

**EAST GOSHEN TOWNSHIP**

**ANNUAL FINANCIAL REPORT**

***Year Ended December 31, 2011***

# **INTRODUCTORY SECTION**

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## **FINANCIAL SECTION**



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## 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 December 31, 2011, and for the year then ended, which collectively comprise East Goshen Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of East Goshen Township's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14, budgetary comparison information on pages 50 through 52 and pension plan funding progress on pages 53 and 54 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 Falconiero & Company, LLP*

West Chester, Pennsylvania  
June 8, 2012

# **EAST GOSHEN TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

*Year Ended December 31, 2011*

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, 2011*. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which begin with the statement of net assets.

### **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 2011 are compliant with GASB 34.
- The net assets of the Township at the close of the 2011 fiscal year were \$21,539,459. 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 assets of the governmental activities (General, Capital Reserve, Road Improvements and State Liquid Fuels (Highway Aid) Funds) are \$15,704,792. The comparable total as of December 31, 2010, was \$14,330,852.
- The net assets of the business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds) are \$5,834,667. The unrestricted net assets for the business-type activities as of December 31, 2011, are \$3,211,843, while \$2,622,824 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 2011.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Township's fiscal year 2011 financial statements. The Township's fiscal year 2011 financial statements are comprised of five components: (1) independent auditors' report, (2) management's discussion and analysis, (3) government-wide financial statements, (4) fund financial statements and (5) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Independent Auditors' Report**

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

#### **Management's Discussion and Analysis (MD&A)**

*Management's Discussion and Analysis*, prepared by Township staff, provides a narrative introduction and overview that users of the financial statements need to interpret the basic financial statements. The *MD&A* also provides analysis of some key data that is presented in the basic financial statements. It also addresses any other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

# EAST GOSHEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2011

### **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 Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 15 and 16 of this report, distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* of the Township include general government, public safety (police, fire and codes), highways and streets, economic development and culture and recreation. The *business-type activities* include the sewer, refuse and Municipal Authority operations.

### **Fund Financial Statements**

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

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

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



# **EAST GOSHEN TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

*Year Ended December 31, 2011*

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 17 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 25 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 three Fiduciary Funds: the Non-Uniformed Pension Fund, the Non-Uniformed Defined Contribution Pension Plan and the Fire Pension Fund.

The Fiduciary Funds financial statements can be found on pages 26 and 27 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 28 through 49 of this report.

### **Other Information**

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

Required supplementary information can be found on pages 50 through 54 of this report.

# EAST GOSHEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2011

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the statement of net assets (as shown below) may serve over time as a useful indicator of the Township's financial position. The Township's total net assets were \$21,539,459 at the close of December 31, 2011. This represents an increase of \$2,077,841, or 10.7%, over the total net assets of \$19,461,618 as of the close of fiscal year 2010.

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 assets, \$1,046,970 represents resources that are subject to external restrictions on how they may be used. These are the net assets of the Road Improvements Fund and the State Liquid Fuels (Highway Aid) Fund.

The majority of the Township's net assets, \$15,440,146 or 71.7%, is unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors and to fund future capital asset replacement needs.

#### Statement of Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current and other assets	\$ 13,707,295	\$ 3,375,691	\$ 17,082,986
Capital assets	9,493,519	11,951,824	21,445,343
<b>TOTAL ASSETS</b>	<u>23,200,814</u>	<u>15,327,515</u>	<u>38,528,329</u>
<b>LIABILITIES</b>			
Other liabilities	123,654	157,663	281,317
Long-term liabilities	7,372,368	9,335,185	16,707,553
<b>TOTAL LIABILITIES</b>	<u>7,496,022</u>	<u>9,492,848</u>	<u>16,988,870</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,429,519	2,622,824	5,052,343
Restricted	1,046,970	-	1,046,970
Unrestricted	12,228,303	3,211,843	15,440,146
<b>TOTAL NET ASSETS</b>	<u>\$ 15,704,792</u>	<u>\$ 5,834,667</u>	<u>\$ 21,539,459</u>

# **EAST GOSHEN TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

*Year Ended December 31, 2011*

The Township's Statement of Activities shows how the net assets changed during the fiscal year 2011. The Statement of Activities can be found on page 16 of this report.

As shown on the Statement of Activities, the Township's net assets increased by \$2,077,841 from January 1, 2011; 66.1% or \$1,373,940 in governmental activities (General, Capital Reserve, Road Improvements and State Liquid Fuels (Highway Aid) Funds) and 33.9% or \$703,901 in business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds).

### **Governmental Activities**

To understand how the net assets changed in the governmental activities, you must look at the "Statement of Revenues, Expenditures and Changes in Fund Balances" (pages 19 and 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 \$694,031, and it increases the fund balances from January 1, 2011 to December 31, 2011. The total fund balances at December 31, 2011, are \$11,985,064.

The reconciliation on page 21 explains how the Township arrived at the \$1,373,940 increase in net assets of the governmental activities from the Governmental Funds given the increase in fund balances of \$694,031. Most of the change is due to the repayment of note principal in the amount of \$679,000 during 2011, which reduces long-term liabilities in the Statement of Net Assets.

The *General Fund* reflects an increase of \$837,509 in fund balance for the year. The fund balance at December 31, 2011, is \$4,840,586 and is unrestricted.

The *Road Improvements Fund* reflects a decrease in its fund balance of \$67,975.

The *Capital Reserve Fund* reflects a decrease in its fund balance of \$69,846 for fiscal year 2011. 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 *Other Governmental Fund's* decrease in fund balance was \$5,657 for the year 2011. The fund balance at December 31, 2011, for the *State Liquid Fuels (Highway Aid) Fund* is \$993.

# EAST GOSHEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2011

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

### ***Expenses - Governmental Funds***

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
General government	\$ 1,129,777	\$ 1,386,196	\$ (256,419)
Public safety	4,418,060	3,974,470	443,590
Health and welfare	6,000	6,000	-
Sanitation	54,884	145,317	(90,433)
Highways and streets	1,483,552	1,464,067	19,485
Culture and recreation	429,875	514,971	(85,096)
Conservation and development	6,683	7,496	(813)
Principal and interest on long-term debt	830,534	832,317	(1,783)
Capital outlay and miscellaneous	357,016	133,962	223,054
	<u>\$ 8,716,381</u>	<u>\$ 8,464,796</u>	<u>\$ 251,585</u>

Expenses in Governmental Funds increased by \$251,585, or 3.0%, between the years 2010 and 2011.

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" (pages 19 and 20) for fiscal year 2011 were \$9,405,552. The percent of these revenues by source was as follows:

	<u>Revenues by Source</u>	<u>% of Total</u>
Taxes	\$ 7,219,170	76.8%
Fees, licenses and permits	389,330	4.1%
Fines and forfeits	55,893	0.6%
Interest and rents	131,827	1.4%
Intergovernmental	1,045,607	11.1%
Charges for services	499,140	5.3%
Miscellaneous	64,585	0.7%
	<u>\$ 9,405,552</u>	<u>100.0%</u>

### **Business-Type Activities**

As noted previously in this MD&A, the increase in net assets for business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds) was \$703,901 (page 23).

The business-type activities referred to in the Government-wide Financial Statements (pages 15 and 16) are reported as Proprietary (or Enterprise) Funds in the Fund Financial Statements (pages 22 through 25).

**EAST GOSHEN TOWNSHIP****MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)***Year Ended December 31, 2011*

The *Sewer Revenue Fund's* share of the \$703,901 increase in net assets was an increase of \$1,032,104 for 2011, as compared to an increase of \$1,494,561 for 2010.

***Sewer Revenue Fund Statements of Revenues, Expenses and Changes in Net Assets  
2011 Comparison to 2010***

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES	\$ 2,405,118	\$ 2,420,814
OPERATING EXPENSES	<u>2,293,254</u>	<u>2,157,732</u>
OPERATING INCOME	111,864	263,082
NONOPERATING REVENUES, net Interest income, less interest expenses	<u>325</u>	<u>313</u>
INCOME BEFORE INTERFUND TRANSFERS	112,189	263,395
INTERFUND TRANSFERS	<u>919,915</u>	<u>1,231,166</u>
CHANGE IN NET ASSETS	<u>\$ 1,032,104</u>	<u>\$ 1,494,561</u>

Quarterly sewage usage charges billed to residential and commercial customers were changed from flat rate to metered billing rate in the second quarter of 2010.

The *Refuse Fund's* share of the increase in net assets was a decrease of \$21,609 for 2011. Refuse Fund net assets increased by \$117,387 in 2010.

***Refuse Fund Statements of Revenues, Expenses and Changes in Net Assets  
2011 Comparison to 2010***

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES	\$ 985,739	\$ 1,343,622
OPERATING EXPENSES	<u>1,009,529</u>	<u>1,230,696</u>
OPERATING INCOME	(23,790)	112,926
NONOPERATING REVENUES, net Interest income, less interest expenses	<u>2,181</u>	<u>4,461</u>
CHANGE IN NET ASSETS	<u>\$ (21,609)</u>	<u>\$ 117,387</u>

Quarterly refuse charges billed to residential customers decreased in 2011 compared to 2010.

# EAST GOSHEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Year Ended December 31, 2011

The *Municipal Authority* experienced a decrease in net assets of \$432,734 for the year 2011. Municipal Authority net assets decreased by \$343,362 during fiscal year 2010.

### ***Municipal Authority Statements of Revenues, Expenses and Changes in Net Assets 2011 Comparison to 2010***

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES	\$ 707,614	\$ 706,488
OPERATING EXPENSES	<u>117,785</u>	<u>134,075</u>
OPERATING INCOME	589,829	572,413
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus tapping fees	<u>6,097</u>	<u>475,391</u>
INCOME BEFORE INTERFUND TRANSFERS	595,926	1,047,804
INTERFUND TRANSFERS	<u>(1,028,660)</u>	<u>(1,391,166)</u>
CHANGE IN NET ASSETS	<u>\$ (432,734)</u>	<u>\$ (343,362)</u>

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

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

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

#### **Revenues**

During the year, General Fund revenues exceeded budgetary estimates by \$574,091.

*Total tax revenues* were over budget by \$308,372. Real estate property tax collections were slightly over budget by \$3,689 or about 0.2%. Earned Income Tax ran over budget by \$328,551 due to conservative budgeting. Other favorable variances included real estate transfer tax of \$4,251. Local Services Tax was under budget by \$28,119.

# **EAST GOSHEN TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

*Year Ended December 31, 2011*

*Fees, licenses and permits* exceeded budget by \$14,057 due to increased cable television franchise fee activity with Verizon.

*Fines and forfeits* were over budget by \$5,968. The majority of this amount was collections from the County for fines collected from township residents for parole violations.

*Interest earnings and rents* were \$8,435 over budget, due to an \$18,081 refund from the Police Department for overpayment for police services in 2010. This amount was partially offset by a shortfall in interest income of \$8,513 due to the low interest rate environment.

*Intergovernmental revenues* were \$205,274 over budget largely due to receiving \$107,555 more than budgeted as a pass through for the reimbursement for insurance covering volunteer firefighters. Other factors contributing to the positive variance include a \$15,000 state grant for the restoration of the Hershey Mill Dam, higher-than-budgeted state aid for the township's defined contribution retirement plan (\$112,464), and higher-than-budgeted state revenue for the police (\$7,108) and fire (\$30,322) pensions. These positive variances were partially offset by a negative variance of \$67,098 in state aid for the township's now frozen defined benefit plan.

*Charges for services* were significantly over budget by \$61,386. Building permit revenues were \$75,715 over budget reflecting continued strong construction and renovation activity in both the commercial and residential sectors, while both rental reoccupancy permits and alarm ordinance fees were substantially over budget. These positive variances were offset by revenue shortfalls in a number of other areas, including park and recreation fees, which were \$16,870 under budget.

*Firefighter reimbursement* was over budget by \$18,935, but this line item is a pass-through revenue only.

*Miscellaneous* revenues were under budget by \$64,414, due primarily to a \$100,000 grant for Hershey Mill Dam that was budgeted, but not received. However, this shortfall was offset by positive variances for other miscellaneous revenues, including insurance dividends (\$13,229) and insurance claims (\$12,586).

*Reimbursements* to the General Fund from other Township funds for administrative, maintenance and other operating costs incurred in conjunction with sewer and refuse operations had a favorable variance of \$16,078.

### **Expenses**

General Fund expenses were under budget by \$417,394 for 2011.

*General government expenditures* (administration, finance, tax collection, legal and municipal building costs accounted for under general government) were over budget by \$31,054. Factors contributing to the positive variance include lower-than-expected administrative salaries (\$10,589) due to a reduction in staff, lower-than-expected energy use in the township building (\$20,931), less maintenance and repair work in the township building (\$8,355) and relatively few legal expenses (\$10,992). These savings were partially offset by overages for consulting services (\$8,175) related to improving the functionality of the township's accounting system, township engineering services (\$30,318), and higher-than-expected tax collector commission and postage costs (\$13,763) related to the change in the Earned Income Tax collector.

## **EAST GOSHEN TOWNSHIP**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

*Year Ended December 31, 2011*

*Public safety* (police, fire and codes expenses) and health and welfare ran \$134,278 over budget largely due to a higher-than-budgeted pass through expense for insurance covering volunteer firefighters. Other higher-than-expected pass throughs for the fire company for wages (\$50,318) and fuel (\$12,002) were partially offset by a lower-than-expected pass through expense for firefighter health insurance (41,025).

*Public works - sanitation* was under budget by \$49,642 mostly due to less identified need for preventive maintenance over the past year on township sewer lines, which has resulted in sewer pumps not being overworked. New infiltration and inflow technology that limits the amount of open excavation on sewer lines has also helped control costs.

*Public works - highways and streets* was under budget by \$120,562 for 2011. Overruns for storm damage (\$20,703) related to Hurricane Irene, for which the township received federal assistance in 2012, and fuel (\$13,434), due to fluctuations in gas prices, were offset by a number of under-budget line items. Line items with a positive variance included resurfacing materials and supplies (\$47,217) and resurfacing equipment rental (\$77,945), for which additional funds were appropriated in the middle of the year that the Public Works Department was unable to fully spend, as well as traffic signal repair (\$24,543) and traffic light utilities (\$11,279), which were related to the use of a less expensive contractor in 2011 and the conversion to LED lights.

*Culture and recreation* was under budget by \$154,067. These savings were primarily related to the lack of repair work on Hershey Mill Dam (\$100,000), due to not receiving a budgeted grant. Parks programs were also under budget by \$25,789. However, this underage was largely offset by lower than expected program revenues.

*Community development (conservation and development)* costs were \$4,243 under budget as well.

*Interest expense* and other charges ran under budget by \$11,726.

*Insurance premiums* were under budget by \$88,486 due to conservative budgeting.

*Employee benefits costs* were under budget by \$153,999. Most of this amount (\$129,679) was related to savings that the township incurred as a result of its switch from a defined benefit pension plan to a defined contribution plan. Other savings were realized due to the township's switch in insurance providers for worker's compensation insurance.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The Township's total capital assets for its governmental and business-type activities as of December 31, 2011, were \$21,445,343. 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.



# **EAST GOSHEN TOWNSHIP**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

*Year Ended December 31, 2011*

### **Long-Term Debt**

At the end of the fiscal year, the Township had total long-term debt outstanding of \$16,393,000. This debt consists of four general obligation notes and two guaranteed notes, all payable to the Delaware Valley Regional Finance Authority (DVRFA) and backed by the full faith and credit of the government. Detail 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 39 through 41.

## **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 16,824 residents. The Township owns and maintains 59.76 miles of road and 405 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 2012 budget includes a deficit of \$239,447 which will be funded using a portion of prior fund balance. Revenues projected in the 2012 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 2012 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 ASSETS***December 31, 2011*

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,501,163	\$ 3,034,120	\$ 11,535,283
Investments	3,255,600	-	3,255,600
Receivables, net	1,896,092	307,336	2,203,428
Internal balances	15,900	(15,900)	-
Prepaid expenses	7,565	203	7,768
Deferred charges, note issue costs	-	49,932	49,932
Net pension asset	30,975	-	30,975
Capital assets not being depreciated	24,267	194,842	219,109
Capital assets being depreciated, net	<u>9,469,252</u>	<u>11,756,982</u>	<u>21,226,234</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 23,200,814</u></b>	<b><u>\$ 15,327,515</u></b>	<b><u>\$ 38,528,329</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 123,654	\$ 157,663	\$ 281,317
Accrued interest	4,077	6,185	10,262
Compensated absences	304,291	-	304,291
Long-term liabilities			
Portion due or payable within one year			
Notes payable	705,000	343,000	1,048,000
Portion due or payable after one year			
Notes payable	<u>6,359,000</u>	<u>8,986,000</u>	<u>15,345,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>7,496,022</u></b>	<b><u>9,492,848</u></b>	<b><u>16,988,870</u></b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,429,519	2,622,824	5,052,343
Restricted for			
Road improvements	1,045,977	-	1,045,977
Other projects	993	-	993
Unrestricted	<u>12,228,303</u>	<u>3,211,843</u>	<u>15,440,146</u>
<b>TOTAL NET ASSETS</b>	<b><u>15,704,792</u></b>	<b><u>5,834,667</u></b>	<b><u>21,539,459</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 23,200,814</u></b>	<b><u>\$ 15,327,515</u></b>	<b><u>\$ 38,528,329</u></b>

*See accompanying notes to the basic financial statements.*

**EAST GOSHEN TOWNSHIP**

STATEMENT OF ACTIVITIES

Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 1,106,210	\$ 33,313	\$ -	\$ -	\$ (1,072,897)	\$ -	\$ (1,072,897)
Public safety	4,206,304	648,100	374,886	-	(3,183,318)	-	(3,183,318)
Health and welfare	6,000	-	-	-	(6,000)	-	(6,000)
Public works							
Sanitation	75,079	-	-	-	(75,079)	-	(75,079)
Highways and streets	1,598,017	20,655	353,521	-	(1,223,841)	-	(1,223,841)
Culture and recreation	465,210	112,977	15,000	-	(337,233)	-	(337,233)
Conservation and development	6,683	26,358	-	-	19,675	-	19,675
Interest on long-term debt	261,292	-	-	-	(261,292)	-	(261,292)
Capital outlay	11,752	-	-	-	(11,752)	-	(11,752)
Depreciation, unallocated	461,431	-	-	-	(461,431)	-	(461,431)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>8,197,978</b>	<b>841,403</b>	<b>743,407</b>	<b>-</b>	<b>(6,613,168)</b>	<b>-</b>	<b>(6,613,168)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Refuse	1,009,529	951,917	-	-	-	(57,612)	(57,612)
Sewer	2,411,039	3,152,177	-	-	-	741,138	741,138
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>3,420,568</b>	<b>4,104,094</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>683,526</b>	<b>683,526</b>
<b>TOTAL TOWNSHIP ACTIVITIES</b>	<b>\$ 11,618,546</b>	<b>\$ 4,945,497</b>	<b>\$ 743,407</b>	<b>\$ -</b>	<b>(6,613,168)</b>	<b>683,526</b>	<b>(5,929,642)</b>
<b>GENERAL REVENUES</b>							
Property taxes, levied for general purposes					2,018,906	-	2,018,906
Real estate transfer taxes					501,930	-	501,930
Earned income tax					4,533,323	-	4,533,323
Local services tax					319,359	-	319,359
Franchise taxes					386,805	-	386,805
Public realty tax					10,193	-	10,193
Permits and fees					2,525	-	2,525
Fines and forfeitures					55,893	-	55,893
Unrestricted investment earnings					22,425	7,635	30,060
Miscellaneous					148,489	-	148,489
<b>TOTAL GENERAL REVENUES</b>					<b>7,999,848</b>	<b>7,635</b>	<b>8,007,483</b>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>					<b>1,386,680</b>	<b>691,161</b>	<b>2,077,841</b>
<b>TRANSFERS</b>					<b>(12,740)</b>	<b>12,740</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>					<b>1,373,940</b>	<b>703,901</b>	<b>2,077,841</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>					<b>14,330,852</b>	<b>5,130,766</b>	<b>19,461,618</b>
<b>NET ASSETS AT END OF YEAR</b>					<b>\$ 15,704,792</b>	<b>\$ 5,834,667</b>	<b>\$ 21,539,459</b>

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
*December 31, 2011*

	<u>General Fund</u>	<u>Road Improvements Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Fund State Liquid Fuels (Highway Aid) Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,856,108	\$ 1,045,977	\$ 4,598,085	\$ 993	\$ 8,501,163
Investments	1,752,800	-	1,502,800	-	3,255,600
Taxes receivable, net	127,899	-	-	-	127,899
Due from other funds	15,900	-	-	-	15,900
Other receivables	211,931	-	-	-	211,931
Prepaid expenses	<u>7,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,565</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,972,203</u></b>	<b><u>\$ 1,045,977</u></b>	<b><u>\$ 6,100,885</u></b>	<b><u>\$ 993</u></b>	<b><u>\$ 12,120,058</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 74,768	\$ -	\$ 3,377	\$ -	\$ 78,145
Deferred revenue	7,263	-	-	-	7,263
Accrued interest	4,077	-	-	-	4,077
Accrued salaries and benefits	<u>45,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,509</u>
<b>TOTAL LIABILITIES</b>	<b><u>131,617</u></b>	<b><u>-</u></b>	<b><u>3,377</u></b>	<b><u>-</u></b>	<b><u>134,994</u></b>
<b>FUND BALANCES</b>					
Nonspendable, prepaid expenses	7,565	-	-	-	7,565
Restricted					
Road improvements	-	1,045,977	-	-	1,045,977
Special revenue	-	-	-	993	993
Assigned, capital projects	-	-	6,097,508	-	6,097,508
Unassigned	<u>4,833,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,833,021</u>
<b>TOTAL FUND BALANCES</b>	<b><u>4,840,586</u></b>	<b><u>1,045,977</u></b>	<b><u>6,097,508</u></b>	<b><u>993</u></b>	<b><u>11,985,064</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 4,972,203</u></b>	<b><u>\$ 1,045,977</u></b>	<b><u>\$ 6,100,885</u></b>	<b><u>\$ 993</u></b>	<b><u>\$ 12,120,058</u></b>

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES**

*December 31, 2011*

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 11,985,064
 Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:	
Net pension asset	30,975
Historical treasures	24,267
Infrastructure	1,850,951
Vehicles	1,574,595
Buildings and improvements	8,932,022
Machinery, equipment and furniture	2,084,212
Accumulated depreciation	(4,972,528)
 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	(304,291)
Notes payable	(7,064,000)
 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.	
	<u>1,563,525</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 15,704,792</u>

*See accompanying notes to the basic financial statements.*

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*Year Ended December 31, 2011*

	<u>General Fund</u>	<u>Road Improvements Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Fund State Liquid Fuels (Highway Aid) Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes					
Real estate	\$ 2,018,689	\$ -	\$ -	\$ -	\$ 2,018,689
Real estate transfer	501,930	-	-	-	501,930
Local services tax	319,359	-	-	-	319,359
Earned income	4,379,192	-	-	-	4,379,192
Fees, licenses and permits	389,330	-	-	-	389,330
Fines and forfeits	55,893	-	-	-	55,893
Intergovernmental	695,244	396	-	349,967	1,045,607
Charges for services	499,140	-	-	-	499,140
Interest and rents	118,890	4,193	7,951	793	131,827
Miscellaneous	64,585	-	-	-	64,585
	<u>9,042,252</u>	<u>4,589</u>	<u>7,951</u>	<u>350,760</u>	<u>9,405,552</u>
<b>TOTAL REVENUES</b>					
<b>EXPENDITURES</b>					
Current					
General government	1,129,777	-	-	-	1,129,777
Public safety	4,418,060	-	-	-	4,418,060
Health and welfare	6,000	-	-	-	6,000
Public works					
Sanitation	54,884	-	-	-	54,884
Highways and streets	1,054,571	72,564	-	356,417	1,483,552
Culture and recreation	429,875	-	-	-	429,875
Conservation and development	6,683	-	-	-	6,683
Debt service					
Principal	594,000	-	-	-	594,000
Interest and other charges	236,534	-	-	-	236,534
Capital outlay	-	-	357,016	-	357,016
	<u>7,930,384</u>	<u>72,564</u>	<u>357,016</u>	<u>356,417</u>	<u>8,716,381</u>
<b>TOTAL EXPENDITURES</b>					
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FORWARD</b>					
	<u>\$ 1,111,868</u>	<u>\$ (67,975)</u>	<u>\$ (349,065)</u>	<u>\$ (5,657)</u>	<u>\$ 689,171</u>

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
*Year Ended December 31, 2011*

	<u>General Fund</u>	<u>Road Improvements Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Fund State Liquid Fuels (Highway Aid) Fund</u>	<u>Total Governmental Funds</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES FORWARDED	\$ <u>1,111,868</u>	\$ <u>(67,975)</u>	\$ <u>(349,065)</u>	\$ <u>(5,657)</u>	\$ <u>689,171</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	85,126	-	346,745	-	431,871
Transfers out	(359,485)	-	(85,126)	-	(444,611)
Proceeds from sale of assets	-	-	17,600	-	17,600
TOTAL OTHER FINANCING SOURCES (USES)	<u>(274,359)</u>	<u>-</u>	<u>279,219</u>	<u>-</u>	<u>4,860</u>
NET CHANGE IN FUND BALANCES	837,509	(67,975)	(69,846)	(5,657)	694,031
FUND BALANCES AT BEGINNING OF YEAR	<u>4,003,077</u>	<u>1,113,952</u>	<u>6,167,354</u>	<u>6,650</u>	<u>11,291,033</u>
FUND BALANCES AT END OF YEAR	<u>\$ <u>4,840,586</u></u>	<u>\$ <u>1,045,977</u></u>	<u>\$ <u>6,097,508</u></u>	<u>\$ <u>993</u></u>	<u>\$ <u>11,985,064</u></u>

*See accompanying notes to the basic financial statements.*

**EAST GOSHEN TOWNSHIP**

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

*Year Ended December 31, 2011*

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 694,031
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 exceeded capital outlays in the current period.	(152,791)
Net pension asset is reported in Governmental Funds as an expenditure. However, it is not recognized in the statement of activities because the expense is related to a future period.	30,975
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real estate taxes	217
Earned income taxes	154,131
Repayment of note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net assets.	679,000
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>(31,623)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,373,940</u>

*See accompanying notes to the basic financial statements.*



**EAST GOSHEN TOWNSHIP**

**STATEMENT OF NET ASSETS**

**PROPRIETARY FUNDS**

December 31, 2011

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 833,495	\$ 332,612	\$ 1,829,403	\$ 38,610	\$ 3,034,120
Receivables, net	65,127	242,209	-	-	307,336
Prepaid expenses	-	203	-	-	203
<b>TOTAL CURRENT ASSETS</b>	<b>898,622</b>	<b>575,024</b>	<b>1,829,403</b>	<b>38,610</b>	<b>3,341,659</b>
<b>NONCURRENT ASSETS</b>					
Deferred charges, note issue costs	-	-	-	49,932	49,932
Due from other funds	-	-	-	9,329,000	9,329,000
Capital assets					
Sewer treatment plant and improvements	-	12,289,798	-	-	12,289,798
Construction in progress	-	194,842	-	-	194,842
Accumulated depreciation	-	(532,816)	-	-	(532,816)
<b>TOTAL CAPITAL ASSETS, net of accumulated depreciation</b>	<b>-</b>	<b>11,951,824</b>	<b>-</b>	<b>-</b>	<b>11,951,824</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>-</b>	<b>11,951,824</b>	<b>-</b>	<b>9,378,932</b>	<b>21,330,756</b>
<b>TOTAL ASSETS</b>	<b>\$ 898,622</b>	<b>\$ 12,526,848</b>	<b>\$ 1,829,403</b>	<b>\$ 9,417,542</b>	<b>\$ 24,672,415</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 10,555	\$ 147,108	\$ -	\$ -	\$ 157,663
Accrued interest	-	-	-	6,185	6,185
Notes payable, current	-	-	-	343,000	343,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,555</b>	<b>147,108</b>	<b>-</b>	<b>349,185</b>	<b>506,848</b>
<b>NONCURRENT LIABILITIES</b>					
Due to other funds	-	9,344,900	-	-	9,344,900
Notes payable	-	-	-	8,986,000	8,986,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>-</b>	<b>9,344,900</b>	<b>-</b>	<b>8,986,000</b>	<b>18,330,900</b>
<b>TOTAL LIABILITIES</b>	<b>10,555</b>	<b>9,492,008</b>	<b>-</b>	<b>9,335,185</b>	<b>18,837,748</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	-	2,622,824	-	-	2,622,824
Unrestricted	888,067	412,016	1,829,403	82,357	3,211,843
<b>TOTAL NET ASSETS</b>	<b>888,067</b>	<b>3,034,840</b>	<b>1,829,403</b>	<b>82,357</b>	<b>5,834,667</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 898,622</b>	<b>\$ 12,526,848</b>	<b>\$ 1,829,403</b>	<b>\$ 9,417,542</b>	<b>\$ 24,672,415</b>

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
*Year Ended December 31, 2011*

	Enterprise Funds				Total Proprietary Funds
	<u>Refuse Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Capital Reserve Fund</u>	<u>Municipal Authority</u>	
OPERATING REVENUES					
Charges for services	\$ 985,739	\$ 3,112,732	\$ -	\$ -	\$ 4,098,471
Lease rentals, net	-	(707,614)	-	707,614	-
<b>TOTAL OPERATING REVENUES</b>	<u>985,739</u>	<u>2,405,118</u>	<u>-</u>	<u>707,614</u>	<u>4,098,471</u>
OPERATING EXPENSES					
Operations	1,009,529	1,977,844	-	117,785	3,105,158
Depreciation	-	315,410	-	-	315,410
<b>TOTAL OPERATING EXPENSES</b>	<u>1,009,529</u>	<u>2,293,254</u>	<u>-</u>	<u>117,785</u>	<u>3,420,568</u>
<b>OPERATING INCOME</b>	<u>(23,790)</u>	<u>111,864</u>	<u>-</u>	<u>589,829</u>	<u>677,903</u>
NONOPERATING REVENUES					
Interest and investment revenue	2,181	325	4,655	474	7,635
Tapping fees	-	-	-	5,623	5,623
<b>TOTAL NONOPERATING REVENUES</b>	<u>2,181</u>	<u>325</u>	<u>4,655</u>	<u>6,097</u>	<u>13,258</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>(21,609)</u>	<u>112,189</u>	<u>4,655</u>	<u>595,926</u>	<u>691,161</u>
TRANSFERS IN	-	1,218,494	147,579	177,094	1,543,167
TRANSFERS OUT	-	(298,579)	(26,094)	(1,205,754)	(1,530,427)
<b>CHANGE IN NET ASSETS</b>	<u>(21,609)</u>	<u>1,032,104</u>	<u>126,140</u>	<u>(432,734)</u>	<u>703,901</u>
NET ASSETS AT BEGINNING OF YEAR	<u>909,676</u>	<u>2,002,736</u>	<u>1,703,263</u>	<u>515,091</u>	<u>5,130,766</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 888,067</u>	<u>\$ 3,034,840</u>	<u>\$ 1,829,403</u>	<u>\$ 82,357</u>	<u>\$ 5,834,667</u>

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*Year Ended December 31, 2011*

	Enterprise Funds			Total Proprietary Funds	
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund		Municipal Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 993,860	\$ 3,104,369	\$ -	\$ -	\$ 4,098,229
Lease rental payments	-	(707,614)	-	707,614	-
Payments to suppliers	(1,074,227)	(1,981,600)	-	(118,597)	(3,174,424)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(80,367)</u>	<u>415,155</u>	<u>-</u>	<u>589,017</u>	<u>923,805</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	-	1,218,494	147,579	177,094	1,543,167
Transfers to other funds	-	(298,579)	(26,094)	(1,205,754)	(1,530,427)
Due to (from) other funds	-	(329,000)	-	75,808	(253,192)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>590,915</u>	<u>121,485</u>	<u>(952,852)</u>	<u>(240,452)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Tapping fees received	-	-	-	5,623	5,623
Principal payments on debt	-	-	-	(329,000)	(329,000)
Acquisition, construction and improvements of capital assets	-	(876,754)	-	-	(876,754)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>-</u>	<u>(876,754)</u>	<u>-</u>	<u>(323,377)</u>	<u>(1,200,131)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	<u>2,181</u>	<u>325</u>	<u>4,655</u>	<u>474</u>	<u>7,635</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(78,186)	129,641	126,140	(686,738)	(509,143)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>911,681</u>	<u>202,971</u>	<u>1,703,263</u>	<u>725,348</u>	<u>3,543,263</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 833,495</u>	<u>\$ 332,612</u>	<u>\$ 1,829,403</u>	<u>\$ 38,610</u>	<u>\$ 3,034,120</u>

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*Year Ended December 31, 2011*

	Enterprise Funds				Total Proprietary Funds
	<u>Refuse Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Capital Reserve Fund</u>	<u>Municipal Authority</u>	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ (23,790)	\$ 111,864	\$ -	\$ 589,829	\$ 677,903
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	-	315,410	-	-	315,410
(Increase) decrease in					
Accounts receivable	8,121	(8,363)	-	-	(242)
Loan costs	-	-	-	2,820	2,820
Prepaid expenses	-	(185)	-	-	(185)
Increase (decrease) in					
Accounts payable	(64,698)	(19,471)	-	(3,632)	(87,801)
Due to other funds	-	15,900	-	-	15,900
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (80,367)</u>	<u>\$ 415,155</u>	<u>\$ -</u>	<u>\$ 589,017</u>	<u>\$ 923,805</u>

*See accompanying notes to the basic financial statements.*

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
*December 31, 2011*

	<u>Fire Pension Fund</u>	<u>Non- Uniformed Pension Fund</u>	<u>Non- Uniformed Defined Contribution Pension Fund</u>	<u>Total Fiduciary Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 32,489	\$ 83,002	\$ 10,495	\$ 125,986
Receivables				
Members' contributions	193	-	-	193
State aid	-	-	2,683	2,683
Investments				
Certificates of deposit	94,113	120,945	-	215,058
U.S. Government obligations	63,046	190,483	-	253,529
Corporate bonds	47,079	234,799	-	281,878
Bond funds	30,233	182,666	41,271	254,170
Equity funds	398,140	1,289,087	77,833	1,765,060
	<u>398,140</u>	<u>1,289,087</u>	<u>77,833</u>	<u>1,765,060</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 665,293</u></b>	<b><u>\$ 2,100,982</u></b>	<b><u>\$ 132,282</u></b>	<b><u>\$ 2,898,557</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Transfer of state aid to Non-Uniformed Defined Contribution Plan	\$ 2,683	\$ -	\$ -	\$ 2,683
<b>NET ASSETS</b>				
Held in trust for pension benefits	<u>662,610</u>	<u>2,100,982</u>	<u>132,282</u>	<u>2,895,874</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 665,293</u></b>	<b><u>\$ 2,100,982</u></b>	<b><u>\$ 132,282</u></b>	<b><u>\$ 2,898,557</u></b>

*See accompanying notes to the basic financial statements.*

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
*Year Ended December 31, 2011*

	<u>Fire Pension Fund</u>	<u>Non- Uniformed Pension Fund</u>	<u>Non- Uniformed Defined Contribution Pension Fund</u>	<u>Total Fiduciary Funds</u>
<b>ADDITIONS</b>				
Contributions				
Members' contributions	\$ 10,014	\$ -	\$ -	\$ 10,014
State contributions	69,006	24,187	131,936	225,129
<b>TOTAL CONTRIBUTIONS</b>	<u>79,020</u>	<u>24,187</u>	<u>131,936</u>	<u>235,143</u>
Investment income (loss)				
Net appreciation (depreciation) in fair value of investments	(11,646)	(66,640)	(1,359)	(79,645)
Interest and dividends	7,393	39,751	1,705	48,849
<b>TOTAL INVESTMENT INCOME (LOSS)</b>	<u>(4,253)</u>	<u>(26,889)</u>	<u>346</u>	<u>(30,796)</u>
Investment expense	(3,599)	(11,320)	-	(14,919)
<b>INVESTMENT INCOME (LOSS), net</b>	<u>(7,852)</u>	<u>(38,209)</u>	<u>346</u>	<u>(45,715)</u>
<b>NET ADDITIONS</b>	71,168	(14,022)	132,282	189,428
<b>DEDUCTIONS</b>				
Administrative expenses				
	<u>5,600</u>	<u>7,300</u>	<u>-</u>	<u>12,900</u>
<b>CHANGE IN NET ASSETS</b>	65,568	(21,322)	132,282	176,528
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>597,042</u>	<u>2,122,304</u>	<u>-</u>	<u>2,719,346</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 662,610</u>	<u>\$ 2,100,982</u>	<u>\$ 132,282</u>	<u>\$ 2,895,874</u>

*See accompanying notes to the basic financial statements.*

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2011

**NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Reporting Entity**

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

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

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

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

**Fund Accounting**

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

The Township reports the following major Governmental Funds:

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

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

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2011

The Township reports the following Other Governmental 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.

**Basis of Presentation and Accounting**

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

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



**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

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 (Other Governmental Funds). Fiduciary Funds are reported by fund type.

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

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

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

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 for the Township's Enterprise Funds include operating and administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**Cash and Cash Equivalents**

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

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, curbs, sidewalks, drainage systems and lighting systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Township defines capital assets as assets with an initial, individual cost equal to or greater than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

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

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

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

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**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 assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

**Accrued Compensated Absences**

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

**Deferred Charges**

Deferred charges consist of bond issue costs, which are amortized over the life of the bonds.

**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.

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2011

**Allowance for Uncollectible Accounts**

The Township calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance at December 31, 2011, is \$1,102.

**Fund Balance**

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

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

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

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

Beginning fund balances for the Township's Governmental Funds have been restated to reflect the above classifications.

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**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.

**NOTE B DEPOSITS AND INVESTMENTS**

**Deposits**

The Township's deposits with financial institutions at December 31, 2011, 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>
<b>CASH AND CASH EQUIVALENTS</b>	
Government wide	
Cash	\$ 11,535,283
Certificates of deposit	<u>3,255,600</u>
	14,790,883
 Fiduciary Funds	 <u>125,986</u>
	 <u>\$ 14,916,869</u>

***Custodial Credit Risk*** - The Township utilizes both insurance provided by the Federal Deposit Insurance Corporation (FDIC) and collateralization to guard against custodial credit risk. Under the Township's current procedures, deposits in excess of FDIC insurance are fully collateralized. The Township has adopted a deposit policy which, in accordance with state law, requires all of 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, 2011, \$13,214,755 of the Township's bank balance 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.

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

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 - Fiduciary Funds**

**Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments with interest rate risk are selected so that the risk of interest decline below area savings accounts rates is minimal.

As of December 31, 2011, investment balances exposed to interest rate risk were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less Than 1 Year</u>	<u>1 to 5 Years</u>	<u>6 to 10 Years</u>	<u>Over 10 Years</u>
U.S. Government obligations	\$ 253,529	\$ -	\$ 31,137	\$ 186,349	\$ 36,043
Bond funds	254,170	-	13,414	240,756	-
Corporate bonds	<u>281,878</u>	<u>10,338</u>	<u>271,540</u>	<u>-</u>	<u>-</u>
	<u>\$ 789,577</u>	<u>\$ 10,338</u>	<u>\$ 316,091</u>	<u>\$ 427,105</u>	<u>\$ 36,043</u>

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

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

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:

	<u>Fair Value</u>	<u>Credit Quality</u>
<b>INVESTMENT TYPE</b>		
U.S. Government securities	\$ 253,529	AAA
Bond mutual funds	23,225	AAA
Bond mutual funds	173,063	AA
Corporate bonds	230,937	AA
Corporate bonds	50,941	A
Bond mutual funds	9,569	B
Bond mutual funds	48,313	Not Rated
Equity funds	1,765,060	Not Rated
Certificates of deposit	<u>215,058</u>	Not Rated
	<u>\$ 2,769,695</u>	

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

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the pension 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, 2011, no investment in any one organization represented five percent (5%) or more of total investments

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**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 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, 2011.

**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>
<b>RECEIVABLES</b>			
Earned income tax	\$ 1,634,447	\$ -	\$ 1,634,447
Local services tax	7,478	-	7,478
Real estate taxes	42,236	-	42,236
Other receivables	211,931	-	211,931
Sewer and refuse charges	-	307,336	307,336
	<u>\$ 1,896,092</u>	<u>\$ 307,336</u>	<u>\$ 2,203,428</u>

**NOTE D INTERFUND TRANSFERS**

Interfund transfers at December 31, 2011, are as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Capital Reserve Fund	\$ 85,126
Capital Reserve Fund	General Fund	346,745
Sewer Revenue Fund	General Fund	12,740
Sewer Revenue Fund	Municipal Authority	1,205,754
Sewer Capital Reserve Fund	Sewer Revenue Fund	147,579
Municipal Authority	Sewer Revenue Fund	151,000
Municipal Authority	Sewer Capital Reserve Fund	26,094
		<u>\$ 1,975,038</u>



**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**NOTE E CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Historical treasures	\$ 24,267	\$ -	\$ -	\$ 24,267
Capital assets being depreciated				
Infrastructure	1,850,951	-	-	1,850,951
Vehicles	1,549,795	119,750	(94,950)	1,574,595
Buildings and improvements	8,907,512	24,510	-	8,932,022
Machinery, equipment and furniture	1,919,120	201,004	(35,912)	2,084,212
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>14,227,378</b>	<b>345,264</b>	<b>(130,862)</b>	<b>14,441,780</b>
Accumulated depreciation				
Infrastructure	(208,233)	(47,547)	-	(255,780)
Vehicles	(1,071,582)	(107,034)	72,366	(1,106,250)
Buildings and improvements	(1,766,579)	(224,427)	-	(1,991,006)
Machinery, equipment and furniture	(1,558,941)	(82,423)	21,872	(1,619,492)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(4,605,335)</b>	<b>(461,431)</b>	<b>94,238</b>	<b>(4,972,528)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>9,622,043</b>	<b>(116,167)</b>	<b>(36,624)</b>	<b>9,469,252</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net</b>	<b>9,646,310</b>	<b>(116,167)</b>	<b>(36,624)</b>	<b>9,493,519</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Construction in progress	-	876,754	(681,912)	194,842
Capital assets being depreciated				
Sewer treatment plant and improvements	11,607,886	681,912	-	12,289,798
Accumulated depreciation	(217,406)	(315,410)	-	(532,816)
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>11,390,480</b>	<b>366,502</b>	<b>-</b>	<b>11,756,982</b>
<b>BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net</b>	<b>11,390,480</b>	<b>1,243,256</b>	<b>(681,912)</b>	<b>11,951,824</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 21,036,790</b>	<b>\$ 1,127,089</b>	<b>\$ (718,536)</b>	<b>\$ 21,445,343</b>

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**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>
<b>GOVERNMENTAL ACTIVITIES</b>					
Notes					
Series A of 1999	\$ 1,745,000	\$ -	\$ (155,000)	\$ 1,590,000	\$ 164,000
Series A of 2000	206,000	-	(14,000)	192,000	15,000
Series A of 2001	369,000	-	(181,000)	188,000	188,000
Series A of 2003	4,033,000	-	(244,000)	3,789,000	253,000
Westtown Township	1,390,000	-	(85,000)	1,305,000	85,000
TOTAL NOTES	<u>7,743,000</u>	<u>-</u>	<u>(679,000)</u>	<u>7,064,000</u>	<u>705,000</u>
Compensated absences	272,668	31,623	-	304,291	304,291
TOTAL GOVERNMENTAL ACTIVITIES	<u>8,015,668</u>	<u>31,623</u>	<u>(679,000)</u>	<u>7,368,291</u>	<u>1,009,291</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Guaranteed Notes					
Series of 1998	654,000	-	(66,000)	588,000	70,000
Series of 2008	9,004,000	-	(263,000)	8,741,000	273,000
TOTAL BUSINESS-TYPE ACTIVITIES	<u>9,658,000</u>	<u>-</u>	<u>(329,000)</u>	<u>9,329,000</u>	<u>343,000</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>\$ 17,673,668</u>	<u>\$ 31,623</u>	<u>\$ (1,008,000)</u>	<u>\$ 16,697,291</u>	<u>\$ 1,352,291</u>

Notes payable consisted of:

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

\$ 1,590,000

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

192,000

SUBTOTAL FORWARD

\$ 1,782,000

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

SUBTOTAL FORWARDED \$ 1,782,000

General Obligation Note, Series A of 2001, payable to the DVRFA; in 2003, the note was converted from a variable rate to a fixed rate of 4.28% with maturity scheduled for 2012; interest is payable monthly, principal is payable annually and is subject to a swap agreement 188,000

General Obligation Note, Series A of 2003, payable to the DVRFA; in 2003, the note was converted from a variable rate to a fixed rate of 3.91% with maturity scheduled for 2023; interest is payable monthly, principal is payable annually and is subject to a swap agreement 3,789,000

East Goshen Township's portion of the General Obligation Bonds of Westtown Township, Series of 2004; the bonds mature in 2023 with interest rates ranging from 3.00% to 4.60% 1,305,000

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 588,000

The Municipal Authority issued a Guaranteed Note, Series of 2008, to the DVRFA; in 2008, the note was converted from a variable rate to a fixed rate of 3.96% with maturity scheduled for 2032; interest is payable monthly, principal is payable annually and is subject to a swap agreement 8,741,000

\$ 16,393,000

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, 2011, was \$697,574. Interest costs incurred for the year ended December 31, 2011, were \$318,960 in the General Fund. This includes \$236,534 recorded as a direct expenditure, \$57,668 of interest directly allocated to public safety expense and \$24,758 that is 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 \$378,614 in 2011.

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**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>
2012	\$ 1,048,000	\$ 644,789	\$ 1,692,789
2013	900,000	603,786	1,503,786
2014	943,000	569,073	1,512,073
2015	980,000	532,717	1,512,717
2016	1,025,000	494,686	1,519,686
2017 to 2021	5,015,000	1,860,740	6,875,740
2022 to 2026	3,216,000	977,018	4,193,018
2027 to 2031	2,667,000	443,757	3,110,757
2032	599,000	23,720	622,720
	<u>\$ 16,393,000</u>	<u>\$ 6,150,286</u>	<u>\$ 22,543,286</u>

**Swap Agreements**

The Township financed the 1999, 2000, 2001 and 2002 notes through the DVRFA. The DVRFA has in turn entered into interest rate swap agreements with various counterparties to provide fixed interest rates to borrowers. These agreements may be terminated under the following circumstances: (1) The DVRFA and the counterparty mutually consent to termination; (2) the borrower defaults on its loan; or (3) the DVRFA or the counterparty default or their financial conditions deteriorate to make a default imminent. Upon termination, the DVRFA would receive or make a payment depending on the market value of the related interest rate swap. If the DVRFA was obligated to make such a payment and sufficient funds were not available, the DVRFA could assess each borrower its allocable share of the termination payment.

At December 31, 2011, the market value of the Township's interest rate swap agreements for fixed rate loans was \$(760,068) and for the DVRFA bonds was \$1,313,598. As of December 31, 2011, the DVRFA would have received a payment of nearly \$115 million if all the swap agreements were terminated. None of these amounts are reflected in the Township's statements of net assets or activities at December 31, 2011.

**EAST GOSHEN TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 December 31, 2011

NOTE G EMPLOYEE RETIREMENT PLANS

**East Goshen-Westtown Police Pension Plan**

**Summary of Significant Accounting Policies**

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

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

**Plan Description and Contribution Information** - Membership of the plan consisted of the following at January 1, 2011, the date of the last actuarial valuation:

Active plan members	27
Retirees and beneficiaries receiving benefits	8
Terminated employees entitled to benefits but not yet receiving them	<u>1</u>
TOTAL MEMBERSHIP	<u><u>36</u></u>

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

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

The plan is funded by the Township through Act 205 Pension Funds from the Commonwealth. If deemed necessary, the Township must contribute any additional funding to the plan. Member contributions are currently required at a rate of 5.0% of compensation. To the extent that these fundings are not adequate, the Township would then be required to contribute. In accordance with Act 205, the Township was required to contribute to the plan for the year 2011.

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

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

**Annual Pension Cost and Net Pension Obligation** - The Township's annual pension cost and net pension obligation to the East Goshen-Westtown Police Pension Plan for 2011 were as follows:

Annual required contribution	\$ 525,754
Interest on net pension obligation	-
Adjustments to annual required contribution	-
ANNUAL PENSION COST	525,754
Contributions made	525,754
INCREASE IN NET PENSION OBLIGATION	-
Net pension obligation at beginning of year	-
NET PENSION OBLIGATION AT END OF YEAR	\$ -

The annual required contribution for 2011 was determined using the assumptions from the January 1, 2011 actuarial valuation listed in the note to the pension plan funding progress.

**Three-Year Trend Information**

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 400,273	100%	\$ -
2010	407,412	100%	-
2011	525,754	100%	-

**Funded Status and Funding Progress** - As of January 1, 2011, the most recent actuarial valuation date, the plan was 60.3% funded. The actuarial accrued liability for benefits was \$10,922,714 and the actuarial value of assets was \$6,590,448, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,332,266. The covered payroll (annual payroll of active employees covered by the plan) was \$2,712,873, and the ratio of the UAAL to the covered payroll was 159.69%.

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

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**Fire Pension Plan**

**Summary of Significant Accounting Policies**

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

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

**Plan Description and Contribution Information** - Membership of the plan consisted of the following at January 1, 2011, the date of the last actuarial valuation:

Active plan members	8
Terminated plan members entitled to but not yet receiving benefits	<u>1</u>
<b>TOTAL MEMBERSHIP</b>	<u>9</u>

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

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

The plan is funded by the Township through Act 205 Pension Funds from the Commonwealth. If deemed necessary, the Township must contribute any additional funding to the plan. Member contributions are currently required at a rate of 2.5% of compensation. In accordance with Act 205, the Township was not required to contribute to the plan for the year 2011.

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

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**Annual Pension Cost and Net Pension Obligation** - The Township's annual pension cost and net pension obligation to the Fire Pension Plan for 2011 were as follows:

Annual required contribution	\$ 38,031
Interest on net pension obligation	-
Adjustments to annual required contribution	-
ANNUAL PENSION COST	<u>38,031</u>
Contributions made	<u>69,006</u>
INCREASE IN NET PENSION OBLIGATION	(30,975)
Net pension obligation at beginning of year	<u>-</u>
NET PENSION OBLIGATION AT END OF YEAR	<u>\$ (30,975)</u>

The annual required contribution for 2011 was determined using the assumptions from the January 1, 2011 actuarial valuation listed in the note to the pension plan funding progress.

**Three-Year Trend Information**

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 39,418	100%	\$ -
2010	40,441	100%	-
2011	38,031	100%	-

**Funded Status and Funding Progress** - As of January 1, 2011, the most recent actuarial valuation date, the plan was 86.9% funded. The actuarial accrued liability for benefits was \$687,428 and the actuarial value of assets was \$597,042, resulting in an unfunded actuarial accrued liability (UAAL) of \$90,386. The covered payroll (annual payroll of active employees covered by the plan) was \$429,062, and the ratio of the UAAL to the covered payroll was 21.07%.

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



**Non-Uniformed Employees Pension Plan**

**Summary of Significant Accounting Policies**

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

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

**Plan Description and Contribution Information** - Membership of the plan consisted of the following at January 1, 2011, the date of the last actuarial valuation:

Active plan members	25
Terminated plan members entitled to but not yet receiving benefits	<u>10</u>
<b>TOTAL MEMBERSHIP</b>	<u><u>35</u></u>

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

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

The plan is funded by the Township through Act 205 Pension Funds from the Commonwealth. If deemed necessary, the Township must contribute any additional funding to the plan. Members do not contribute to the plan. In accordance with Act 205, the Township was required to contribute to the plan for the year 2011.

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

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**Annual Pension Cost and Net Pension Obligation** - The Township's annual pension cost and net pension obligation to the Non-Uniformed Employees Pension Plan for 2011 were as follows:

Annual required contribution	\$ 24,187
Interest on net pension obligation	-
Adjustments to annual required contribution	-
<b>ANNUAL PENSION COST</b>	<u>24,187</u>
Contributions made	<u>24,187</u>
<b>INCREASE IN NET PENSION OBLIGATION</b>	-
Net pension obligation at beginning of year	<u>-</u>
<b>NET PENSION OBLIGATION AT END OF YEAR</b>	<u><u>\$ -</u></u>

The annual required contribution for 2011 was determined using the assumptions from the January 1, 2011 actuarial valuation listed in the note to the pension plan funding progress.

**Three-Year Trend Information**

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 109,619	100%	\$ -
2010	120,497	100%	-
2011	24,187	100%	-

**Funded Status and Funding Progress** - As of January 1, 2011, the most recent actuarial valuation date, the plan was 142.3% funded. The actuarial accrued liability for benefits was \$1,491,807 and the actuarial value of assets was \$2,122,304, resulting in an unfunded actuarial accrued liability (UAAL) of \$(630,497). The covered payroll (annual payroll of active employees covered by the plan) was \$0, and the ratio of the UAAL to the covered payroll was 0%.

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

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

**Additional Plan Information**

Additional information as of the latest actuarial valuation follows:

	<u>East Goshen- Westtown Police Pension Plan</u>	<u>Fire Pension Plan</u>	<u>Non-Uniformed Employees Pension Plan</u>
Valuation date	January 1, 2011	January 1, 2011	January 1, 2011
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar	Level dollar	N/A
Asset valuation method	Fair value	Fair value	Fair value
Actuarial assumptions			
Investment rate of return	8%	7%	8%
Projected salary increases	5%	5%	N/A
Cost-of-living adjustments	None	None	None

**Non-Uniformed Employees Defined Contribution Pension Plan**

The Township offers its non-uniformed employees and non-uniformed employees of the Westtown East Goshen Regional Police Department a deferred compensation plan created in accordance with Internal Revenue Code Section 457. For the plan year 2011, the Township contributed an allocation equal to 8.5% of the eligible participant's compensation on behalf of the participating non-uniformed employees. Participants may not contribute to this plan, and the plan does not accept rollovers or direct transfers. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

**NOTE H      JOINT AGREEMENTS**

**Police**

The Township, along with Westtown Township, established the Westtown East Goshen Regional Police Commission (the Commission), a separate legal entity, whose function is to provide comprehensive, quality police protection for the participating municipalities. The Commission consists of three voting members: one Supervisor from Westtown Township, one Supervisor from East Goshen Township and one citizen-at-large. Each Township pays the Commission its proportionate share of the Commission's annual budget allocation. For 2011, the Township's share of these costs was \$3,004,760.

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
*December 31, 2011*

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 assets.

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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EAST GOSHEN TOWNSHIP**

BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)

GENERAL FUND

Year Ended December 31, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>RESOURCES (INFLOWS)</b>				
Taxes				
Real estate	\$ 2,015,000	\$ 2,015,000	\$ 2,018,689	\$ 3,689
Real estate transfer	500,000	500,000	504,251	4,251
Local services tax	340,000	340,000	311,881	(28,119)
Earned income	3,975,000	3,975,000	4,303,551	328,551
Fees, licenses and permits	375,273	375,273	389,330	14,057
Fines and forfeits	49,925	49,925	55,893	5,968
Intergovernmental	336,659	336,659	541,933	205,274
Charges for services	435,345	435,345	496,731	61,386
Interest and rents	128,536	128,536	136,971	8,435
Paid firefighter reimbursement	766,275	766,275	785,210	18,935
Spray irrigation loan revenue	24,758	24,758	24,758	-
Miscellaneous	169,947	169,947	105,533	(64,414)
Transfers	906,416	906,416	922,494	16,078
	<u>10,023,134</u>	<u>10,023,134</u>	<u>10,597,225</u>	<u>574,091</u>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>				
<b>CHANGES TO APPROPRIATIONS (OUTFLOWS)</b>				
Current				
General government	1,003,194	1,003,194	1,034,248	(31,054)
Public safety	4,967,522	4,967,522	5,101,800	(134,278)
Health and welfare	6,000	6,000	6,000	-
Public works				
Sanitation	204,407	204,407	154,765	49,642
Highways and streets	1,757,132	1,757,132	1,636,570	120,562
Culture and recreation	550,856	550,856	396,789	154,067
Conservation and development	10,589	10,589	6,346	4,243
Debt service				
Principal	594,001	594,001	594,000	1
Interest and other charges	274,275	274,275	262,549	11,726
Insurance premiums	385,586	385,586	297,100	88,486
Employee benefits	644,502	644,502	490,503	153,999
	<u>10,398,064</u>	<u>10,398,064</u>	<u>9,980,670</u>	<u>417,394</u>
<b>TOTAL CHANGES TO APPROPRIATIONS (OUTFLOWS)</b>				
<b>EXCESS (DEFICIENCY) OF RESOURCES OVER CHANGES TO APPROPRIATIONS (OUTFLOWS)</b>				
	<u>\$ (374,930)</u>	<u>\$ (374,930)</u>	<u>\$ 616,555</u>	<u>\$ 991,485</u>

See accompanying note to the budgetary comparison schedule.

# EAST GOSHEN TOWNSHIP

## BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)

### GENERAL FUND

Year Ended December 31, 2011

#### Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

##### SOURCES/INFLOWS OF RESOURCES

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 10,597,225
Differences - budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(922,494)
Paid firefighter reimbursements are inflows of budgetary resources but are not revenues for financial reporting purposes	(785,210)
Spray irrigation loan reimbursements are inflows of budgetary resources but are not revenues for financial reporting purposes	(24,758)
Accrual adjustments	<u>177,489</u>
 TOTAL REVENUES AS REPORTED ON THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS	 \$ <u><u>9,042,252</u></u>

##### USES/OUTFLOWS OF RESOURCES

Actual amounts (budgetary basis) "total changes to appropriations" from the budgetary comparison schedule	\$ 9,980,670
Differences - budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(274,359)
Spray irrigation loan reimbursements are inflows of budgetary resources but are not expenditures for financial reporting purposes	(24,758)
Paid firefighter reimbursements are outflows of budgetary resources but are not expenditures for financial reporting purposes	(785,210)
Accrual adjustments	<u>(965,959)</u>
 TOTAL EXPENDITURES AS REPORTED ON THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS	 \$ <u><u>7,930,384</u></u>

See accompanying note to the budgetary comparison schedule.

# **EAST GOSHEN TOWNSHIP**

## **NOTE TO THE BUDGETARY COMPARISON SCHEDULE**

*Year Ended December 31, 2011*

### **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 approve and adopt the budget on or before December 31, the close of the Township's fiscal year.

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

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



**EAST GOSHEN TOWNSHIP**  
**PENSION PLAN FUNDING PROGRESS**  
*Year Ended December 31, 2011*

**EAST GOSHEN-WESTTOWN POLICE PENSION PLAN**

**Schedule of Funding Progress**

Actuarial Valuation Date January 1,	(a) Actuarial Value of Net Assets	(b) Actuarial Accrued Liability Obligation	(c) Percentage Funded (a)/(b)	(d) (UAAL) Unfunded Actuarial Accrued Liability (b)-(a)	(e) Projected Annual Covered Payroll	(f) UAAL as a Percentage of Payroll (d)/(e)
2007	\$ 4,330,099	\$ 6,081,884	71.2%	\$ 1,751,785	\$ 2,512,607	69.72%
2009	4,899,967	8,194,327	59.8%	3,294,360	2,697,744	122.12%
2011	6,590,448	10,922,714	60.3%	4,332,266	2,712,873	159.69%

**Schedule of Contributions from the Employer and Other Contributing Entities**

Calendar Year	Annual Required Contribution	Percentage Contributed
2006	\$ 210,687	100%
2007	324,789	100%
2008	385,733	100%
2009	400,273	100%
2010	407,412	100%
2011	525,754	100%

**FIRE PENSION PLAN**

**Schedule of Funding Progress**

Actuarial Valuation Date January 1,	(a) Actuarial Value of Net Assets	(b) Actuarial Accrued Liability Obligation	(c) Percentage Funded (a)/(b)	(d) (UAAL) Unfunded Actuarial Accrued Liability (b)-(a)	(e) Projected Annual Covered Payroll	(f) UAAL as a Percentage of Payroll (d)/(e)
2007	\$ 378,256	\$ 425,318	\$ 88.9%	\$ 47,062	\$ 397,350	11.84%
2009	484,981	534,722	90.7%	49,741	383,058	12.99%
2011	597,042	687,428	86.9%	90,386	429,062	21.07%

**EAST GOSHEN TOWNSHIP**  
**PENSION PLAN FUNDING PROGRESS**  
*Year Ended December 31, 2011*

**Schedule of Contributions from the Employer and Other Contributing Entities**

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 35,464	100%
2007	37,497	100%
2008	39,418	100%
2009	40,441	100%
2010	41,367	100%
2011	38,031	100%

**NON-UNIFORMED EMPLOYEES PENSION PLAN**

**Schedule of Funding Progress**

<u>Actuarial Valuation Date January 1,</u>	<u>(a) Actuarial Value of Net Assets</u>	<u>(b) Actuarial Accrued Liability Obligation</u>	<u>(c) Percentage Funded (a)/(b)</u>	<u>(d) (UAAL) Unfunded Actuarial Accrued Liability (b)-(a)</u>	<u>(e) Projected Annual Covered Payroll</u>	<u>(f) UAAL as a Percentage of Payroll (d)/(e)</u>
2007	\$ 1,723,088	\$ 1,688,693	102.0%	\$ (34,395)	\$ 1,467,711	(2.34%)
2009	1,823,808	2,020,227	90.3%	196,419	1,530,807	12.83%
2011	2,122,304	1,491,807	142.3%	(630,497)	-	N/A

**Schedule of Contributions from the Employer and Other Contributing Entities**

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$ 90,523	100%
2007	93,068	100%
2008	111,778	100%
2009	109,619	100%
2010	120,497	100%
2011	24,187	100%