 financial statements. The Township's fiscal year 2014 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.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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.

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.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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*.

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 five Fiduciary Funds: the Non-Uniformed Pension Fund, the Non-Uniformed Defined Contribution Pension Fund, the Fire Pension Fund, the Other Post-Employment Benefits Trust and the Police Pension 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 52 of this report.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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 53 through 57 of this report.

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 \$26,769,197 at the close of December 31, 2014. This represents an increase of \$1,880,621, or 7.6%, over the total net position of \$24,888,576 as of the close of fiscal year 2013.

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, \$1,068,058 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, \$19,745,056 or 73.8%, 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.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

Statement of Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Current and other assets	\$ 16,098,471	\$ 5,393,499	\$ 21,491,970
Capital assets	9,602,142	12,267,719	21,869,861
TOTAL ASSETS	<u>25,700,613</u>	<u>17,661,218</u>	<u>43,361,831</u>
LIABILITIES			
Other liabilities	168,404	203,354	371,758
Long-term liabilities	5,552,188	10,668,688	16,220,876
TOTAL LIABILITIES	<u>5,720,592</u>	<u>10,872,042</u>	<u>16,592,634</u>
NET POSITION			
Net investment in capital assets	4,350,364	1,605,719	5,956,083
Restricted	1,068,058	-	1,068,058
Unrestricted	14,561,599	5,183,457	19,745,056
TOTAL NET POSITION	<u>\$ 19,980,021</u>	<u>\$ 6,789,176</u>	<u>\$ 26,769,197</u>

The Township's Statement of Activities shows how the net position changed during the fiscal year 2014. 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 \$1,880,621 from January 1, 2014; of this amount, 65.3% or \$1,228,173 came from governmental activities (General, Capital Reserve, Road Improvements and State Liquid Fuels (Highway Aid) Funds) and 34.7% or \$652,448 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 \$294,142, and it increases the fund balances from January 1, 2014 to December 31, 2014. The total fund balances at December 31, 2014, are \$14,724,481.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

The reconciliation on page 21 explains how the Township arrived at the \$1,228,173 increase in net position of the governmental activities from the Governmental Funds given the increase in fund balances of \$294,142. Most of the change is due to the repayment of note principal in the amount of \$583,000 during 2014, which reduces long-term liabilities in the Statement of Net Position, depreciation in excess of capital outlays of \$247,802, and earned income tax receivables of \$108,813.

The *General Fund* reflects an increase of \$639,878 in fund balance for the year. The fund balance at December 31, 2014, is \$7,436,793 and is unrestricted.

The *Road Improvements Fund* reflects an increase in its fund balance of \$17,816.

The *Capital Reserve Fund* reflects a decrease in its fund balance of \$363,604 for fiscal year 2014 due largely to the purchase of a geothermal HVAC system. 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 \$52 for the year 2014. The fund balance at December 31, 2014, for the *State Liquid Fuels (Highway Aid) Fund* is \$204.

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

Expenses - Governmental Funds

	2014	2013	Increase (Decrease)
General government	\$ 1,542,036	\$ 1,448,037	\$ 93,999
Public safety	4,477,180	4,119,065	358,115
Health and welfare	6,000	6,000	-
Sanitation	50,246	66,381	(16,135)
Highways and streets	2,000,828	1,740,709	260,119
Culture and recreation	477,230	583,921	(106,691)
Conservation and development	5,475	8,247	(2,772)
Principal and interest on long-term debt	773,351	767,203	6,148
Capital outlay and miscellaneous	786,572	291,921	494,651
	<u>\$ 10,118,918</u>	<u>\$ 9,031,484</u>	<u>\$ 1,087,434</u>

Expenses in Governmental Funds increased by \$1,087,434, or 12.0%, between the years 2013 and 2014 due to major snow events, the installation of a geothermal heating system, and contractual increases for police service in 2014.

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 2014 were \$10,368,060.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

The percent of these revenues by source was as follows:

	<u>Revenues by Source</u>	<u>% of Total</u>
Taxes	\$ 7,970,126	76.9%
Fees, licenses and permits	452,591	4.4%
Fines and forfeits	37,088	0.3%
Interest and rents	196,921	1.9%
Intergovernmental	870,341	8.4%
Charges for services	615,492	5.9%
Miscellaneous	<u>225,501</u>	<u>2.2%</u>
	<u>\$ 10,368,060</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 \$652,448 (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).

The *Sewer Revenue Fund's* share of the \$652,448 increase in net position was an increase of \$58,107 for 2014, as compared to an increase of \$254,480 for 2013.

Sewer Revenue Fund Statements of Revenues, Expenses and Changes in Net Position 2014 Comparison to 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES	\$ 2,296,940	\$ 2,416,122
OPERATING EXPENSES	<u>2,464,121</u>	<u>2,471,113</u>
OPERATING LOSS	(167,181)	(54,991)
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus settlement revenue	<u>(74,705)</u>	<u>166,343</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	(241,886)	111,352
INTERFUND TRANSFERS	<u>299,993</u>	<u>143,128</u>
CHANGE IN NET POSITION	<u>\$ 58,107</u>	<u>\$ 254,480</u>

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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 increased in April 2014 from \$7.51/thousand gallons and \$26.20 fixed/quarter to \$7.68/thousand gallons and \$26.56 fixed/quarter.

The *Refuse Fund's* share of the increase in net position was an increase of \$4,672 for 2014. The Refuse Fund's net position decreased by \$12,014 in 2013.

Refuse Fund Statements of Revenues, Expenses and Changes in Net Position 2014 Comparison to 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES	\$ 987,277	\$ 1,015,776
OPERATING EXPENSES	<u>983,820</u>	<u>1,030,069</u>
OPERATING INCOME (LOSS)	3,457	(14,293)
NONOPERATING REVENUES, net		
Interest income, less interest expenses	<u>1,215</u>	<u>2,279</u>
CHANGE IN NET POSITION	<u>\$ 4,672</u>	<u>\$ (12,014)</u>

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

The *Municipal Authority* experienced an increase in net position of \$443,376 for the year 2014. The Municipal Authority's net position decreased by \$355,647 during fiscal year 2013.

Municipal Authority Statements of Revenues, Expenses and Changes in Net Position 2014 Comparison to 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES	\$ 878,024	\$ 723,972
OPERATING EXPENSES	<u>118,713</u>	<u>587,661</u>
OPERATING INCOME	759,311	136,311
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus tapping fees	<u>127,775</u>	<u>(6,958)</u>
INCOME BEFORE INTERFUND TRANSFERS	887,086	129,353
INTERFUND TRANSFERS	<u>(443,710)</u>	<u>(485,000)</u>
CHANGE IN NET POSITION	<u>\$ 443,376</u>	<u>\$ (355,647)</u>

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

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.

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues

During the year, General Fund revenues exceeded budgetary estimates by \$2,142,292.

Total tax revenues were over budget by \$25,217. Real estate property tax collections were over budget by \$24,481 or about 1.3% due to an interim bill for a large commercial property. Earned Income Tax ran under budget by \$173,577 due to overly optimistic projections. Other positive variances included real estate transfer tax of \$24,481 due to strong residential sale activity and Local Services Tax of \$6,263 due to one-time adjustments.

Fees, licenses and permits were over budget by \$21,591 or 5.0% due to growth in franchise fees from Verizon.

Fines and forfeits were under budget by \$12,555. 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 \$6,531 under budget.

Intergovernmental revenues were \$9,794 under budget.

Charges for services were over budget by \$114,448 due to the construction of a large multi-family building on West Chester Pike and a spike in residential roofing permits resulting from a hail storm in May 2014.

Firefighter reimbursement was under budget by \$33,229 due to lower-than-expected overtime activity, but this line item is a pass-through revenue.

Miscellaneous revenues were over budget by \$174,885 from insurance proceeds due to damage to the Township Building from two burst pipes in 2014.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

Reimbursements to the General Fund from other Township funds was over-budget by \$2,006,093 due a \$1,971,511 transfer to the Operating Reserve Fund to bring the balance of that fund to the statutory limit of 25% of estimated general fund revenues. Prior to December 2013, the Second Class Township Code limited the balance of operating reserve funds to 5% of estimated general fund revenues. The Operating Reserve Fund is treated as a component part of the General Fund for the purpose of our financial statements; therefore, this transfer is offset on the expense side, as noted below.

Expenses

General Fund expenses were over budget by \$2,131,881 for 2014.

General government expenditures (administration, finance, tax collection, legal and municipal building costs accounted for under general government) were over budget by \$263,810, due substantial repair work to the Township building incurred as a result of two burst pipes. These expenses were offset by insurance proceed revenue, as is noted above.

Public safety (police, fire and codes expenses) and health and welfare ran \$177,065 under budget due to a credit from Police savings carried over from 2013, lower-than-anticipated overtime activity among firefighters, and savings across a number of non-personnel line items in the Codes Department.

Public works - sanitation was under budget by \$23,413 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. Note that these costs are charged back quarterly to the Sewer Fund.

Public works - highways and streets was over budget by \$94,826 for 2014. A number of major storm events in 2014 resulted in substantial overruns for overtime, equipment rental, salt, fuel and vehicle repairs. However, these overruns were partially offset by cost savings realized in road resurfacing line items.

Culture and recreation was under budget by \$31,686 due to savings in park maintenance activities.

Community development (conservation and development) costs were \$5,884 under budget as well.

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

Insurance premiums were over budget by \$5,873.

Employee benefits costs were over budget by \$26,512, due to changes in the family status of selected Township employees over the course of 2014.

Transfers expenses were \$1,978,907 over budget due to the transfer of \$1,971,511 to the Operating Reserve Fund described in the revenue section above.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's total capital assets for its governmental and business-type activities as of December 31, 2014, were \$21,869,861. 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 \$16,211,209. 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. 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 40 through 42.

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 2015 budget was adopted with a deficit of \$299,668 to be paid from the unrestricted fund balance of the General Fund. Revenues projected in the 2015 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 2015 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, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 8,984,414	\$ 4,881,927	\$ 13,866,341
Certificates of deposit	5,285,768	-	5,285,768
Receivables, net	1,691,857	507,915	2,199,772
Prepaid expenses	90,253	3,657	93,910
Net pension asset	46,179	-	46,179
Capital assets not being depreciated	567,032	82,537	649,569
Capital assets being depreciated, net	<u>9,035,110</u>	<u>12,185,182</u>	<u>21,220,292</u>
TOTAL ASSETS	<u>\$ 25,700,613</u>	<u>\$ 17,661,218</u>	<u>\$ 43,361,831</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable and accrued expenses	\$ 168,404	\$ 203,354	\$ 371,758
Accrued interest	2,979	6,688	9,667
Long-term liabilities			
Portion due or payable within one year			
Notes payable	599,000	485,000	1,084,000
Compensated absences	297,431	-	297,431
Portion due or payable after one year			
Notes payable	<u>4,652,778</u>	<u>10,177,000</u>	<u>14,829,778</u>
TOTAL LIABILITIES	<u>5,720,592</u>	<u>10,872,042</u>	<u>16,592,634</u>
NET POSITION			
Net investment in capital assets	4,350,364	1,605,719	5,956,083
Restricted for			
Road improvements	1,067,854	-	1,067,854
Other projects	204	-	204
Unrestricted	<u>14,561,599</u>	<u>5,183,457</u>	<u>19,745,056</u>
TOTAL NET POSITION	<u>19,980,021</u>	<u>6,789,176</u>	<u>26,769,197</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 25,700,613</u>	<u>\$ 17,661,218</u>	<u>\$ 43,361,831</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,439,284	\$ 34,269	\$ -	\$ -
Public safety	4,513,103	638,274	267,668	-
Health and welfare	6,000	-	-	-
Public works				
Sanitation	62,061	-	-	-
Highways and streets	2,086,403	32,734	393,179	-
Culture and recreation	490,273	120,071	-	-
Conservation and development	5,479	27,408	-	-
Interest on long-term debt	195,616	-	-	-
Depreciation, unallocated	495,992	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>9,294,211</u>	<u>852,756</u>	<u>660,847</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
Refuse	983,820	987,277	-	-
Sewer	2,658,365	3,225,614	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>3,642,185</u>	<u>4,212,891</u>	<u>-</u>	<u>-</u>
TOTAL TOWNSHIP ACTIVITIES	<u>\$ 12,936,396</u>	<u>\$ 5,065,647</u>	<u>\$ 660,847</u>	<u>\$ -</u>

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
Gain on disposal of capital assets
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>
\$ (1,405,015)	\$ -	\$ (1,405,015)
(3,607,161)	-	(3,607,161)
(6,000)	-	(6,000)
(62,061)	-	(62,061)
(1,660,490)	-	(1,660,490)
(370,202)	-	(370,202)
21,929	-	21,929
(195,616)	-	(195,616)
(495,992)	-	(495,992)
<u>(7,780,608)</u>	<u>-</u>	<u>(7,780,608)</u>
-	3,457	3,457
-	567,249	567,249
-	570,706	570,706
<u>(7,780,608)</u>	<u>570,706</u>	<u>(7,209,902)</u>
1,998,655	-	1,998,655
979,282	-	979,282
4,778,486	-	4,778,486
313,961	-	313,961
450,651	-	450,651
9,665	-	9,665
1,940	-	1,940
37,088	-	37,088
38,095	6,211	44,306
29,308	-	29,308
371,650	75,531	447,181
<u>9,008,781</u>	<u>81,742</u>	<u>9,090,523</u>
1,228,173	652,448	1,880,621
<u>18,751,848</u>	<u>6,136,728</u>	<u>24,888,576</u>
<u>\$ 19,980,021</u>	<u>\$ 6,789,176</u>	<u>\$ 26,769,197</u>

EAST GOSHEN TOWNSHIP

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2014

	<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	\$ 5,200,205	\$ 1,067,854	\$ 2,716,151	\$ 204	\$ 8,984,414
Investments	1,764,484	-	3,521,284	-	5,285,768
Taxes receivable, net	510,527	-	-	-	510,527
Other receivables	28,659	-	-	-	28,659
Prepaid expenses	90,253	-	-	-	90,253
TOTAL ASSETS	\$ 7,594,128	\$ 1,067,854	\$ 6,237,435	\$ 204	\$ 14,899,621
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 114,798	\$ -	\$ 17,805	\$ -	\$ 132,603
Accrued interest	2,979	-	-	-	2,979
Accrued salaries and benefits	35,801	-	-	-	35,801
TOTAL LIABILITIES	153,578	-	17,805	-	171,383
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues, real estate taxes	3,757	-	-	-	3,757
FUND BALANCES					
Nonspendable, prepaid expenses	90,253	-	-	-	90,253
Restricted					
Road improvements	-	1,067,854	-	-	1,067,854
Special revenue	-	-	-	204	204
Assigned					
Capital projects	-	-	6,219,630	-	6,219,630
Operating reserve	2,475,611	-	-	-	2,475,611
Special events	30,006	-	-	-	30,006
Unassigned	4,840,923	-	-	-	4,840,923
TOTAL FUND BALANCES	7,436,793	1,067,854	6,219,630	204	14,724,481
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,594,128	\$ 1,067,854	\$ 6,237,435	\$ 204	\$ 14,899,621

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, 2014

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 14,724,481

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

Net pension asset	46,179
Historical treasures	24,267
Construction in progress	542,765
Infrastructure	1,890,769
Vehicles	1,875,451
Buildings and improvements	9,106,522
Machinery, equipment and furniture	2,284,209
Accumulated depreciation	(6,121,841)

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

Compensated absences	(297,431)
Notes payable	(5,251,778)

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.

1,156,428

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 19,980,021

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, 2014

	<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	\$ 2,007,210	\$ -	\$ -	\$ -	\$ 2,007,210
Real estate transfer	979,282	-	-	-	979,282
Local services tax	313,961	-	-	-	313,961
Earned income	4,669,673	-	-	-	4,669,673
Fees, licenses and permits	452,591	-	-	-	452,591
Fines and forfeits	37,088	-	-	-	37,088
Intergovernmental	453,387	23,775	-	393,179	870,341
Charges for services	615,492	-	-	-	615,492
Interest and rents	174,452	2,559	19,374	536	196,921
Miscellaneous	225,501	-	-	-	225,501
TOTAL REVENUES	<u>9,928,637</u>	<u>26,334</u>	<u>19,374</u>	<u>393,715</u>	<u>10,368,060</u>
EXPENDITURES					
Current					
General government	1,542,036	-	-	-	1,542,036
Public safety	4,477,180	-	-	-	4,477,180
Health and welfare	6,000	-	-	-	6,000
Public works					
Sanitation	50,246	-	-	-	50,246
Highways and streets	1,594,251	8,518	-	398,059	2,000,828
Culture and recreation	477,230	-	-	-	477,230
Conservation and development	5,475	-	-	-	5,475
Debt service					
Principal	583,000	-	-	-	583,000
Interest and other charges	190,351	-	-	-	190,351
Capital outlay	-	-	786,572	-	786,572
TOTAL EXPENDITURES	<u>8,925,769</u>	<u>8,518</u>	<u>786,572</u>	<u>398,059</u>	<u>10,118,918</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,002,868</u>	<u>17,816</u>	<u>(767,198)</u>	<u>(4,344)</u>	<u>249,142</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	358,594	4,396	362,990
Transfers out	(362,990)	-	-	-	(362,990)
Proceeds from sale of assets	-	-	45,000	-	45,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(362,990)</u>	<u>-</u>	<u>403,594</u>	<u>4,396</u>	<u>45,000</u>
NET CHANGE IN FUND BALANCES	639,878	17,816	(363,604)	52	294,142
FUND BALANCES AT BEGINNING 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>
FUND BALANCES AT END OF YEAR	<u>\$ 7,436,793</u>	<u>\$ 1,067,854</u>	<u>\$ 6,219,630</u>	<u>\$ 204</u>	<u>\$ 14,724,481</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, 2014

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 294,142
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the current period.	247,802
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.	9,366
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real estate taxes	(8,555)
Earned income taxes	108,813
Repayment of note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	583,000
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>(6,395)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,228,173</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 748,898	\$ 593,541	\$ 1,950,312	\$ 1,589,176	\$ 4,881,927
Receivables, net	110,809	397,106	-	-	507,915
Prepaid expenses	-	3,657	-	-	3,657
TOTAL CURRENT ASSETS	859,707	994,304	1,950,312	1,589,176	5,393,499
NONCURRENT ASSETS					
Due from other funds	-	-	-	9,208,768	9,208,768
Capital assets					
Construction in progress	-	82,537	-	-	82,537
Sewer treatment plant and improvements	-	13,781,284	-	-	13,781,284
Accumulated depreciation	-	(1,596,102)	-	-	(1,596,102)
TOTAL CAPITAL ASSETS net of accumulated depreciation	-	12,267,719	-	-	12,267,719
TOTAL NONCURRENT ASSETS	-	12,267,719	-	9,208,768	21,476,487
TOTAL ASSETS	\$ 859,707	\$ 13,262,023	\$ 1,950,312	\$ 10,797,944	\$ 26,869,986
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts payable	\$ 7,136	\$ 190,983	\$ 2,983	\$ 2,252	\$ 203,354
Accrued interest	-	-	-	6,688	6,688
Notes payable, current	-	-	-	485,000	485,000
TOTAL CURRENT LIABILITIES	7,136	190,983	2,983	493,940	695,042
NONCURRENT LIABILITIES					
Due to other funds	-	9,208,768	-	-	9,208,768
Notes payable	-	-	-	10,177,000	10,177,000
TOTAL NONCURRENT LIABILITIES	-	9,208,768	-	10,177,000	19,385,768
TOTAL LIABILITIES	7,136	9,399,751	2,983	10,670,940	20,080,810
NET POSITION					
Net investment in capital assets	-	1,605,719	-	-	1,605,719
Unrestricted	852,571	2,256,553	1,947,329	127,004	5,183,457
TOTAL NET POSITION	852,571	3,862,272	1,947,329	127,004	6,789,176
TOTAL LIABILITIES AND NET POSITION	\$ 859,707	\$ 13,262,023	\$ 1,950,312	\$ 10,797,944	\$ 26,869,986

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, 2014

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
OPERATING REVENUES					
Charges for services	\$ 987,277	\$ 3,099,433	\$ -	\$ -	\$ 4,086,710
Lease rentals, net	-	(802,493)	-	878,024	75,531
TOTAL OPERATING REVENUES	<u>987,277</u>	<u>2,296,940</u>	<u>-</u>	<u>878,024</u>	<u>4,162,241</u>
OPERATING EXPENSES					
Operations	983,820	2,097,356	-	118,713	3,199,889
Depreciation	-	366,765	-	-	366,765
TOTAL OPERATING EXPENSES	<u>983,820</u>	<u>2,464,121</u>	<u>-</u>	<u>118,713</u>	<u>3,566,654</u>
OPERATING INCOME (LOSS)	<u>3,457</u>	<u>(167,181)</u>	<u>-</u>	<u>759,311</u>	<u>595,587</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	1,215	826	2,576	1,594	6,211
Tapping fees	-	-	-	126,181	126,181
Interest expense	-	(75,531)	-	-	(75,531)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,215</u>	<u>(74,705)</u>	<u>2,576</u>	<u>127,775</u>	<u>56,861</u>
INCOME (LOSS) BEFORE TRANSFERS	4,672	(241,886)	2,576	887,086	652,448
TRANSFERS IN	-	482,283	160,000	22,290	664,573
TRANSFERS OUT	-	(182,290)	(16,283)	(466,000)	(664,573)
CHANGE IN NET POSITION	4,672	58,107	146,293	443,376	652,448
NET POSITION AT BEGINNING 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>
NET POSITION AT END OF YEAR	<u>\$ 852,571</u>	<u>\$ 3,862,272</u>	<u>\$ 1,947,329</u>	<u>\$ 127,004</u>	<u>\$ 6,789,176</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	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	\$ 949,398	\$ 3,337,617	\$ -	\$ -	\$ 4,287,015
Lease rental payments	-	(802,493)	-	878,024	75,531
Payments to suppliers	(985,362)	(2,091,100)	(16,473)	(120,874)	(3,213,809)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(35,964)</u>	<u>444,024</u>	<u>(16,473)</u>	<u>757,150</u>	<u>1,148,737</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	482,283	160,000	22,290	664,573
Transfers to other funds	-	(182,290)	(16,283)	(466,000)	(664,573)
Due to (from) other funds	-	(22,021)	-	15,690	(6,331)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>277,972</u>	<u>143,717</u>	<u>(428,020)</u>	<u>(6,331)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Tapping fees received	-	-	-	126,181	126,181
Principal payments on debt	-	-	-	(466,000)	(466,000)
Acquisition, construction and improve- ments of capital assets	-	(715,793)	-	-	(715,793)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(715,793)</u>	<u>-</u>	<u>(339,819)</u>	<u>(1,055,612)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	<u>1,215</u>	<u>826</u>	<u>2,576</u>	<u>1,594</u>	<u>6,211</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,749)	7,029	129,820	(9,095)	93,005
CASH AND CASH EQUIVALENTS AT BEGINNING 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>
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	<u>\$ 748,898</u>	<u>\$ 593,541</u>	<u>\$ 1,950,312</u>	<u>\$ 1,589,176</u>	<u>\$ 4,881,927</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 3,457	\$ (167,181)	\$ -	\$ 759,311	\$ 595,587
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	-	366,765	-	-	366,765
(Increase) decrease in					
Accounts receivable	(37,879)	238,184	-	-	200,305
Prepaid expenses	-	(3,436)	-	-	(3,436)
Increase (decrease) in accounts payable	(1,542)	9,692	(16,473)	(2,161)	(10,484)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (35,964)</u>	<u>\$ 444,024</u>	<u>\$ (16,473)</u>	<u>\$ 757,150</u>	<u>\$ 1,148,737</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Pension Trust Funds			Private-Purpose Trust Funds		Total Fiduciary Funds
	Fire Pension Fund	Non- Uniformed Pension Fund	Non- Uniformed Defined Contribution Pension Fund	Other Post- Employment Benefits Trust Fund	Police Pension Trust Fund	
ASSETS						
Cash and cash equivalents	\$ 56,407	\$ 73,800	\$ 16,662	\$ 7,192	\$ 11,103	\$ 165,164
Receivables						
Members' contributions	202	-	-	-	-	202
State aid	-	-	12,138	-	-	12,138
Investments						
Certificates of deposit	-	33,137	-	-	-	33,137
U.S. Government obligations	50,737	157,958	-	59,626	-	268,321
Corporate bonds	-	35,521	-	34,474	-	69,995
Municipal bonds	228,248	501,129	-	147,187	-	876,564
Bond funds	50,869	185,500	161,054	-	81,240	478,663
Equity funds	714,970	1,750,160	279,572	697,888	170,697	3,613,287
TOTAL ASSETS	\$ 1,101,433	\$ 2,737,205	\$ 469,426	\$ 946,367	\$ 263,040	\$ 5,517,471
LIABILITIES AND NET POSITION						
LIABILITIES						
Non-Uniformed Plan	\$ 12,138	\$ -	\$ -	\$ -	\$ -	\$ 12,138
NET POSITION						
Held in trust for pension benefits	<u>1,089,295</u>	<u>2,737,205</u>	<u>469,426</u>	<u>946,367</u>	<u>263,040</u>	<u>5,505,333</u>
TOTAL LIABILITIES AND NET POSITION	\$ 1,101,433	\$ 2,737,205	\$ 469,426	\$ 946,367	\$ 263,040	\$ 5,517,471

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Pension Trust Funds			Private-Purpose Trust Funds		Total Fiduciary Funds
	Fire Pension Fund	Non- Uniformed Pension Fund	Non- Uniformed Defined Contribution Pension Fund	Other Post- Employment Benefits Trust Fund	Police Pension Trust Fund	
ADDITIONS						
Contributions						
Members' contributions	\$ 10,984	\$ -	\$ -	\$ -	\$ -	\$ 10,984
State contributions	64,957	-	92,838	-	-	157,795
Employer contributions	-	-	-	80,619	255,272	335,891
TOTAL CONTRIBUTIONS	<u>75,941</u>	<u>-</u>	<u>92,838</u>	<u>80,619</u>	<u>255,272</u>	<u>504,670</u>
Investment income						
Net appreciation in fair value of investments	30,156	77,352	19,880	33,054	4,121	164,563
Interest and dividends	11,981	43,340	9,128	13,091	4,488	82,028
TOTAL INVESTMENT INCOME	<u>42,137</u>	<u>120,692</u>	<u>29,008</u>	<u>46,145</u>	<u>8,609</u>	<u>246,591</u>
Investment expense	(5,043)	(13,731)	(1,966)	(3,544)	(841)	(25,125)
INVESTMENT INCOME, net	<u>37,094</u>	<u>106,961</u>	<u>27,042</u>	<u>42,601</u>	<u>7,768</u>	<u>221,466</u>
TOTAL ADDITIONS	<u>113,035</u>	<u>106,961</u>	<u>119,880</u>	<u>123,220</u>	<u>263,040</u>	<u>726,136</u>
DEDUCTIONS						
Pension payments	6,727	8,664	-	-	-	15,391
Administrative expenses	2,975	3,575	3,800	-	-	10,350
TOTAL DEDUCTIONS	<u>9,702</u>	<u>12,239</u>	<u>3,800</u>	<u>-</u>	<u>-</u>	<u>25,741</u>
CHANGE IN NET POSITION	<u>103,333</u>	<u>94,722</u>	<u>116,080</u>	<u>123,220</u>	<u>263,040</u>	<u>700,395</u>
NET POSITION AT BEGINNING OF YEAR						
	<u>985,962</u>	<u>2,642,483</u>	<u>353,346</u>	<u>823,147</u>	<u>-</u>	<u>4,804,938</u>
NET POSITION AT END OF YEAR	<u>\$ 1,089,295</u>	<u>\$ 2,737,205</u>	<u>\$ 469,426</u>	<u>\$ 946,367</u>	<u>\$ 263,040</u>	<u>\$ 5,505,333</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 accompanying basic financial statements comply with the provisions of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, in that the financial statements include all organizations, activities and functions for which the Township is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (1) the Township's ability to impose its will over a component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the Township. In addition, component units can be other organizations for which the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading.

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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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* and *Police Pension Trust Fund* (private-purpose trust funds) account 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 and Pension obligations, respectively.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Accounting

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each 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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Funds' 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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. As of December 31, 2014, the allowance for uncollectible sewer and refuse accounts receivable are \$92,292 and \$31,254, respectively.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014, 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	\$ 13,866,341
Certificates of deposit	5,285,768
	<u>19,152,109</u>
Fiduciary Funds	<u>165,164</u>
	<u>\$ 19,317,273</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

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, 2014, \$2,448,451 of the Township's bank balance of \$19,450,406 was covered under FDIC insurance, and the remaining \$17,001,955 was collateralized as described.

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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2014, 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	\$ 5,318,905	\$ 5,308,641	\$ 10,264	\$ -	\$ -
U.S. Government obligations	268,321	-	162,884	105,437	-
Bond funds	478,663	-	-	478,663	-
Corporate bonds	69,995	-	52,874	17,121	-
Municipal bonds	876,564	10,000	264,786	584,650	17,128
	<u>\$ 7,012,448</u>	<u>\$ 5,318,641</u>	<u>\$ 490,808</u>	<u>\$ 1,185,871</u>	<u>\$ 17,128</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.

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	Fair Value	Credit Quality
Bond mutual funds	\$ 18,003	AAA
Municipal bonds	27,060	AAA
Bond mutual funds	221,082	AA
Municipal bonds	653,730	AA
Corporate bonds	51,906	A
Municipal bonds	118,154	A
Corporate bonds	18,089	BAA
Bond mutual funds	158,338	BBB
Bond mutual funds	81,240	Various
U.S. Government securities	268,321	Not Rated
Municipal bonds	77,620	Not Rated
Equity funds	3,613,287	Not Rated
Certificates of deposit		
Fiduciary Funds	33,137	Not Rated
Governmental Funds	5,285,768	Not Rated
	<u>\$ 10,625,735</u>	

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

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, 2014, no investment in any one organization represented five percent (5%) or more of total investments.

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, 2014.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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	\$ 1,175,563	\$ -	\$ 1,175,563
Local services tax	359	-	359
Real estate taxes	487,276	-	487,276
Other receivables	28,659	-	28,659
Sewer and refuse charges	<u>-</u>	<u>507,915</u>	<u>507,915</u>
	<u>\$ 1,691,857</u>	<u>\$ 507,915</u>	<u>\$ 2,199,772</u>

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2014, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Municipal Authority	Sewer Revenue Fund	\$ 9,208,768

Interfund transfers at December 31, 2014, are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
State Liquid Fuels (Highway Aid) Fund	General Fund	\$ 4,396
Capital Reserve Fund	General Fund	358,594
Sewer Revenue Fund	Municipal Authority	466,000
Sewer Revenue Fund	Sewer Capital Reserve Fund	16,283
Sewer Capital Reserve Fund	Sewer Revenue Fund	160,000
Municipal Authority	Sewer Revenue Fund	<u>22,290</u>
		<u>\$ 1,027,563</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE E - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Historical treasures	\$ 24,267	\$ -	\$ -	\$ 24,267
Construction in progress	70,640	479,875	(7,750)	542,765
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	94,907	479,875	(7,750)	567,032
Capital assets being depreciated				
Infrastructure	1,890,769	-	-	1,890,769
Vehicles	1,819,912	128,743	(73,204)	1,875,451
Buildings and improvements	9,014,698	91,824	-	9,106,522
Machinery, equipment and furniture	2,233,980	66,794	(16,565)	2,284,209
TOTAL CAPITAL ASSETS BEING DEPRECIATED	14,959,359	287,361	(89,769)	15,156,951
Accumulated depreciation				
Infrastructure	(344,994)	(42,971)	-	(387,965)
Vehicles	(1,168,769)	(148,635)	58,562	(1,258,842)
Buildings and improvements	(2,443,767)	(223,749)	-	(2,667,516)
Machinery, equipment and furniture	(1,742,396)	(80,637)	15,515	(1,807,518)
TOTAL ACCUMULATED DEPRECIATION	(5,699,926)	(495,992)	74,077	(6,121,841)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	9,259,433	(208,631)	(15,692)	9,035,110
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	9,354,340	271,244	(23,442)	9,602,142
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	43,596	38,941	-	82,537
Capital assets being depreciated				
Sewer treatment plant and improvements	13,359,963	421,321	-	13,781,284
Accumulated depreciation	(1,229,337)	(366,765)	-	(1,596,102)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	12,130,626	54,556	-	12,185,182
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	12,174,222	93,497	-	12,267,719
CAPITAL ASSETS, net	\$ 21,528,562	\$ 364,741	\$ (23,442)	\$ 21,869,861

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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	\$ 1,253,000	\$ -	\$ (182,000)	\$ 1,071,000	\$ 192,000
Series A of 2000	161,000	-	(17,000)	144,000	18,000
Series A of 2003	3,273,000	-	(274,000)	2,999,000	284,000
Westtown Township	<u>1,147,778</u>	-	<u>(110,000)</u>	<u>1,037,778</u>	<u>105,000</u>
TOTAL NOTES	5,834,778	-	(583,000)	5,251,778	599,000
Compensated absences	<u>291,036</u>	<u>6,395</u>	-	<u>297,431</u>	<u>297,431</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>6,125,814</u>	<u>6,395</u>	<u>(583,000)</u>	<u>5,549,209</u>	<u>896,431</u>
BUSINESS-TYPE ACTIVITIES					
Guaranteed Notes					
Series of 1998	444,000	-	(79,000)	365,000	83,000
Series of 2008	8,184,000	-	(296,000)	7,888,000	308,000
Series of 2013	<u>2,500,000</u>	-	<u>(91,000)</u>	<u>2,409,000</u>	<u>94,000</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>11,128,000</u>	<u>-</u>	<u>(466,000)</u>	<u>10,662,000</u>	<u>485,000</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 17,253,814</u>	<u>\$ 6,395</u>	<u>\$ (1,049,000)</u>	<u>\$ 16,211,209</u>	<u>\$ 1,381,431</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	\$ 1,071,000
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	<u>144,000</u>
SUBTOTAL FORWARD	<u>\$ 1,215,000</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE F - GENERAL LONG-TERM DEBT (Continued)

SUBTOTAL FORWARDED	\$ 1,215,000
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	2,999,000
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)	1,037,778
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	365,000
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	7,888,000
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>2,409,000</u>
	<u>\$ 15,913,778</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, 2014, was \$627,133. Interest costs incurred for the year ended December 31, 2014, were \$215,109 in the General Fund. This includes \$190,351 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 \$412,024 in 2014.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE F - GENERAL LONG-TERM DEBT (Continued)

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>
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	1,173,000	154,623	1,327,623
2020 to 2024	4,605,778	431,118	5,036,896
2025 to 2029	3,152,000	160,804	3,312,804
2030 to 2034	2,363,000	49,089	2,412,089
	<u>\$ 15,913,778</u>	<u>\$ 1,665,983</u>	<u>\$ 17,579,761</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 were 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, 2014, the market value of the Township's interest rate swap agreements for fixed rate loans was \$2,050,887 and \$1,215,246 for the DVRFA bonds. As of December 31, 2014, the DVRFA would have received a payment of nearly \$159 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, 2014.

EAST GOSHEN TOWNSHIP
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014

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>36</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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

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 2014.

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 2014 were as follows:

Annual required contribution	\$ 883,084
Interest on net pension obligation	-
Adjustments to annual required contribution	-
ANNUAL PENSION COST	883,084
Contributions made	883,084
INCREASE IN NET PENSION OBLIGATION	-
Net pension obligation at beginning of year	-
NET PENSION OBLIGATION AT END OF YEAR	\$ -

The annual required contribution for 2014 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>
2012	\$ 791,589	100%	\$ -
2013	778,959	100%	-
2014	883,084	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%.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

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.

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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

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 2014.

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 Fire Pension Plan for 2014 were as follows:

Annual required contribution	\$ 55,591
Interest on net pension obligation	-
Adjustments to annual required contribution	-
ANNUAL PENSION COST	<u>55,591</u>
Contributions made	<u>64,957</u>
INCREASE IN NET PENSION ASSET	(9,366)
Net pension asset at beginning of year	<u>(36,813)</u>
NET PENSION ASSET AT END OF YEAR	<u>\$ (46,179)</u>

The annual required contribution for 2014 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

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation (Asset)
2012	\$ 51,412	107%	\$ (34,425)
2013	55,396	104%	(36,813)
2014	55,591	117%	(46,179)

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

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>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

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 2014.

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 - 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.

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%.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

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

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 2014, 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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 2014, the Township's share of these costs was \$3,115,741.

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, 2014, the Township's unpaid principal obligation was \$1,037,778.

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

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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

Funded Status and Funding Progress

As of January 1, 2013, the Commission's actuarial accrued liability for benefits was \$4,264,919 and the actuarial value of assets was \$220,921. The Township has set aside funds totaling \$752,401 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.

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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

The Commission opted to use an actuarial valuation for the police OPEB calculation. In the January 1, 2013 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.

REQUIRED SUPPLEMENTARY INFORMATION

EAST GOSHEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)

GENERAL FUND

YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS)				
Taxes				
Real estate	\$ 1,981,993	\$ 1,981,993	\$ 2,007,210	\$ 25,217
Real estate transfer	515,000	515,000	539,481	24,481
Local services tax	310,000	310,000	316,263	6,263
Earned income	4,840,552	4,840,552	4,666,975	(173,577)
Fees, licenses and permits	431,000	431,000	452,591	21,591
Fines and forfeits	49,643	49,643	37,088	(12,555)
Intergovernmental	463,181	463,181	453,387	(9,794)
Charges for services	481,552	501,044	615,492	114,448
Interest and rents	180,983	180,983	174,452	(6,531)
Paid firefighter reimbursement	928,000	928,000	894,771	(33,229)
Spray irrigation loan revenue	24,758	24,758	29,758	5,000
Miscellaneous	117,421	117,421	292,306	174,885
Transfers	804,125	804,125	2,810,218	2,006,093
	<u>11,128,208</u>	<u>11,147,700</u>	<u>13,289,992</u>	<u>2,142,292</u>
AMOUNT AVAILABLE FOR APPROPRIATION				
CHANGES TO APPROPRIATIONS (OUTFLOWS)				
Current				
General government	1,196,788	1,196,788	1,460,598	(263,810)
Public safety	5,722,449	5,722,449	5,545,384	177,065
Health and welfare	6,000	6,000	6,000	-
Public works				
Sanitation	143,847	143,847	120,434	23,413
Highways and streets	2,085,063	2,085,063	2,179,889	(94,826)
Culture and recreation	518,710	538,202	506,516	31,686
Conservation and development	11,695	11,695	5,811	5,884
Debt service				
Principal	473,000	473,000	473,000	-
Interest and other charges	195,947	195,947	195,948	(1)
Insurance premiums	263,690	263,690	269,563	(5,873)
Employee benefits	409,080	409,080	435,592	(26,512)
Transfers	15,000	15,000	1,993,907	(1,978,907)
	<u>11,041,269</u>	<u>11,060,761</u>	<u>13,192,642</u>	<u>(2,131,881)</u>
TOTAL CHANGES TO APPROPRIATIONS (OUTFLOWS)				
EXCESS OF RESOURCES (INFLOWS) OVER CHANGES TO APPROPRIATIONS (OUTFLOWS)				
	<u>\$ 86,939</u>	<u>\$ 86,939</u>	<u>\$ 97,350</u>	<u>\$ 10,411</u>

See accompanying note to the budgetary comparison schedule.

EAST GOSHEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)

GENERAL FUND

YEAR ENDED DECEMBER 31, 2014

Explanation of Differences Between Budgetary and GAAP Changes in Fund Balance

Excess of resources (inflows) over changes to appropriations (outflows) from the budgetary comparison schedule	\$ 97,350
Differences - budget to GAAP	
Net effect of change in accruals of revenues	
Real estate transfer tax	439,801
Earned income tax	2,698
Local services tax	(2,302)
Net effect of change in accruals of expenditures	
General government	(9,036)
Public safety	3,375
Public works	
Sanitation	456
Highways and streets	24,270
Culture and recreation	29,377
Conservation and development	470
Employee benefits	45,267
Interest and other charges	332
Insurance	7,820
	<hr/>
CHANGE IN FUND BALANCE AS REPORTED ON THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS	\$ <u>639,878</u>

See accompanying note to the budgetary comparison schedule.

EAST GOSHEN TOWNSHIP

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2014

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, 2014

FIRE PENSION PLAN

Schedule of Funding Progress

Actuarial Valuation Date January 1,	(a) Actuarial Value of Net Assets	(b) Actuarial Accrued Liability Obligation	(c) Percentage Funded (a)/(b)	(d) (UAAL) Unfunded Actuarial Accrued Liability (b)-(a)	(e) Projected Annual Covered Payroll	(f) UAAL as a Percentage of Payroll (d)/(e)
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

Calendar Year	Annual Required Contribution	Percentage Contributed
2009	\$ 40,441	100%
2010	41,367	100%
2011	38,031	100%
2012	51,412	100%
2013	55,396	100%
2014	55,591	100%

NON-UNIFORMED EMPLOYEES PENSION PLAN

Schedule of Funding Progress

Actuarial Valuation Date January 1,	(a) Actuarial Value of Net Assets	(b) Actuarial Accrued Liability Obligation	(c) Percentage Funded (a)/(b)	(d) (UAAL) Unfunded Actuarial Accrued Liability (b)-(a)	(e) Projected Annual Covered Payroll	(f) UAAL as a Percentage of Payroll (d)/(e)
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, 2014

Schedule of Contributions from the Employer and Other Contributing Entities

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2009	\$ 109,619	100%
2010	120,497	100%
2011	24,187	100%
2012	-	N/A
2013	-	N/A
2014	-	N/A

WESTTOWN EAST GOSHEN REGIONAL POLICE COMMISSION NET OPEB OBLIGATION

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>
2010	\$ 66,000	\$ 5,177,714	1.3%	\$ 5,111,714
2013	220,921	4,264,919	5.2%	4,043,998

The information above relates to the cost-sharing plan as a whole, of which the Township is a participating employer. The projected annual covered payroll was not included in the Commission's OPEB valuations, and is therefore excluded from this schedule.

Schedule of Contributions from the Employer

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 335,891	100%
2013	335,891	100%
2014	80,619	100%

The contributions listed above were made to an irrevocable trust to fund the Township's portion of the plan's net OPEB obligation.