

EAST GOSHEN TOWNSHIP

ANNUAL FINANCIAL REPORT

Year Ended December 31, 2015



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Goshen Township as of and for the year ended December 31, 2015, 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, 2015, 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).

Emphasis of Matter

For the year ended December 31, 2015, East Goshen Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 15, budgetary comparison information on pages 56 through 58 and pension plan information on pages 59 through 64 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.

Maillie LLP

West Chester, Pennsylvania
June 21, 2016

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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, 2015*. 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 2015 are compliant with GASB 34.
- The net position of the Township at the close of the 2015 fiscal year was \$28,521,929. 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 \$21,126,104. The comparable total as of December 31, 2014, was \$20,737,112.
- The net position of the business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds) is \$7,395,825. The unrestricted net position for the business-type activities as of December 31, 2015, is \$5,126,232, while \$2,269,593 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 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's fiscal year 2015 financial statements. The Township's fiscal year 2015 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, 2015

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, 2015

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 55 of this report.

EAST GOSHEN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

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 56 through 64 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 \$28,521,929 at the close of December 31, 2015. This represents an increase of \$995,641, or 3.6%, over the total net position of \$27,526,288 as of the close of fiscal year 2014.

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, \$1,061,413 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, \$20,422,716 or 71.6%, 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, 2015

Statement of Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Current and other assets	\$ 16,393,205	\$ 5,377,949	\$ 21,771,154
Capital assets	<u>9,420,985</u>	<u>12,446,593</u>	<u>21,867,578</u>
TOTAL ASSETS	<u>25,814,190</u>	<u>17,824,542</u>	<u>43,638,732</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	<u>554,357</u>	<u>-</u>	<u>554,357</u>
LIABILITIES			
Other liabilities	232,277	245,339	477,616
Long-term liabilities	<u>4,910,832</u>	<u>10,183,378</u>	<u>15,094,210</u>
TOTAL LIABILITIES	<u>5,143,109</u>	<u>10,428,717</u>	<u>15,571,826</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	<u>99,334</u>	<u>-</u>	<u>99,334</u>
NET POSITION			
Net investment in capital assets	4,768,207	2,269,593	7,037,800
Restricted	1,068,058	-	1,068,058
Unrestricted	<u>15,289,839</u>	<u>5,126,232</u>	<u>20,416,071</u>
TOTAL NET POSITION	<u>\$ 21,126,104</u>	<u>\$ 7,395,825</u>	<u>\$ 28,521,929</u>

The Township's Statement of Activities shows how the net position changed during the fiscal year 2015. 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 \$995,641 from January 1, 2015; of this amount, 39.1% or \$388,992 came from governmental activities (General, Capital Reserve, Road Improvements and State Liquid Fuels (Highway Aid) Funds) and 60.9% or \$606,649 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 \$24,474, and it decreases the fund balances from January 1, 2015 to December 31, 2015. The total fund balances at December 31, 2015, are \$14,700,007.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

The reconciliation on page 21 explains how the Township arrived at the \$388,992 increase in net position of the governmental activities from the Governmental Funds given the decrease in fund balances of \$24,474. Most of the change is due to the repayment of note principal in the amount of \$599,000 during 2015, which reduces long-term liabilities in the Statement of Net Position.

The *General Fund* reflects a decrease of \$64,275 in fund balance for the year. The fund balance at December 31, 2015, is \$7,372,518 and is unrestricted.

The *Road Improvements Fund* reflects a decrease in its fund balance of \$6,641.

The *Capital Reserve Fund* reflects an increase in its fund balance of \$46,446 for fiscal year 2015. 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* decrease in fund balance was \$4 for the year 2015. The fund balance at December 31, 2015, for the *State Liquid Fuels (Highway Aid) Fund* is \$200.

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

Expenses - Governmental Funds

	<u>2015</u>	<u>2014</u>	Increase (Decrease)
General government	\$ 1,368,260	\$ 1,542,036	\$ (173,776)
Public safety	4,682,581	4,477,180	205,401
Health and welfare	6,000	6,000	-
Sanitation	29,865	50,246	(20,381)
Highways and streets	2,234,917	2,000,828	234,089
Culture and recreation	541,510	477,230	64,280
Conservation and development	3,908	5,475	(1,567)
Principal and interest on long-term debt	768,472	773,351	(4,879)
Capital outlay and miscellaneous	<u>329,742</u>	<u>786,572</u>	<u>(456,830)</u>
	<u>\$ 9,965,255</u>	<u>\$ 10,118,918</u>	<u>\$ (153,663)</u>

Expenses in Governmental Funds decreased by \$153,663, or 1.5%, between the years 2014 and 2015, due to fewer large one-time expenses in 2015 than 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 2015 were \$9,943,764.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

The percent of these revenues by source was as follows:

	<u>Revenues by Source</u>	<u>% of Total</u>
Taxes	\$ 7,580,852	76.2%
Fees, licenses and permits	464,029	4.7%
Fines and forfeits	43,698	0.3%
Interest and rents	215,705	2.2%
Intergovernmental	920,631	9.3%
Charges for services	554,484	5.6%
Miscellaneous	<u>164,365</u>	<u>1.7%</u>
	<u>\$ 9,943,764</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 \$606,649 (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 \$606,649 increase in net position was an increase of \$129,943 for 2015, as compared to an increase of \$58,107 for 2014.

Sewer Revenue Fund Statements of Revenues, Expenses and Changes in Net Position 2015 Comparison to 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES	\$ 2,429,952	\$ 2,296,940
OPERATING EXPENSES	<u>2,522,612</u>	<u>2,464,121</u>
OPERATING LOSS	(92,660)	(167,181)
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus settlement revenue	<u>(72,114)</u>	<u>(74,705)</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	(164,774)	(241,886)
INTERFUND TRANSFERS	<u>294,717</u>	<u>299,993</u>
CHANGE IN NET POSITION	<u>\$ 129,943</u>	<u>\$ 58,107</u>

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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 2015 from \$7.68/thousand gallons and \$26.56 fixed/quarter to \$7.90/thousand gallons and \$30.07 fixed/quarter.

The *Refuse Fund's* share of the increase in net position was a decrease of \$90,830 for 2015, due to contractual increases with the Township's hauler. The Refuse Fund's net position increased by \$4,672 in 2014.

Refuse Fund Statements of Revenues, Expenses and Changes in Net Position 2015 Comparison to 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES	\$ 964,949	\$ 987,277
OPERATING EXPENSES	<u>1,056,771</u>	<u>983,820</u>
OPERATING INCOME (LOSS)	(91,822)	3,457
NONOPERATING REVENUES, net		
Interest income, less interest expenses	<u>992</u>	<u>1,215</u>
CHANGE IN NET POSITION	<u>\$ (90,830)</u>	<u>\$ 4,672</u>

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

The *Municipal Authority* experienced an increase in net position of \$411,540 for the year 2015. The Municipal Authority's net position increased by \$443,376 during fiscal year 2014.

Municipal Authority Statements of Revenues, Expenses and Changes in Net Position 2015 Comparison to 2014

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES	\$ 878,890	\$ 878,024
OPERATING EXPENSES	<u>106,605</u>	<u>118,713</u>
OPERATING INCOME	772,285	759,311
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus tapping fees	<u>84,255</u>	<u>127,775</u>
INCOME BEFORE INTERFUND TRANSFERS	856,540	887,086
INTERFUND TRANSFERS	<u>(445,000)</u>	<u>(443,710)</u>
CHANGE IN NET POSITION	<u>\$ 411,540</u>	<u>\$ 443,376</u>

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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 \$452,135.

Total tax revenues were over budget by \$300,597. Real estate property tax collections were over budget by \$5,221 or about 0.3%. Earned Income Tax ran under budget by \$122,383 due to overly optimistic projections. Real Estate Transfer Tax was over budget by \$403,058 or about 63.0% due to the sale of a large assisted living center early in the year. Other positive variances included Local Services Tax of \$14,701 or 4.7% due to higher employment rates among businesses in the Township.

Fees, licenses and permits were over budget by \$7,213 or 1.6% due to growth in franchise fees from Verizon.

Fines and forfeits were under budget by \$5,945. 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 \$17,548 over budget.

Intergovernmental revenues were \$33,621 under budget.

Charges for services were over budget by \$104,517 due to stronger than expected residential building permit activity.

Firefighter reimbursement was over budget by \$36,069 due to higher than expected overtime activity, but this line item is a pass-through revenue.

Miscellaneous revenues were over budget by \$119,511 from insurance proceeds and dividends.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

Transfers to the General Fund from other Township funds was under-budget by \$93,754 due lower than expected transfers from the sewer and refuse funds for administrative overhead expenses and Public Works labor costs.

Expenses

General Fund expenses were under budget by \$214,784 for 2015.

General government expenditures (administration, finance, tax collection, legal and municipal building costs accounted for under general government) were under budget by \$137,004, due to savings across a number of smaller line items.

Public safety (police, fire and codes expenses) and health and welfare ran \$99,849 under budget due to a credit from Police savings carried over from 2014.

Public works - sanitation was under budget by \$45,838 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 \$112,332 for 2015. A number of major storm events in 2015 resulted in substantial overruns for equipment rental and salt. In addition, the roads budget was also faced with unanticipated expenses for bridge repair work on Westtown Way.

Culture and recreation was under budget by \$38,302 due to savings in park maintenance labor costs.

Community development (conservation and development) costs were \$6,956 under budget due to fewer than expected tree plantings.

Debt Service was on budget.

Insurance premiums were under budget by \$20,779.

Employee benefits costs were over budget by \$21,612.

Transfers expenses were on budget.

EAST GOSHEN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Township's total capital assets for its governmental and business-type activities as of December 31, 2015, were \$21,867,578. 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 \$15,085,200. 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 2016 budget was adopted with a deficit of \$323,184 to be paid from the unrestricted fund balance of the General Fund. Revenues projected in the 2016 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 2016 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, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 9,347,844	\$ 4,849,322	\$ 14,197,166
Investments	5,312,112	-	5,312,112
Receivables, net	1,386,816	528,531	1,915,347
Prepaid expenses	92,076	96	92,172
Net pension asset	254,357	-	254,357
Capital assets not being depreciated	99,990	232,376	332,366
Capital assets being depreciated, net	<u>9,320,995</u>	<u>12,214,217</u>	<u>21,535,212</u>
TOTAL ASSETS	<u>25,814,190</u>	<u>17,824,542</u>	<u>43,638,732</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	<u>554,357</u>	<u>-</u>	<u>554,357</u>
LIABILITIES			
Accounts payable and accrued expenses	232,277	245,339	477,616
Accrued interest	2,632	6,378	9,010
Long-term liabilities			
Portion due or payable within one year			
Notes payable	626,000	506,000	1,132,000
Compensated absences	255,422	-	255,422
Portion due or payable after one year			
Notes payable	<u>4,026,778</u>	<u>9,671,000</u>	<u>13,697,778</u>
TOTAL LIABILITIES	<u>5,143,109</u>	<u>10,428,717</u>	<u>15,571,826</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	<u>99,334</u>	<u>-</u>	<u>99,334</u>
NET POSITION			
Net investment in capital assets	4,768,207	2,269,593	7,037,800
Restricted for			
Road improvements	1,061,213	-	1,061,213
Other projects	200	-	200
Unrestricted	<u>15,296,484</u>	<u>5,126,232</u>	<u>20,422,716</u>
TOTAL NET POSITION	<u>\$ 21,126,104</u>	<u>\$ 7,395,825</u>	<u>\$ 28,521,929</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,253,941	\$ 31,526	\$ -	\$ -
Public safety	4,751,559	543,693	257,143	-
Health and welfare	6,000	-	-	-
Public works				
Sanitation	38,591	-	-	-
Highways and streets	2,291,304	12,098	430,711	-
Culture and recreation	565,229	160,503	6,726	-
Conservation and development	3,897	26,558	-	-
Interest on long-term debt	175,562	-	-	-
Depreciation, unallocated	537,968	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>9,624,051</u>	<u>774,378</u>	<u>694,580</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
Refuse	1,056,771	964,949	-	-
Sewer	2,701,951	3,281,696	37,162	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>3,758,722</u>	<u>4,246,645</u>	<u>37,162</u>	<u>-</u>
TOTAL TOWNSHIP ACTIVITIES	<u>\$ 13,382,773</u>	<u>\$ 5,021,023</u>	<u>\$ 731,742</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
Miscellaneous

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION BEFORE TRANSFERS

TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
\$ (1,222,415)	\$ -	\$ (1,222,415)
(3,950,723)	-	(3,950,723)
(6,000)	-	(6,000)
(38,591)	-	(38,591)
(1,848,495)	-	(1,848,495)
(398,000)	-	(398,000)
22,661	-	22,661
(175,562)	-	(175,562)
<u>(537,968)</u>	<u>-</u>	<u>(537,968)</u>
<u>(8,155,093)</u>	<u>-</u>	<u>(8,155,093)</u>
-	(91,822)	(91,822)
-	616,907	616,907
<u>-</u>	<u>525,085</u>	<u>525,085</u>
<u>(8,155,093)</u>	<u>525,085</u>	<u>(7,630,008)</u>
2,001,206	-	2,001,206
599,040	-	599,040
4,703,371	-	4,703,371
324,739	-	324,739
462,319	-	462,319
8,684	-	8,684
1,710	-	1,710
43,698	-	43,698
43,122	5,847	48,969
359,179	72,734	431,913
<u>8,547,068</u>	<u>78,581</u>	<u>8,625,649</u>
391,975	603,666	995,641
<u>(2,983)</u>	<u>2,983</u>	<u>-</u>
388,992	606,649	995,641
<u>20,737,112</u>	<u>6,789,176</u>	<u>27,526,288</u>
<u>\$ 21,126,104</u>	<u>\$ 7,395,825</u>	<u>\$ 28,521,929</u>

EAST GOSHEN TOWNSHIP

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	General Fund	Road Improvements Fund	Capital Reserve Fund	Nonmajor Fund State Liquid Fuels (Highway Aid) Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,557,799	\$ 1,061,213	\$ 2,728,632	\$ 200	\$ 9,347,844
Investments	1,773,283	-	3,538,829	-	5,312,112
Taxes receivable, net	73,345	-	-	-	73,345
Other receivables	115,070	-	-	-	115,070
Prepaid expenses	92,076	-	-	-	92,076
TOTAL ASSETS	\$ 7,611,573	\$ 1,061,213	\$ 6,267,461	\$ 200	\$ 14,940,447
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 183,327	\$ -	\$ 1,385	\$ -	\$ 184,712
Accrued interest	2,632	-	-	-	2,632
Accrued salaries and benefits	47,565	-	-	-	47,565
TOTAL LIABILITIES	233,524	-	1,385	-	234,909
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues, real estate taxes	5,531	-	-	-	5,531
FUND BALANCES					
Nonspendable, prepaid expenses	92,076	-	-	-	92,076
Restricted					
Road improvements	-	1,061,213	-	-	1,061,213
Special revenue	-	-	-	200	200
Assigned					
Capital projects	-	-	6,266,076	-	6,266,076
Operating reserve	2,482,535	-	-	-	2,482,535
Special events	45,015	-	-	-	45,015
Unassigned	4,752,892	-	-	-	4,752,892
TOTAL FUND BALANCES	7,372,518	1,061,213	6,266,076	200	14,700,007
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,611,573	\$ 1,061,213	\$ 6,267,461	\$ 200	\$ 14,940,447

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, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 14,700,007

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

Historical treasures	24,267
Construction in progress	75,723
Infrastructure	1,890,769
Vehicles	2,077,370
Buildings and improvements	9,552,890
Machinery, equipment and furniture	2,429,520
Accumulated depreciation	(6,629,554)

Pension assets resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds.

254,357

Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds

455,023

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	(255,422)
Notes payable	(4,652,778)

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.

1,203,932

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 21,126,104

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, 2015

	<u>General Fund</u>	<u>Road Improvements Fund</u>	<u>Capital Reserve Fund</u>	<u>Nonmajor Fund State Liquid Fuels (Highway Aid) Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes					
Real estate	\$ 1,999,432	\$ -	\$ -	\$ -	\$ 1,999,432
Real estate transfer	599,040	-	-	-	599,040
Local services tax	324,739	-	-	-	324,739
Earned income	4,657,641	-	-	-	4,657,641
Fees, licenses and permits	464,029	-	-	-	464,029
Fines and forfeits	43,698	-	-	-	43,698
Intergovernmental	484,609	1,585	3,726	430,711	920,631
Charges for services	554,484	-	-	-	554,484
Interest and rents	190,290	2,422	22,495	498	215,705
Miscellaneous	159,442	-	4,923	-	164,365
TOTAL REVENUES	9,477,404	4,007	31,144	431,209	9,943,764
EXPENDITURES					
Current					
General government	1,368,260	-	-	-	1,368,260
Public safety	4,682,581	-	-	-	4,682,581
Health and welfare	6,000	-	-	-	6,000
Public works					
Sanitation	29,865	-	-	-	29,865
Highways and streets	1,793,056	10,648	-	431,213	2,234,917
Culture and recreation	541,510	-	-	-	541,510
Conservation and development	3,908	-	-	-	3,908
Debt service					
Principal	599,000	-	-	-	599,000
Interest and other charges	169,472	-	-	-	169,472
Capital outlay	-	-	329,742	-	329,742
TOTAL EXPENDITURES	9,193,652	10,648	329,742	431,213	9,965,255
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	283,752	(6,641)	(298,598)	(4)	(21,491)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	345,044	-	345,044
Transfers out	(348,027)	-	-	-	(348,027)
TOTAL OTHER FINANCING SOURCES (USES)	(348,027)	-	345,044	-	(2,983)
NET CHANGE IN FUND BALANCES	(64,275)	(6,641)	46,446	(4)	(24,474)
FUND BALANCES AT BEGINNING OF YEAR	7,436,793	1,067,854	6,219,630	204	14,724,481
FUND BALANCES AT END OF YEAR	\$ 7,372,518	\$ 1,061,213	\$ 6,266,076	\$ 200	\$ 14,700,007

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, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (24,474)
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.	(181,157)
Net pension asset and related deferrals are reported in the statement of activities, however they do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Funds.	(93,890)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real estate taxes	1,774
Earned income taxes	45,730
Repayment of note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	599,000
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>42,009</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>388,992</u></u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 655,683	\$ 629,037	\$ 2,103,325	\$ 1,461,277	\$ 4,849,322
Receivables, net	112,405	416,126	-	-	528,531
Prepaid expenses	-	96	-	-	96
TOTAL CURRENT ASSETS	768,088	1,045,259	2,103,325	1,461,277	5,377,949
NONCURRENT ASSETS					
Due from other funds	-	-	-	9,260,809	9,260,809
Capital assets					
Construction in progress	-	232,376	-	-	232,376
Sewer treatment plant and improvements	-	14,182,263	-	-	14,182,263
Accumulated depreciation	-	(1,968,046)	-	-	(1,968,046)
TOTAL CAPITAL ASSETS, net of accumulated depreciation	-	12,446,593	-	-	12,446,593
TOTAL NONCURRENT ASSETS	-	12,446,593	-	9,260,809	21,707,402
TOTAL ASSETS	\$ 768,088	\$ 13,491,852	\$ 2,103,325	\$ 10,722,086	\$ 27,085,351
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts payable	\$ 6,347	\$ 238,828	\$ -	\$ 164	\$ 245,339
Accrued interest	-	-	-	6,378	6,378
Notes payable, current	-	-	-	506,000	506,000
TOTAL CURRENT LIABILITIES	6,347	238,828	-	512,542	757,717
NONCURRENT LIABILITIES					
Due to other funds	-	9,260,809	-	-	9,260,809
Notes payable	-	-	-	9,671,000	9,671,000
TOTAL NONCURRENT LIABILITIES	-	9,260,809	-	9,671,000	18,931,809
TOTAL LIABILITIES	6,347	9,499,637	-	10,183,542	19,689,526
NET POSITION					
Net investment in capital assets	-	2,269,593	-	-	2,269,593
Unrestricted	761,741	1,722,622	2,103,325	538,544	5,126,232
TOTAL NET POSITION	761,741	3,992,215	2,103,325	538,544	7,395,825
TOTAL LIABILITIES AND NET POSITION	\$ 768,088	\$ 13,491,852	\$ 2,103,325	\$ 10,722,086	\$ 27,085,351

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, 2015

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
OPERATING REVENUES					
Charges for services	\$ 964,949	\$ 3,236,108	\$ -	\$ -	\$ 4,201,057
Lease rentals, net	-	(806,156)	-	878,890	72,734
TOTAL OPERATING REVENUES	964,949	2,429,952	-	878,890	4,273,791
OPERATING EXPENSES					
Operations	1,056,771	2,150,668	-	106,605	3,314,044
Depreciation	-	371,944	-	-	371,944
TOTAL OPERATING EXPENSES	1,056,771	2,522,612	-	106,605	3,685,988
OPERATING INCOME (LOSS)	(91,822)	(92,660)	-	772,285	587,803
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	992	620	2,730	1,505	5,847
Grant revenue	-	-	-	37,162	37,162
Tapping fees	-	-	-	45,588	45,588
Interest expense	-	(72,734)	-	-	(72,734)
TOTAL NONOPERATING REVENUES (EXPENSES)	992	(72,114)	2,730	84,255	15,863
INCOME (LOSS) BEFORE TRANSFERS	(90,830)	(164,774)	2,730	856,540	603,666
TRANSFERS IN	-	498,777	167,043	40,000	705,820
TRANSFERS OUT	-	(204,060)	(13,777)	(485,000)	(702,837)
CHANGE IN NET POSITION	(90,830)	129,943	155,996	411,540	606,649
NET POSITION AT BEGINNING OF YEAR	852,571	3,862,272	1,947,329	127,004	6,789,176
NET POSITION AT END OF YEAR	\$ 761,741	\$ 3,992,215	\$ 2,103,325	\$ 538,544	\$ 7,395,825

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	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	\$ 963,353	\$ 3,217,088	\$ -	\$ -	\$ 4,180,441
Lease rental payments	-	(806,156)	-	878,890	72,734
Payments to suppliers	(1,057,560)	(2,099,262)	(2,983)	(107,703)	(3,267,508)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(94,207)	311,670	(2,983)	771,187	985,667
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	-	498,777	167,043	40,000	705,820
Transfers to other funds	-	(204,060)	(13,777)	(485,000)	(702,837)
Due to (from) other funds	-	52,041	-	(53,341)	(1,300)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	346,758	153,266	(498,341)	1,683
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Tapping fees received	-	-	-	45,588	45,588
Principal payments on debt	-	-	-	(485,000)	(485,000)
Interest paid	-	(72,734)	-	-	(72,734)
Grants	-	-	-	37,162	37,162
Acquisition, construction and improve- ments of capital assets	-	(550,818)	-	-	(550,818)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(623,552)	-	(402,250)	(1,025,802)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	992	620	2,730	1,505	5,847
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(93,215)	35,496	153,013	(127,899)	(32,605)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
	748,898	593,541	1,950,312	1,589,176	4,881,927
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	\$ 655,683	\$ 629,037	\$ 2,103,325	\$ 1,461,277	\$ 4,849,322
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (91,822)	\$ (92,660)	\$ -	\$ 772,285	\$ 587,803
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	-	371,944	-	-	371,944
(Increase) decrease in					
Accounts receivable	(1,596)	(19,020)	-	-	(20,616)
Prepaid expenses	-	3,561	-	-	3,561
Increase (decrease) in accounts payable	(789)	47,845	(2,983)	(1,098)	42,975
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (94,207)	\$ 311,670	\$ (2,983)	\$ 771,187	\$ 985,667

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

	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	\$ 29,251	\$ 81,727	\$ 5,110	\$ 12,755	\$ 23,902	\$ 152,745
Receivables						
Members' contributions	210	-	-	-	-	210
Prepaid pension payment	-	400	-	-	-	400
State aid	-	-	448	-	-	448
Investments						
Certificates of deposit	-	10,131	-	-	-	10,131
U.S. Government obligations	50,014	56,539	-	59,195	-	165,748
Corporate bonds	-	-	-	48,955	-	48,955
Municipal bonds	234,722	147,615	-	159,613	-	541,950
Bond funds	26,178	485,613	187,196	39,227	140,217	878,431
Equity funds	775,687	1,738,977	308,988	689,509	341,245	3,854,406
TOTAL ASSETS	\$ 1,116,062	\$ 2,521,002	\$ 501,742	\$ 1,009,254	\$ 505,364	\$ 5,653,424
LIABILITIES AND NET POSITION						
LIABILITIES						
Non-Uniformed Plan	\$ 448	\$ -	\$ -	\$ -	\$ -	\$ 448
NET POSITION						
Held in trust for pension benefits	1,115,614	2,521,002	501,742	1,009,254	505,364	5,652,976
TOTAL LIABILITIES AND NET POSITION	\$ 1,116,062	\$ 2,521,002	\$ 501,742	\$ 1,009,254	\$ 505,364	\$ 5,653,424

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	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	\$ 10,858	\$ -	\$ -	\$ -	\$ -	\$ 10,858
State	63,013	-	92,985	-	-	155,998
Employer	-	-	-	80,619	255,272	335,891
TOTAL CONTRIBUTIONS	73,871	-	92,985	80,619	255,272	502,747
Investment income (loss)						
Net depreciation in fair value of investments	(30,679)	(65,896)	(11,418)	(27,685)	(21,579)	(157,257)
Interest and dividends	12,959	54,192	10,705	14,976	10,749	103,581
TOTAL INVESTMENT LOSS	(17,720)	(11,704)	(713)	(12,709)	(10,830)	(53,676)
Investment expense	(5,425)	(14,270)	(2,792)	(5,023)	(2,118)	(29,628)
INVESTMENT LOSS, net	(23,145)	(25,974)	(3,505)	(17,732)	(12,948)	(83,304)
TOTAL ADDITIONS	50,726	(25,974)	89,480	62,887	242,324	419,443
DEDUCTIONS						
Pension payments	17,807	9,863	-	-	-	27,670
Administrative expenses	6,600	7,975	5,250	-	-	19,825
Lump sum distributions	-	172,391	51,914	-	-	224,305
TOTAL DEDUCTIONS	24,407	190,229	57,164	-	-	271,800
CHANGE IN NET POSITION	26,319	(216,203)	32,316	62,887	242,324	147,643
NET POSITION AT BEGINNING OF YEAR	1,089,295	2,737,205	469,426	946,367	263,040	5,505,333
NET POSITION AT END OF YEAR	\$ 1,115,614	\$ 2,521,002	\$ 501,742	\$ 1,009,254	\$ 505,364	\$ 5,652,976

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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 non-uniform employees receive 72 sick leave hours per year and are allowed to accumulate up to 480 hours. Firefighters receive 80 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, 2015, the allowance for uncollectible sewer and refuse accounts receivable are \$97,215 and \$30,913, respectively.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

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 one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions and the net difference between projected and actual earnings on pension plan investments.

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

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

The Township's deposits with financial institutions at December 31, 2015, consisted of checking and savings accounts as well as certificates of deposit with an original maturity ranging from three to 18 months, as follows:

	<u>Carrying Amount</u>
CASH AND CASH EQUIVALENTS	
Government-wide	
Cash	\$ 14,197,166
Certificates of deposit	<u>5,312,112</u>
	19,509,278
 Fiduciary Funds	 <u>152,745</u>
	 <u>\$ 19,662,023</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015, \$2,402,745 of the Township's bank balance of \$19,943,831 was covered under FDIC insurance, and the remaining \$17,541,086 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, 2015

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2015, 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	\$ 5,322,243	\$ 5,322,243	\$ -	\$ -	\$ -
U.S. Government obligations	165,748	-	122,437	43,311	-
Bond funds	878,431	-	-	878,431	-
Corporate bonds	48,955	-	33,722	15,233	-
Municipal bonds	541,950	-	217,601	304,571	19,778
	<u>\$ 6,957,327</u>	<u>\$ 5,322,243</u>	<u>\$ 373,760</u>	<u>\$ 1,241,546</u>	<u>\$ 19,778</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	\$ 17,698	AAA
Municipal bonds	27,042	AAA
Bond mutual funds	344,845	AA
Municipal bonds	430,159	AA
Corporate bonds	48,955	A
Municipal bonds	84,749	A
Bond mutual funds	336,444	BBB
Bond mutual funds	179,444	Various
U.S. Government securities	165,748	Not Rated
Equity funds	3,854,406	Not Rated
Certificates of deposit		
Fiduciary Funds	10,131	Not Rated
Governmental Funds	5,312,112	Not Rated
	<u>\$ 10,811,733</u>	

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015, 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, 2015.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 1,226,317	\$ -	\$ 1,226,317
Local services tax	397	-	397
Real estate taxes	45,032	-	45,032
Other receivables	115,070	-	115,070
Sewer and refuse charges	<u>-</u>	<u>528,531</u>	<u>528,531</u>
	<u>\$ 1,386,816</u>	<u>\$ 528,531</u>	<u>\$ 1,915,347</u>

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2015, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
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Interfund transfers at December 31, 2015, are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>				<u>Totals</u>
	<u>Capital Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Capital Reserve Fund</u>	<u>Municipal Authority</u>	
General Fund	\$ 345,044	\$ -	\$ 2,983	\$ -	\$ 348,027
Municipal Authority	-	485,000	-	-	485,000
Sewer Capital Reserve Fund	-	13,777	-	-	13,777
Sewer Revenue Fund	<u>-</u>	<u>-</u>	<u>164,060</u>	<u>40,000</u>	<u>204,060</u>
	<u>\$ 345,044</u>	<u>\$ 498,777</u>	<u>\$ 167,043</u>	<u>\$ 40,000</u>	<u>\$ 1,050,864</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE E - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Historical treasures	\$ 24,267	\$ -	\$ -	\$ 24,267
Construction in progress	542,765	37,906	(504,948)	75,723
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>567,032</u>	<u>37,906</u>	<u>(504,948)</u>	<u>99,990</u>
Capital assets being depreciated				
Infrastructure	1,890,769	-	-	1,890,769
Vehicles	1,875,451	232,174	(30,255)	2,077,370
Buildings and improvements	9,106,522	446,368	-	9,552,890
Machinery, equipment and furniture	2,284,209	145,311	-	2,429,520
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>15,156,951</u>	<u>823,853</u>	<u>(30,255)</u>	<u>15,950,549</u>
Accumulated depreciation				
Infrastructure	(387,965)	(42,362)	-	(430,327)
Vehicles	(1,258,842)	(168,069)	30,255	(1,396,656)
Buildings and improvements	(2,667,516)	(231,359)	-	(2,898,875)
Machinery, equipment and furniture	(1,807,518)	(96,178)	-	(1,903,696)
TOTAL ACCUMULATED DEPRECIATION	<u>(6,121,841)</u>	<u>(537,968)</u>	<u>30,255</u>	<u>(6,629,554)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>9,035,110</u>	<u>285,885</u>	<u>-</u>	<u>9,320,995</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>9,602,142</u>	<u>323,791</u>	<u>(504,948)</u>	<u>9,420,985</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	82,537	149,839	-	232,376
Capital assets being depreciated				
Sewer treatment plant and improvements	13,781,284	400,979	-	14,182,263
Accumulated depreciation	(1,596,102)	(371,944)	-	(1,968,046)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>12,185,182</u>	<u>29,035</u>	<u>-</u>	<u>12,214,217</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>12,267,719</u>	<u>178,874</u>	<u>-</u>	<u>12,446,593</u>
CAPITAL ASSETS, net	<u>\$ 21,869,861</u>	<u>\$ 502,665</u>	<u>\$ (504,948)</u>	<u>\$ 21,867,578</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 1,071,000	\$ -	\$ (192,000)	\$ 879,000	\$ 203,000
Series A of 2000	144,000	-	(18,000)	126,000	18,000
Series A of 2003	2,999,000	-	(284,000)	2,715,000	295,000
Westtown Township	<u>1,037,778</u>	-	<u>(105,000)</u>	<u>932,778</u>	<u>110,000</u>
TOTAL NOTES	5,251,778	-	(599,000)	4,652,778	626,000
Compensated absences	<u>297,431</u>	-	<u>(42,009)</u>	<u>255,422</u>	<u>255,422</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>5,549,209</u>	-	<u>(641,009)</u>	<u>4,908,200</u>	<u>881,422</u>
BUSINESS-TYPE ACTIVITIES					
Guaranteed Notes					
Series of 1998	365,000	-	(83,000)	282,000	89,000
Series of 2008	7,888,000	-	(308,000)	7,580,000	320,000
Series of 2013	<u>2,409,000</u>	-	<u>(94,000)</u>	<u>2,315,000</u>	<u>97,000</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>10,662,000</u>	-	<u>(485,000)</u>	<u>10,177,000</u>	<u>506,000</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 16,211,209</u>	<u>\$ -</u>	<u>\$ (1,126,009)</u>	<u>\$ 15,085,200</u>	<u>\$ 1,387,422</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	\$ 879,000
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>126,000</u>
SUBTOTAL FORWARD	<u>\$ 1,005,000</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - GENERAL LONG-TERM DEBT (Continued)

SUBTOTAL FORWARDED	\$ 1,005,000
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	2,715,000
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)	932,778
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	282,000
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	7,580,000
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>2,315,000</u>
	<u>\$ 14,829,778</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, 2015, was \$588,120. Interest costs incurred for the year ended December 31, 2015, were \$194,230 in the General Fund. This includes \$169,472 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 \$393,890 in 2015.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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>
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	967,000	127,154	1,094,154
2021 to 2025	4,222,778	344,241	4,567,019
2026 to 2030	3,273,000	139,858	3,412,858
2031 to 2034	<u>1,658,000</u>	<u>29,758</u>	<u>1,687,758</u>
	<u>\$ 14,829,778</u>	<u>\$ 1,411,991</u>	<u>\$ 16,241,769</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, 2015, the market value of the Township's interest rate swap agreements for fixed rate loans was (\$1,824,231) and \$2,537,454 for the DVRFA bonds. As of December 31, 2015, the DVRFA would have received a payment of nearly \$160 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, 2015.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - EMPLOYEE RETIREMENT PLANS

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. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Plan Membership - As of December 31, 2015, membership consisted of:

Inactive plan members currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>8</u>
	<u>11</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, 2015

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

Benefits Provided - The following is a summary of the plan benefit provisions:

Eligibility Requirements

Normal retirement - Later of age 55 or 5 years of service, whichever occurs later
Early retirement - Age 52
Vesting - Full vesting after five years of service

Retirement Benefit

1.25% of final 60 month average salary multiplied by years and completed months of service. Offset by 0% social security; length of service increment - none

Survivor Benefit

50% of participants' vested pension amount

Disability Benefit Service and Non-Service Related

50% of final average salary, starting 90 days after the disability occurred

Post Retirement Adjustments

None

Members Contributions

Amount or rate - 2.25 of compensation
Interest rate credited to member contributions - 2%

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2.25% of compensation. In accordance with Act 205, the Township was not required to contribute to the plan for the year 2015.

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.

Investment Policy Summary - The plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Board of Township Supervisors. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The plan's formal investment policy statement which is revised periodically provides more comprehensive details on investment strategy and authorized investments.

The plan's investment policy establishes the following target allocation across asset classes:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
S&P 500 Composite (Large Caps)	25.00%	9.00%
Russell 200 (Small Cap)	11.50%	10.00%
International (EAFE)	12.00%	8.75%
Emerging Markets	2.50%	11.00%
REITs/Equity	6.00%	8.75%
Bonds/Fixed Income	30.00%	4.00%
Treasury Inflation Protected	10.00%	4.50%
GS Commodities Index	3.00%	5.00%
	<u>100.00%</u>	

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

The long-term expected rate of return on the plan's investments was determined as stated in the plan's investment policy statement in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of a plan's investment in a single issue. 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 plan does have a formal investment policy that addresses concentration of credit risk. As of December 31, 2015, no investment in any one organization represented five percent (5%) or more of the plan's fiduciary net position.

Rate of Return – For the year ended December 31, 2015, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was (2.16%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2015, were as follows:

Total pension liability	\$ 1,152,012
Plan fiduciary net position	<u>1,115,614</u>
NET PENSION LIABILITY	\$ <u>36,398</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>96.8%</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	5.00%
Investment rate of return	7.00%

Mortality rates were based on the Blue Collar RP-2000 Mortality Table projected to 2015 using Scale AA.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Based upon the plan’s current target investment allocation and the associated long-term expected investment returns for its asset classes, the plan’s long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
BALANCE AT DECEMBER 31, 2014	\$ 1,101,922	\$ 1,089,295	\$ 12,627
Changes for the year			
Service cost	50,055	-	50,055
Interest	75,949	-	75,949
Differences between expected and actual experience	(79,060)	-	(79,060)
Changes of assumptions	20,953	-	20,953
Contributions			
Employer	-	-	-
State aid	-	63,013	(63,013)
Member	-	10,858	(10,858)
Net investment income	-	(23,145)	23,145
Benefit payments	(17,807)	(17,807)	-
Administrative expense	-	(6,600)	6,600
	<u> </u>	<u> </u>	<u> </u>
BALANCE AT DECEMBER 31, 2015	\$ <u>1,152,012</u>	\$ <u>1,115,614</u>	\$ <u>36,398</u>

Net Pension Liability Sensitivity – The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
	<u> </u>	<u> </u>	<u> </u>
Net pension liability	\$ <u>208,157</u>	\$ <u>36,398</u>	\$ <u>(106,501)</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2015, the Township recognized pension expense of \$59,755. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 72,100
Changes in assumptions	19,109	-
Net difference between projected and actual earnings on pension plan investments	<u>80,020</u>	<u>-</u>
	<u>\$ 99,129</u>	<u>\$ 72,100</u>

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

<u>Year Ended December 31,</u>	
2016	\$ 14,889
2017	14,889
2018	14,889
2019	14,889
2020	(5,116)
Thereafter	(27,411)

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.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

Method Used to Value Investments - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Plan Description and Contribution Information - Membership of the plan consisted of the following at December 31, 2015, the date of the last actuarial valuation:

Inactive plan members currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	30
Active plan members	<u>0</u>
TOTAL MEMBERSHIP	<u><u>32</u></u>

Benefits Provided - The following is a summary of the plan benefit provisions:

Eligibility Requirements

Normal retirement - Age 65 and 10 years of service
 Early retirement - Age 55 with 10 or more years of service
 Vesting - As of January 1, 2011, all members are 100% vested; plan is now frozen

Retirement Benefit

1.25% times final average earnings times years and fractions of years. Final average is based on highest five calendar years out of the last ten calendar years.
 Unmarried - life income; Married - life income, 50% to surviving spouse offset by 0% social security.

Survivor Benefit

Benefit to surviving spouse is automatic after participant is eligible for early retirement. Benefit is equal to 50% of the pension which would have been paid to the participant if he had retired.

Disability Benefit Service and Non-Service Related

10 years of service and receiving social security disability benefits. No reduction if benefit starts before age 65; same benefit as B.

Post Retirement Adjustments

None

Members Contributions

Amount or rate - None
 Interest rate credited to member contributions - None

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2015.

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.

Investment Policy Summary - The plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Board of Township Supervisors. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The plan's formal investment policy statement which is revised periodically provides more comprehensive details on investment strategy and authorized investments.

The plan's investment policy establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	70.00%	7.85%
Fixed income	27.00%	1.02%
Cash	3.00%	(1.37%)
	<u>100.00%</u>	

The long-term expected rate of return on the plan's investments was determined as stated in the plan's investment policy statement in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of a plan’s investment in a single issue. 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 plan does have a formal investment policy that addresses concentration of credit risk. As of December 31, 2015, no investment in any one organization represented five percent (5%) or more of the plan’s fiduciary net position.

Rate of Return – For the year ended December 31, 2015, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was (0.97%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Township

The components of the net pension liability of the Township at December 31, 2015, were as follows:

Total pension liability	\$ 2,230,247
Plan fiduciary net position	<u>2,521,002</u>
NET PENSION ASSET	<u>\$ (290,755)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>113.0%</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	0.00%
Investment rate of return	7.00%

Mortality rates were based on the RP-2000 Mortality Table projected to 2015 using Scale AA.

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Based upon the plan’s current target investment allocation and the associated long-term expected investment returns for its asset classes, the plan’s long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
BALANCE AT DECEMBER 31, 2014	\$ 1,967,487	\$ 2,737,205	\$ (769,718)
Changes for the year			
Service cost	-	-	-
Interest	151,865	-	151,865
Differences between expected and actual experience	(30,794)	-	(30,794)
Changes of assumptions	323,943	-	323,943
Contributions			
Employer	-	-	-
State Aid	-	-	-
Member	-	-	-
Net investment income	-	(25,974)	25,974
Benefit payments	(182,254)	(182,254)	-
Administrative expense	-	(7,975)	7,975
	<u> </u>	<u> </u>	<u> </u>
BALANCE AT DECEMBER 31, 2015	\$ <u>2,230,247</u>	\$ <u>2,521,002</u>	\$ <u>(290,755)</u>

Net Pension Liability Sensitivity – The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
	<u>(6.0%)</u>	<u>Rate (7.0%)</u>	<u>(8.0%)</u>
Net pension (asset) liability	\$ <u>48,793</u>	\$ <u>(290,755)</u>	\$ <u>(571,181)</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2015, the Township recognized pension expense of \$50,969. At December 31, 2015, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 27,234
Changes in assumptions	286,493	-
Net difference between projected and actual earnings on pension plan investments	<u>168,735</u>	<u>-</u>
	<u>\$ 455,228</u>	<u>\$ 27,234</u>

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

<u>Year Ended December 31,</u>	
2016	\$ 76,074
2017	76,074
2018	76,074
2019	76,073
2020	33,890
Thereafter	89,809

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

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 2015, the Township contributed an allocation equal to 5.0% 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 or her accounts in any other defined contribution plans maintained by the Township in any year are limited to the lesser of \$40,000 or 100% of the employee's compensation. Control over plan investments is held by a committee appointed by the Board of Supervisors.

NOTE H - JOINT AGREEMENTS

Police

The Township, along with Westtown Township, established the Westtown East Goshen Regional Police Commission (the Commission), a separate legal entity, whose function is to provide comprehensive, quality police protection for the participating municipalities. The Commission consists of three voting members: one Supervisor from Westtown Township, one Supervisor from East Goshen Township and one citizen-at-large. Each Township pays the Commission its proportionate share of the Commission's annual budget allocation. For 2015, the Township's share of these costs was \$3,106,480.

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, 2015, the Township's unpaid principal obligation was \$932,778.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - JOINT AGREEMENTS (Continued)

The Township has established a Police Pension Trust Fund and Other Post-Employment Benefits Trust Fund. The Township was not required to establish the trusts, however, they did so to set aside funds to meet future obligations. The respective plans are not in the name of the Township and the individuals enrolled in each retirement plan are not employees of the Township, therefore the Township is not required to record a net pension liability and net OPEB obligation.

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.

NOTE K – PRIOR PERIOD ADJUSTMENT

The Township implemented GASB Statement No. 68, Accounting and Financial Reporting for Pension – An Amendment of GASB Statement No. 27, effective January 1, 2015.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record any unfunded liability of their pension plans.

For the government-wide governmental activities, the Township has treated the beginning of year net pension asset of \$757,091 as having been recognized in the period incurred. The Township has adjusted beginning net position for the governmental activities from \$19,980,021 to \$20,737,112.

REQUIRED SUPPLEMENTARY INFORMATION

EAST GOSHEN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS)				
Taxes				
Real estate	\$ 1,994,211	\$ 1,994,211	\$ 1,999,432	\$ 5,221
Real estate transfer	640,000	640,000	1,043,058	403,058
Local services tax	310,000	310,000	324,701	14,701
Earned income	4,775,000	4,775,000	4,652,617	(122,383)
Fees, licenses and permits	456,816	456,816	464,029	7,213
Fines and forfeits	49,643	49,643	43,698	(5,945)
Intergovernmental	518,230	518,230	484,609	(33,621)
Charges for services	449,967	449,967	554,484	104,517
Interest and rents	172,742	172,742	190,290	17,548
Paid firefighter reimbursement	928,000	928,000	964,069	36,069
Spray irrigation loan revenue	24,758	24,758	24,758	-
Miscellaneous	91,673	91,673	211,184	119,511
Transfers	865,029	865,029	771,275	(93,754)
AMOUNT AVAILABLE FOR APPROPRIATION				
	<u>11,276,069</u>	<u>11,276,069</u>	<u>11,728,204</u>	<u>452,135</u>
CHANGES TO APPROPRIATIONS (OUTFLOWS)				
Current				
General government	1,388,611	1,388,611	1,251,607	137,004
Public safety	5,865,943	5,865,943	5,766,094	99,849
Health and welfare	6,000	6,000	6,000	-
Public works				
Sanitation	134,813	134,813	88,975	45,838
Highways and streets	2,219,951	2,219,951	2,332,283	(112,332)
Culture and recreation	538,227	538,227	499,925	38,302
Conservation and development	10,663	10,663	3,707	6,956
Debt service				
Principal	494,000	494,000	494,000	-
Interest and other charges	175,909	175,909	175,909	-
Insurance premiums	299,013	299,013	278,234	20,779
Employee benefits	427,607	427,607	449,219	(21,612)
Transfers	15,000	15,000	15,000	-
TOTAL CHANGES TO APPROPRIATIONS (OUTFLOWS)				
	<u>11,575,737</u>	<u>11,575,737</u>	<u>11,360,953</u>	<u>214,784</u>
EXCESS OF RESOURCES (INFLOWS) OVER CHANGES TO APPROPRIATIONS (OUTFLOWS)				
	<u>\$ (299,668)</u>	<u>\$ (299,668)</u>	<u>\$ 367,251</u>	<u>\$ 666,919</u>

See accompanying note to the budgetary comparison schedule.

EAST GOSHEN TOWNSHIP

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2015

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
SCHEDULE OF CHANGES IN THE NET FIRE
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 50,055	\$ 49,337
Interest	75,948	72,308
Changes of benefit terms	-	-
Differences between expected and actual experience	(79,060)	-
Changes of assumptions	20,953	-
Benefit payments, including refunds of member contributions	<u>(17,807)</u>	<u>(6,727)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	50,089	114,918
Total pension liability, beginning	<u>1,101,923</u>	<u>987,004</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 1,152,012</u>	<u>\$ 1,101,922</u>
PLAN FIDUCIARY NET POSITION		
Contributions		
State aid	\$ 63,013	\$ 64,957
Member	10,858	10,984
Net investment income	(23,145)	37,095
Benefit payments, including refunds of member contributions	(17,807)	(6,727)
Administrative expense	<u>(6,600)</u>	<u>(2,975)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	26,319	103,334
Plan fiduciary net position, beginning	<u>1,089,295</u>	<u>985,961</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 1,115,614</u>	<u>\$ 1,089,295</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 36,398</u>	<u>\$ 12,627</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>96.8%</u>	<u>98.9%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 555,812</u>	<u>\$ 587,288</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>6.5%</u>	<u>2.2%</u>

EAST GOSHEN TOWNSHIP
SCHEDULE OF FIRE PENSION PLAN CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 53,364	\$ 55,591
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>63,013</u>	<u>64,957</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ (9,649)</u>	<u>\$ (9,366)</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 555,812</u>	<u>\$ 587,288</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>11.34%</u>	<u>11.06%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	N/A
Asset valuation method	Market value
Inflation	2.25%
Salary increases	5.00%
Investment rate of return	7.00% (Net of pension plan investment expense including inflation)
Retirement age	55
Mortality	Assumed life expectancies are based on the RP-2000 Mortality Table projected to 2015 using Scale AA.

EAST GOSHEN TOWNSHIP
SCHEDULE OF FIRE PENSION PLAN
INVESTMENT RETURNS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>(2.16%)</u>	<u>2.50%</u>

EAST GOSHEN TOWNSHIP

**SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED EMPLOYEES
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS**

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Interest	\$ 151,866	\$ 146,061
Differences between expected and actual experience	(30,794)	-
Changes of assumptions	323,943	-
Benefit payments, including refunds of member contributions	<u>(182,254)</u>	<u>(8,664)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	262,761	137,397
Total pension liability, beginning	<u>1,967,486</u>	<u>1,830,090</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 2,230,247</u>	<u>\$ 1,967,487</u>
PLAN FIDUCIARY NET POSITION		
Net investment income	\$ (25,974)	\$ 106,960
Benefit payments, including refunds of member contributions	(182,254)	(8,664)
Administrative expense	<u>(7,975)</u>	<u>(3,575)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(216,203)	94,721
Plan fiduciary net position, beginning	<u>2,737,205</u>	<u>2,642,484</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 2,521,002</u>	<u>\$ 2,737,205</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ (290,755)</u>	<u>\$ (769,718)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>113.0%</u>	<u>139.1%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ N/A</u>	<u>\$ N/A</u>
NET PENSION LIABILITY AS A PERCENTAGE OF EMPLOYEE PAYROLL	<u>N/A</u>	<u>N/A</u>

EAST GOSHEN TOWNSHIP
SCHEDULE OF NON-UNIFORMED EMPLOYEES
PENSION PLAN CONTRIBUTIONS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ <u>-</u>	\$ <u>-</u>
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	\$ <u>-</u>	\$ <u>-</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>
COVERED-EMPLOYEE PAYROLL	\$ <u>-</u>	\$ <u>-</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>N/A</u>	<u>N/A</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	N/A
Asset valuation method	Market value
Inflation	2.25%
Salary increases	0.00%
Investment rate of return	7.00% (Net of pension plan investment expense including inflation)
Retirement age	65
Mortality	Assumed life expectancies are based on the RP-2000 Mortality Table projected to 2015 using Scale AA.

EAST GOSHEN TOWNSHIP
SCHEDULE OF NON-UNIFORMED EMPLOYEES
PENSION PLAN INVESTMENT RETURNS
LAST TWO FISCAL YEARS

	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>(0.97%)</u>	<u>4.59%</u>