

**EAST GOSHEN TOWNSHIP**

**ANNUAL FINANCIAL REPORT**

*Year Ended December 31, 2018*



*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**

**EAST GOSHEN TOWNSHIP**  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2018

---

	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents	1
<b>Financial Section</b>	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	5
Basic Financial Statements	
<b><i>Government-Wide Financial Statements</i></b>	
Statement of Net Position	16
Statement of Activities	17
<b><i>Fund Financial Statements</i></b>	
<b><i>Governmental Funds</i></b>	
Balance Sheet	18
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	21
<b><i>Proprietary Funds</i></b>	
Statement of Net Position	22
Statement of Revenues, Expenses and Changes in Fund Net Position	23
Statement of Cash Flows	24

**EAST GOSHEN TOWNSHIP**  
**TABLE OF CONTENTS**  
**YEAR ENDED DECEMBER 31, 2018**

---

	<b>Page</b>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	26
Notes to the Basic Financial Statements	27
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule (Budgetary Basis)	56
Note to the Budgetary Comparison Schedule	58
<i>Fire Pension Plan</i>	
Schedule of Changes in the Net Fire Pension Plan Liability and Related Ratios	59
Schedule of Fire Pension Plan Contributions	60
Schedule of Fire Pension Plan Investment Returns	61
<i>Non-Uniformed Employees' Pension Plan</i>	
Schedule of Changes in the Net Non-Uniformed Employees Pension Plan Liability and Related Ratios	62
Schedule of Non-Uniformed Employees' Pension Plan Contributions	63
Schedule of Non-Uniformed Employees' Pension Plan Investment Returns	64
<b>Supplementary Information Section</b>	
<i>Other Governmental Funds</i>	
Combining Balance Sheet	65
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	66

## **FINANCIAL SECTION**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Goshen Township as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise East Goshen Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

East Goshen Township's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Goshen Township as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5 through 15, budgetary comparison information on pages 56 through 58 and pension plan information on pages 59 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Goshen Township's basic financial statements. The Combining Balance Sheet and Combining Schedule of Revenues, Expenditures and Changes in Fund Balances are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Maille LLP*

West Chester, Pennsylvania  
July 1, 2019

# **EAST GOSHEN TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2018**

---

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, 2018. We encourage readers to consider the information presented here in conjunction with the Township's financial statements, which begin with the statement of net position.

### **FINANCIAL HIGHLIGHTS**

- The Governmental Accounting Standards Board (GASB) has required all state and local governments to implement a governmental financial reporting model known as GASB 34. The Township's audited financial statements for fiscal year 2018 are compliant with GASB 34.
- The net position of the Township at the close of the 2018 fiscal year was \$32,644,479. Because retroactive reporting of general infrastructure assets is not required for the Township as a Phase 3 government under GASB 34 requirements, capital assets include only general infrastructure assets acquired from 2004 forward.
- The total net position of the governmental activities (General, Bond Fund, Capital Reserve, Road Improvements and State Liquid Fuels (Highway Aid) Funds) is \$27,186,559. The comparable total as of December 31, 2017, was \$26,341,888.
- The net position of the business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds) is \$5,457,920. The unrestricted net position for the business-type activities as of December 31, 2018, is \$3,972,641 while \$1,485,279 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 2018.

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

This discussion and analysis is intended to serve as an introduction to the Township's fiscal year 2018 financial statements. The Township's fiscal year 2018 financial statements are comprised of five components:(1) independent auditors' report, (2) management's discussion and analysis, (3) government-wide financial statements, (4) fund financial statements and (5) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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



# EAST GOSHEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

---

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

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

### **Government-Wide Financial Statements**

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

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

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

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

### **Fund Financial Statements**

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

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

# EAST GOSHEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

---

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

The Township maintains five 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's five Governmental Funds are the General Fund, the Bond Fund, the Road Improvements Fund, the Capital Reserve Fund and the State Liquid Fuels (Highway Aid) Fund. The basic Governmental Funds financial statements can be found on pages 18 through 21 of this report.

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

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

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

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

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

### **Notes to the Financial Statements**

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

The notes to the financial statements can be found on pages 27 through 55 of this report.

# **EAST GOSHEN TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2018**

---

### **Other Information**

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

Required supplementary information can be found on pages 56 through 64 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, the statement of net position (as shown below) may serve over time as a useful indicator of the Township's financial position. The Township's total net position was \$32,644,479 and \$31,026,917 at the close of December 31, 2018 and 2017, respectively. This represents an increase of \$1,617,562, or 5.2%, over the total net position of \$31,026,917 as of the close of fiscal year 2017.

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

Of the remaining Township net position, \$1,090,217 at December 31, 2018 and \$1,079,660 at 2017, represents resources that are subject to external restrictions on how they may be used. This is the net position of the Road Improvements Fund and the State Liquid Fuels (Highway Aid) Fund.

The majority of the Township's net position at December 31, 2018, \$19,953,895 or 61.1%, 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 compared to \$19,535,301 or 62.3% at December 31, 2017.

**EAST GOSHEN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2018**

**Statement of Net Position**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current and other assets	\$ 23,633,854	\$ 4,146,158	\$ 27,780,012
Capital assets	<u>11,788,550</u>	<u>12,922,134</u>	<u>24,710,684</u>
TOTAL ASSETS	<u>35,422,404</u>	<u>17,068,292</u>	<u>52,490,696</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources, pension activity	<u>514,017</u>	<u>-</u>	<u>514,017</u>
<b>LIABILITIES</b>			
Other liabilities	308,607	173,517	482,124
Long-term liabilities	<u>8,339,415</u>	<u>11,436,855</u>	<u>19,776,270</u>
TOTAL LIABILITIES	<u>8,648,022</u>	<u>11,610,372</u>	<u>20,258,394</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	<u>101,840</u>	<u>-</u>	<u>101,840</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,115,088	1,485,279	11,600,367
Restricted	1,090,217	-	1,090,217
Unrestricted	<u>15,981,254</u>	<u>3,972,641</u>	<u>19,953,895</u>
TOTAL NET POSITION	<u>\$ 27,186,559</u>	<u>\$ 5,457,920</u>	<u>\$ 32,644,479</u>

The Township's Statement of Activities shows how the net position changed during the fiscal year 2018. The Statement of Activities can be found on page 17 of this report.

As shown on the Statement of Activities, the Township's net position increase by \$1,617,562 from January 1, 2018; of this amount, \$844,671 came from governmental activities (General, Bond, Capital Reserve, Road Improvements and State Liquid Fuels (Highway Aid) Funds) and \$772,891 came from business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds).

**Governmental Activities**

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

# EAST GOSHEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

---

### 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 (\$674,989), and it decreases the fund balances from January 1, 2018 to December 31, 2018. The total fund balances at December 31, 2018, are \$21,839,980.

The reconciliation on page 21 explains how the Township arrived at the \$844,671 increase in net position of the governmental activities from the Governmental Funds given the decrease in fund balances of (\$674,989). Most of the change is due to the repayment of debt in the amount of \$684,000 during 2018, which increase long-term liabilities in the Statement of Net Position.

The *General Fund* reflects an increase of \$197,393 in fund balance for the year. The fund balance at December 31, 2018, is \$8,168,159.

The *Bond Fund* reflects a decrease of \$942,193 in fund balance for the year. The fund balance at December 31, 2018, is \$6,337,423.

The *Road Improvements Fund* reflects an increase in its fund balance of \$9,288.

The *Capital Reserve Fund* reflects an increase in its fund balance of \$59,254 for fiscal year 2018. 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 *State Liquid Fuel's* increase in fund balance was \$1,269 for the year 2018. The fund balance at December 31, 2018, for the *State Liquid Fuels (Highway Aid) Fund* is \$1,771.

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

### **Expenses - Governmental Funds**

	<u>2018</u>	<u>2017</u>	Increase (Decrease)
General government	\$ 1,587,228	\$ 1,575,032	\$ 12,196
Public safety	4,476,250	4,937,151	(460,901)
Health and welfare	6,000	6,000	-
Sanitation	70,522	61,762	8,760
Highways and streets	1,924,671	2,097,603	(172,932)
Culture and recreation	846,864	662,877	183,987
Conservation and development	5,380	4,354	1,026
Principal and interest on long-term debt	925,117	788,686	136,431
Capital outlay and miscellaneous	<u>1,877,898</u>	<u>1,465,767</u>	<u>412,131</u>
	<u>\$ 11,719,930</u>	<u>\$ 11,599,232</u>	<u>\$ 120,698</u>

Expenses in Governmental Funds increased by \$120,698, or 1.0%, between the years 2017 and 2018, due to a greater number of large one-time expenses in 2018 than in 2017.

The Township's governmental revenues are generated from a variety of sources. Total revenues for Governmental Funds shown on the "Statement of Revenues, Expenditures and Changes in Fund Balances" (page 20) for fiscal year 2018 were \$10,995,837.

# EAST GOSHEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2018

---

The percent of these revenues by source was as follows:

	<u>Revenues by Source</u>	<u>% of Total</u>
Taxes	\$ 8,188,397	74.5%
Fees, licenses and permits	470,305	4.3%
Fines and forfeits	72,152	0.7%
Interest and rents	540,341	4.9%
Intergovernmental	1,177,362	10.7%
Charges for services	457,952	4.2%
Miscellaneous	89,328	0.8%
	<u>\$ 10,995,837</u>	<u>100.0%</u>

### **Business-Type Activities**

As noted previously in this MD&A, the increase in net position for business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds) was \$772,891 (page 17).

The business-type activities referred to in the Government-wide Financial Statements (pages 16 and 17) are reported as Proprietary (or Enterprise) Funds in the Fund Financial Statements (pages 18 through 22).

The *Sewer Revenue Fund's* share of the \$772,891 increase in net position was an increase of \$779,286 for 2018, as compared to a decrease of \$2,543,181 for 2017.

### ***Sewer Revenue Fund Statements of Revenues, Expenses and Changes in Net Position 2018 Comparison to 2017***

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES	\$ 2,670,462	\$ 2,442,172
OPERATING EXPENSES	<u>2,489,003</u>	<u>2,457,601</u>
OPERATING INCOME (LOSS)	181,459	(15,429)
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus settlement revenue	<u>(67,236)</u>	<u>(69,537)</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	114,223	(84,966)
INTERFUND TRANSFERS	<u>665,063</u>	<u>(2,458,215)</u>
CHANGE IN NET POSITION	<u>\$ 779,286</u>	<u>\$ (2,543,181)</u>

# EAST GOSHEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

---

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 rates changed in April 2018 from \$8.38/thousand gallons and \$27.26 fixed/quarter to \$8.74/thousand gallons and \$27.02 fixed/quarter.

The *Refuse Fund's* share of the increase in net position was an increase of \$37,416 for 2018, due to the receipt of three commercial recycling grants from the Commonwealth in 2018. However, this additional revenue was offset by contractual increases with the Township's hauler, as well as the tightening of the recycling market. The Refuse Fund's net position decreased by \$63,219 in 2017.

### ***Refuse Fund Statements of Revenues, Expenses and Changes in Net Position 2018 Comparison to 2017***

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES	\$ 960,629	\$ 980,711
OPERATING EXPENSES	<u>1,076,793</u>	<u>1,049,411</u>
OPERATING LOSS	(116,164)	(68,700)
NONOPERATING REVENUES, net Interest income, less interest expenses	<u>153,934</u>	<u>5,481</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	37,770	(63,219)
INTERFUND TRANSFERS	(354)	-
CHANGE IN NET POSITION	<u>\$ 37,416</u>	<u>\$ (63,219)</u>

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

The *Municipal Authority* experienced a decrease in net position of \$137,475 for the year 2018. The Municipal Authority's net position decreased by \$818,553 for the year 2017.

### ***Municipal Authority Statements of Revenues, Expenses and Changes in Net Position 2018 Comparison to 2017***

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES	\$ 780,251	\$ 980,722
OPERATING EXPENSES	<u>201,803</u>	<u>1,378,328</u>
OPERATING INCOME (LOSS)	578,448	(397,606)
NONOPERATING REVENUES, net Interest income, less interest expenses plus tapping fees	<u>6,162</u>	<u>20,053</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	584,610	(377,553)
INTERFUND TRANSFERS	<u>(722,085)</u>	<u>(441,000)</u>
CHANGE IN NET POSITION	<u>\$ (137,475)</u>	<u>\$ (818,553)</u>

## **EAST GOSHEN TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

---

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

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

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

#### **Revenues**

During the year, General Fund revenues was less than budgetary estimates by \$363,431.

*Total tax revenues* were over budget by \$39,119. Real estate property tax collections were over budget by \$22,050 or about 1.1%, due to interim assessments. Earned Income Tax was under budget by \$135,033 of about -2.6%, due to lower than expected increase wage growth. Real Estate Transfer Tax was over budget by \$160,107 or about 27.8% due to continued strong demand for commercial and residential properties. Local Services Tax was \$8,005 under budget or about -2.3%.

*Fees, licenses and permits* were under budget by \$20,795 or -4.2% due to growth to steep discounts in Verizon cable pricing reducing franchise fee revenue.

*Fines and forfeits* were over budget by \$14,152. The majority of this amount was collections from the County for fines collected from township residents for parole violations, as well as fines for vehicle violations.

*Interest earnings and rents* were \$74,776 over budget due to a rising interest rate environment.

*Intergovernmental revenues* were \$127,161 under budget due to lower than expected funding for volunteer fire relief aid and the Township's portion of state pension aid for the Westtown East Goshen Police Department being sent directly to the Department and not passing through the Township's account last year.

*Charges for services* were under budget by \$960.

*Firefighter reimbursement* was over budget by \$14,004 due to higher than expected overtime activity, but this line item is a pass-through revenue.

*Miscellaneous revenues* were over budget by \$20,914 from insurance proceeds and dividends.



## **EAST GOSHEN TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2018**

---

*Transfers* to the General Fund from other Township funds was under budget by \$377,480, due to the General Fund not needing to transfer funds from its fund balance. The Township adopted its budget with an assumed annual deficit of \$395,066. Therefore, in order to achieve a balanced budget, a transfer from General Fund is included in the adopted budget. However, this line item is not used during the accounting year.

#### **Expenses**

General Fund expenses were under budget by \$563,465 for 2018.

*General government expenditures* (administration, finance, tax collection, legal and municipal building costs accounted for under general government) were under budget by \$253,018, due to the deferral of two planned improvements to the municipal building until 2019.

*Public safety* (police, fire and codes expenses) and health and welfare ran \$146,116 under budget due to lower than expected funding for volunteer fire relief aid and the Township's portion of state pension aid for the Westtown East Goshen Police Department being sent directly to the Department and not passing through the Township's account last year.

*Public works - sanitation* was under budget by \$32,374 due to performing less sewer work than expected in 2018. Note that these costs are charged back quarterly to the Sewer Fund.

*Public works - highways and streets* was under budget by \$257,681 for 2018, due to the deferral of a repair to a storm water line until 2019, as well as savings for paving as a result of investing in a larger paver in 2018.

*Culture and recreation* was over budget by \$120,204, due to higher than expected costs for rehabilitating a Township-owned pond, as well as labor costs related to the recent playground renovation.

*Community development (conservation and development)* costs were \$4,543 under budget due to fewer than expected tree plantings.

*Debt Service* was \$1 over budget.

*Insurance premiums* were under budget by \$27,018.

*Employee benefits costs* were over budget by \$37,009, due to higher than expected state pension aid, which is passed through to the pension fund.

*Transfers expenses* were \$71 over budget.

# **EAST GOSHEN TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

---

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The Township's total capital assets for its governmental and business-type activities as of December 31, 2018, were \$24,710,684. This includes land, buildings and improvements, furniture and equipment, automobiles and trucks, land improvements and infrastructure. Infrastructure includes roads, bridges, storm water and sewer lines and traffic signals.

### **Long-Term Debt**

At the end of the fiscal year, the Township had total long-term debt outstanding of \$19,776,270. This debt consists of three general obligation notes and two guaranteed notes payable to the Delaware Valley Regional Finance Authority (DVRFA) and backed by the full faith and credit of the government, one series of general obligation bonds issued in 2017 backed by the full faith and credit of the government, and a portion of Westtown Township's general obligation bonds issued for the construction of the police building, per an Intergovernmental Subsidy Agreement with Westtown Township. Details of the Township's debt holdings and related long-term debt service requirements can be found in Note F to these financial statements on pages 41 through 42. Details of the Township's relationship with Westtown for police services can be found in Note H of these financial statements on page 54

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

### **Economic Factors**

Goshen was part of the "Welsh Tract" that was granted by William Penn in 1684. In 1799, the Borough of West Chester was chartered and split off from Goshen Township. In 1817, East Goshen Township was incorporated when the Township of Goshen was further divided into two Townships--East and West Goshen. East Goshen Township encompasses an area of 10 square miles and services a community of 18,026 residents. The Township owns and maintains 67 miles of road and 497 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 2019 budget was adopted with a deficit of \$425,403 to be paid from the unrestricted fund balance of the General Fund. Revenues projected in the 2019 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 2019 budget.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the funds it receives and disburses. If you have questions about this report or to request additional financial information, please contact the Director of Finance at 1580 Paoli Pike, West Chester, PA 19380.

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,343,677	\$ 1,289,875	\$ 11,633,552
Investments	11,310,383	2,605,733	13,916,116
Receivables, net	1,692,319	246,570	1,938,889
Prepaid expenses	76,528	3,980	80,508
Net pension asset	210,947	-	210,947
Capital assets not being depreciated	1,185,241	357,394	1,542,635
Capital assets being depreciated, net	10,603,309	12,564,740	23,168,049
TOTAL ASSETS	<u>35,422,404</u>	<u>17,068,292</u>	<u>52,490,696</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources, pension activity	<u>514,017</u>	<u>-</u>	<u>514,017</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	272,848	148,080	420,928
Accrued interest	35,759	25,437	61,196
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	711,000	582,000	1,293,000
Portion due or payable after one year			
Compensated absences	297,645	-	297,645
Bonds and notes payable	7,330,770	10,854,855	18,185,625
TOTAL LIABILITIES	<u>8,648,022</u>	<u>11,610,372</u>	<u>20,258,394</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	<u>101,840</u>	<u>-</u>	<u>101,840</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,115,088	1,485,279	11,600,367
Restricted for			
Road improvements	1,088,446	-	1,088,446
Other projects	1,771	-	1,771
Unrestricted	<u>15,981,254</u>	<u>3,972,641</u>	<u>19,953,895</u>
TOTAL NET POSITION	<u>\$ 27,186,559</u>	<u>\$ 5,457,920</u>	<u>\$ 32,644,479</u>

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	\$ 1,728,079	\$ 31,392	\$ -
Public safety	4,889,240	295,190	288,995
Health and welfare	6,000	-	-
Public works			
Sanitation	77,062	-	-
Highways and streets	2,306,882	10,054	553,311
Culture and recreation	883,031	131,356	337,200
Conservation and development	5,748	26,833	-
Interest on long-term debt	250,500	-	-
TOTAL GOVERNMENTAL ACTIVITIES	10,146,542	494,825	1,179,506
<b>BUSINESS-TYPE ACTIVITIES</b>			
Refuse	1,076,793	960,629	143,781
Sewer	3,100,926	3,456,406	-
TOTAL BUSINESS-TYPE ACTIVITIES	4,177,719	4,417,035	143,781
TOTAL TOWNSHIP ACTIVITIES	\$ 14,324,261	\$ 4,911,860	\$ 1,323,287

**GENERAL REVENUES**

- Property taxes, levied for general purposes
- Real estate transfer taxes
- Earned income tax
- Local services tax
- Franchise taxes
- Public realty tax
- Permits and fees
- Fines and forfeitures
- Unrestricted investment earnings
- Gain on disposal of capital assets
- Miscellaneous

**TOTAL GENERAL REVENUES**

**CHANGE IN NET POSITION BEFORE TRANSFERS**

**TRANSFERS**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR**

**NET POSITION AT END OF YEAR**

*See accompanying notes to the basic financial statements.*

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Totals
\$ -	\$ (1,696,687)	\$ -	\$ (1,696,687)
-	(4,305,055)	-	(4,305,055)
-	(6,000)	-	(6,000)
-	(77,062)	-	(77,062)
-	(1,743,517)	-	(1,743,517)
-	(414,475)	-	(414,475)
-	21,085	-	21,085
-	(250,500)	-	(250,500)
-	(8,472,211)	-	(8,472,211)
-	-	27,617	27,617
-	-	355,480	355,480
-	-	383,097	383,097
\$ -	(8,472,211)	383,097	(8,089,114)
	2,048,608	-	2,048,608
	754,879	-	754,879
	4,991,715	-	4,991,715
	335,389	-	335,389
	462,075	-	462,075
	8,741	-	8,741
	8,230	-	8,230
	72,152	-	72,152
	383,689	58,897	442,586
	28,070	-	28,070
	222,980	331,251	554,231
	9,316,528	390,148	9,706,676
	844,317	773,245	1,617,562
	354	(354)	-
	844,671	772,891	1,617,562
	26,341,888	4,685,029	31,026,917
\$	\$ 27,186,559	\$ 5,457,920	\$ 32,644,479

**EAST GOSHEN TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,841,938	\$ 6,368,308	\$ 1,043,214	\$ 1,090,217	\$ 10,343,677
Investments	6,393,738	-	4,916,645	-	11,310,383
Taxes receivable, net	1,405,009	-	-	-	1,405,009
Other receivables	-	-	287,310	-	287,310
Prepaid expenses	76,528	-	-	-	76,528
<b>TOTAL ASSETS</b>	<b>\$ 9,717,213</b>	<b>\$ 6,368,308</b>	<b>\$ 6,247,169</b>	<b>\$ 1,090,217</b>	<b>\$ 23,422,907</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 152,787	\$ 30,885	\$ 2,988	\$ -	\$ 186,660
Accrued salaries and benefits	86,188	-	-	-	86,188
<b>TOTAL LIABILITIES</b>	<b>238,975</b>	<b>30,885</b>	<b>2,988</b>	<b>-</b>	<b>272,848</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues					
Earned income taxes	1,307,079	-	-	-	1,307,079
Real estate taxes	3,000	-	-	-	3,000
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,310,079</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,310,079</b>
<b>FUND BALANCES</b>					
Nonspendable, prepaid expenses	76,528	-	-	-	76,528
Restricted					
Capital projects	-	6,337,423	-	-	6,337,423
Road improvements	-	-	-	1,088,446	1,088,446
Other projects	-	-	-	1,771	1,771
Assigned					
Capital projects	-	-	6,244,181	-	6,244,181
Operating reserve	2,545,404	-	-	-	2,545,404
Unassigned	5,546,227	-	-	-	5,546,227
<b>TOTAL FUND BALANCES</b>	<b>8,168,159</b>	<b>6,337,423</b>	<b>6,244,181</b>	<b>1,090,217</b>	<b>21,839,980</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 9,717,213</b>	<b>\$ 6,368,308</b>	<b>\$ 6,247,169</b>	<b>\$ 1,090,217</b>	<b>\$ 23,422,907</b>

See accompanying notes to the basic financial statements.

# EAST GOSHEN TOWNSHIP

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2018

---

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 21,839,980
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Historical treasures	24,267
Construction in progress	1,160,974
Infrastructure	2,674,745
Vehicles	2,367,334
Buildings and improvements	10,170,851
Machinery, equipment and furniture	3,425,397
Accumulated depreciation	(8,035,018)
<p>Pension assets resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds.</p>	
	210,947
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	412,177
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Compensated absences	(297,645)
Bonds and notes payable	(8,002,778)
Accrued interest	(35,759)
Unamortized bond premium	(38,992)
<p>Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded as receivables or are deferred in the funds.</p>	
	<u>1,310,079</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 27,186,559</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, 2018**

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Taxes					
Real estate	\$ 2,048,179	\$ -	\$ -	\$ -	\$ 2,048,179
Real estate transfer	754,879	-	-	-	754,879
Local services tax	335,389	-	-	-	335,389
Earned income	5,049,950	-	-	-	5,049,950
Fees, licenses and permits	470,305	-	-	-	470,305
Fines and forfeits	72,152	-	-	-	72,152
Intergovernmental	298,924	-	324,334	554,104	1,177,362
Charges for services	457,952	-	-	-	457,952
Interest and rents	297,535	119,740	103,736	19,330	540,341
Miscellaneous	72,234	-	17,094	-	89,328
<b>TOTAL REVENUES</b>	<u>9,857,499</u>	<u>119,740</u>	<u>445,164</u>	<u>573,434</u>	<u>10,995,837</u>
<b>EXPENDITURES</b>					
Current					
General government	1,587,228	-	-	-	1,587,228
Public safety	4,476,250	-	-	-	4,476,250
Health and welfare	6,000	-	-	-	6,000
Public works					
Sanitation	70,522	-	-	-	70,522
Highways and streets	1,361,794	-	-	562,877	1,924,671
Culture and recreation	846,864	-	-	-	846,864
Conservation and development	5,380	-	-	-	5,380
Debt service					
Principal	684,000	-	-	-	684,000
Interest and other charges	241,117	-	-	-	241,117
Capital outlay	-	1,061,933	815,965	-	1,877,898
<b>TOTAL EXPENDITURES</b>	<u>9,279,155</u>	<u>1,061,933</u>	<u>815,965</u>	<u>562,877</u>	<u>11,719,930</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>578,344</u>	<u>(942,193)</u>	<u>(370,801)</u>	<u>10,557</u>	<u>(724,093)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	425	-	381,305	-	381,730
Transfers out	(381,376)	-	-	-	(381,376)
Proceeds from sale of assets	-	-	48,750	-	48,750
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(380,951)</u>	<u>-</u>	<u>430,055</u>	<u>-</u>	<u>49,104</u>
NET CHANGE IN FUND BALANCES	197,393	(942,193)	59,254	10,557	(674,989)
FUND BALANCES AT BEGINNING OF YEAR	<u>7,970,766</u>	<u>7,279,616</u>	<u>6,184,927</u>	<u>1,079,660</u>	<u>22,514,969</u>
FUND BALANCES AT END OF YEAR	<u>\$ 8,168,159</u>	<u>\$ 6,337,423</u>	<u>\$ 6,244,181</u>	<u>\$ 1,090,217</u>	<u>\$ 21,839,980</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, 2018

---

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (674,989)
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.	977,357
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position.	(20,680)
Net pension asset and related deferrals are reported in the statement of activities, however they do not require the use of current financial resources, and therefore, are not reported as expenditures in the Governmental Funds.	(60,559)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real estate taxes	429
Earned income taxes	(58,235)
Bond premiums are reported in Governmental Funds as revenues; however, in the statement of activities, the revenues from bond premiums are allocated over the term lives of debt instruments as an offset to interest expense.	2,094
Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	13
Repayment of note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	684,000
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>(4,759)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 844,671</u>

*See accompanying notes to the basic financial statements.*

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2018**

	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	\$ 410,208	\$ 430,249	\$ 423,495	\$ 25,923	\$ 1,289,875
Investments	256,941	518,695	1,830,097	-	2,605,733
Receivables, net	35,161	211,409	-	-	246,570
Prepaid expenses	-	3,980	-	-	3,980
<b>TOTAL CURRENT ASSETS</b>	<b>702,310</b>	<b>1,164,333</b>	<b>2,253,592</b>	<b>25,923</b>	<b>4,146,158</b>
<b>NONCURRENT ASSETS</b>					
Due from other funds	-	-	-	8,596,000	8,596,000
Capital assets					
Construction in progress	-	357,394	-	-	357,394
Sewer treatment plant and improvements	-	15,614,181	-	-	15,614,181
Accumulated depreciation	-	(3,049,441)	-	-	(3,049,441)
<b>TOTAL CAPITAL ASSETS, net of accumulated depreciation</b>	<b>-</b>	<b>12,922,134</b>	<b>-</b>	<b>-</b>	<b>12,922,134</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>-</b>	<b>12,922,134</b>	<b>-</b>	<b>8,596,000</b>	<b>21,518,134</b>
<b>TOTAL ASSETS</b>	<b>\$ 702,310</b>	<b>\$ 14,086,467</b>	<b>\$ 2,253,592</b>	<b>\$ 8,621,923</b>	<b>\$ 25,664,292</b>
<b>LIABILITIES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 15,904	\$ 68,250	\$ -	\$ 63,926	\$ 148,080
Accrued interest	-	20,070	-	5,367	25,437
Bonds and notes payable, current	-	115,000	-	467,000	582,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>15,904</b>	<b>203,320</b>	<b>-</b>	<b>536,293</b>	<b>755,517</b>
<b>NONCURRENT LIABILITIES</b>					
Due to other funds	-	8,596,000	-	-	8,596,000
Bonds and notes payable	-	2,725,855	-	8,129,000	10,854,855
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>-</b>	<b>11,321,855</b>	<b>-</b>	<b>8,129,000</b>	<b>19,450,855</b>
<b>TOTAL LIABILITIES</b>	<b>15,904</b>	<b>11,525,175</b>	<b>-</b>	<b>8,665,293</b>	<b>20,206,372</b>
<b>NET POSITION</b>					
Net investment in capital assets	-	1,485,279	-	-	1,485,279
Unrestricted	686,406	1,076,013	2,253,592	(43,370)	3,972,641
<b>TOTAL NET POSITION</b>	<b>686,406</b>	<b>2,561,292</b>	<b>2,253,592</b>	<b>(43,370)</b>	<b>5,457,920</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 702,310</b>	<b>\$ 14,086,467</b>	<b>\$ 2,253,592</b>	<b>\$ 8,621,923</b>	<b>\$ 25,664,292</b>

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
OPERATING REVENUES					
Charges for services	\$ 960,629	\$ 3,450,713	\$ -	\$ -	\$ 4,411,342
Lease rentals, net	-	(780,251)	-	780,251	-
TOTAL OPERATING REVENUES	<u>960,629</u>	<u>2,670,462</u>	<u>-</u>	<u>780,251</u>	<u>4,411,342</u>
OPERATING EXPENSES					
Operations	1,076,793	2,097,536	-	201,803	3,376,132
Depreciation	-	391,467	-	-	391,467
TOTAL OPERATING EXPENSES	<u>1,076,793</u>	<u>2,489,003</u>	<u>-</u>	<u>201,803</u>	<u>3,767,599</u>
OPERATING INCOME (LOSS)	<u>(116,164)</u>	<u>181,459</u>	<u>-</u>	<u>578,448</u>	<u>643,743</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	10,153	11,633	36,642	469	58,897
Grant revenue	143,781	-	-	-	143,781
Tapping fees	-	-	-	5,693	5,693
Interest expense	-	(79,989)	-	-	(79,989)
Amortization of bond premium	-	1,120	-	-	1,120
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>153,934</u>	<u>(67,236)</u>	<u>36,642</u>	<u>6,162</u>	<u>129,502</u>
INCOME BEFORE TRANSFERS	37,770	114,223	36,642	584,610	773,245
TRANSFERS IN	-	947,063	160,000	122,071	1,229,134
TRANSFERS OUT	<u>(354)</u>	<u>(282,000)</u>	<u>(102,978)</u>	<u>(844,156)</u>	<u>(1,229,488)</u>
CHANGE IN NET POSITION	37,416	779,286	93,664	(137,475)	772,891
NET POSITION AT BEGINNING OF YEAR	<u>648,990</u>	<u>1,782,006</u>	<u>2,159,928</u>	<u>94,105</u>	<u>4,685,029</u>
NET POSITION AT END OF YEAR	<u>\$ 686,406</u>	<u>\$ 2,561,292</u>	<u>\$ 2,253,592</u>	<u>\$ (43,370)</u>	<u>\$ 5,457,920</u>

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	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	\$ 970,894	\$ 3,475,312	\$ -	\$ -	\$ 4,446,206
Lease rental payments	-	(780,251)	-	780,251	-
Payments to suppliers	(1,071,453)	(2,262,433)	(2,750)	(180,452)	(3,517,088)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(100,559)	432,628	(2,750)	599,799	929,118
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating grants	143,781	-	-	-	143,781
Transfers from other funds	-	947,063	160,000	122,071	1,229,134
Transfers to other funds	(354)	(282,000)	(102,978)	(844,156)	(1,229,488)
Due to (from) other funds	-	(449,000)	-	448,719	(281)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	143,427	216,063	57,022	(273,366)	143,146
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Tapping fees received	-	-	-	5,693	5,693
Principal payments on debt	-	(20,000)	-	(449,000)	(469,000)
Interest paid	-	(79,989)	-	-	(79,989)
Acquisition, construction and improvements of capital assets	-	(498,063)	-	-	(498,063)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(598,052)	-	(443,307)	(1,041,359)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	10,153	11,633	36,642	469	58,897
Net sales (purchases) of investments	256,572	(518,695)	(35,162)	-	(297,285)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	266,725	(507,062)	1,480	469	(238,388)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	309,593	(456,423)	55,752	(116,405)	(207,483)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	100,615	886,672	367,743	142,328	1,497,358
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 410,208	\$ 430,249	\$ 423,495	\$ 25,923	\$ 1,289,875
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (116,164)	\$ 181,459	\$ -	\$ 578,448	\$ 643,743
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	-	391,467	-	-	391,467
(Increase) decrease in					
Accounts receivable	10,265	24,599	-	-	34,864
Prepaid expenses	-	(50)	-	-	(50)
Increase (decrease) in					
Accounts payable	5,340	(164,797)	(2,750)	21,351	(140,856)
Accrued interest	-	(50)	-	-	(50)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (100,559)	\$ 432,628	\$ (2,750)	\$ 599,799	\$ 929,118

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2018**

	Pension Trust Funds			Private-Purpose Trust Funds		Total Fiduciary Funds
	Fire Pension Fund	Non- Uniformed Pension Fund	Non- Uniformed Defined Contribution Pension Fund	Other Post- Employment Benefits Trust Fund	Police Pension Trust Fund	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 28,075	\$ 63,962	\$ 14,523	\$ -	\$ 18,917	\$ 125,477
Receivables						
Members' contributions	316	-	-	-	-	316
Prepaid pension payment	-	1,142	-	-	-	1,142
State aid from Fire Pension Fund	-	-	7,172	-	-	7,172
Investments						
Mutual funds	31,066	56,690	16,553	-	22,498	126,807
Bond funds	419,408	751,743	308,345	-	297,685	1,777,181
Equity funds	1,010,119	1,693,615	449,622	-	741,130	3,894,486
<b>TOTAL ASSETS</b>	<b>\$ 1,488,984</b>	<b>\$ 2,567,152</b>	<b>\$ 796,215</b>	<b>\$ -</b>	<b>\$ 1,080,230</b>	<b>\$ 5,932,581</b>
<b>LIABILITIES AND NET POSITION</b>						
<b>LIABILITIES</b>						
Transfer of state aid to Non-Uniformed Plan	\$ 7,172	\$ -	\$ -	\$ -	\$ -	\$ 7,172
<b>NET POSITION</b>						
Held in trust for pension benefits	1,481,812	2,567,152	796,215	-	1,080,230	5,925,409
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,488,984</b>	<b>\$ 2,567,152</b>	<b>\$ 796,215</b>	<b>\$ -</b>	<b>\$ 1,080,230</b>	<b>\$ 5,932,581</b>
	-	-	-	-	-	-

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	Pension Trust Funds			Private-Purpose Trust Funds		Total Fiduciary Funds
	Fire Pension Fund	Non- Uniformed Pension Fund	Non- Uniformed Defined Contribution Pension Fund	Other Post- Employment Benefits Trust Fund	Police Pension Trust Fund	
<b>ADDITIONS</b>						
Contributions						
Members	\$ 16,478	\$ -	\$ -	\$ -	\$ -	\$ 16,478
State	74,136	-	110,769	-	-	184,905
Employer	-	-	-	-	-	-
<b>TOTAL CONTRIBUTIONS</b>	<b>90,614</b>	<b>-</b>	<b>110,769</b>	<b>-</b>	<b>-</b>	<b>201,383</b>
Investment income						
Net appreciation (depreciation) in fair value of investments	(130,216)	(226,055)	(62,030)	14,261	(107,497)	(511,537)
Interest and dividends	37,862	66,389	19,062	18,569	30,025	171,907
<b>TOTAL INVESTMENT INCOME (LOSS)</b>	<b>(92,354)</b>	<b>(159,666)</b>	<b>(42,968)</b>	<b>32,830</b>	<b>(77,472)</b>	<b>(339,630)</b>
Investment expense	(8,346)	(16,111)	(4,242)	(6,315)	(7,433)	(42,447)
<b>INVESTMENT INCOME (LOSS), net</b>	<b>(100,700)</b>	<b>(175,777)</b>	<b>(47,210)</b>	<b>26,515</b>	<b>(84,905)</b>	<b>(382,077)</b>
<b>TOTAL ADDITIONS</b>	<b>(10,086)</b>	<b>(175,777)</b>	<b>63,559</b>	<b>26,515</b>	<b>(84,905)</b>	<b>(180,694)</b>
<b>DEDUCTIONS</b>						
Pension payments	17,807	22,369	-	-	-	40,176
Administrative expenses	4,200	4,800	4,100	-	-	13,100
Lump sum distributions	-	321,043	71,027	-	-	392,070
Transfer to WEGO Police Commission	-	-	-	-	180,774	180,774
Transfer to WEGO Police Commission OPEB Trust	-	-	-	1,560,029	-	1,560,029
<b>TOTAL DEDUCTIONS</b>	<b>22,007</b>	<b>348,212</b>	<b>75,127</b>	<b>1,560,029</b>	<b>180,774</b>	<b>2,186,149</b>
<b>CHANGE IN NET POSITION</b>	<b>(32,093)</b>	<b>(523,989)</b>	<b>(11,568)</b>	<b>(1,533,514)</b>	<b>(265,679)</b>	<b>(2,366,843)</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>1,513,905</b>	<b>3,091,141</b>	<b>807,783</b>	<b>1,533,514</b>	<b>1,345,909</b>	<b>8,292,252</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 1,481,812</b>	<b>\$ 2,567,152</b>	<b>\$ 796,215</b>	<b>\$ -</b>	<b>\$ 1,080,230</b>	<b>\$ 5,925,409</b>

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Reporting Entity**

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

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

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

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

**Fund Accounting**

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

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The various funds of the Township are grouped into the categories governmental, proprietary and fiduciary.

The Township reports the following major Governmental Funds:

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

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

The Township reports the following nonmajor funds:

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

The *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 2033.



**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Additionally, the Township reports the following Fiduciary Fund types:

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

**Basis of Presentation and Accounting**

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

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

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

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

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Financial Statements*** - Fund financial statements report detailed information about the Township. The focus of Governmental and Proprietary Funds' financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor Governmental Funds are aggregated and presented in a single column (Nonmajor Fund). Fiduciary Funds are reported by fund type.

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

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

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' ongoing operations. The principal operating revenues of the Township's Enterprise Funds are sewer and refuse charges. Operating expenses of the Township's Enterprise Funds include operating and administrative costs and depreciation on capital assets. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Cash and Cash Equivalents**

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

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

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

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

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

	<u>Years</u>
Vehicles	5-12
Building and improvements	10-50
Machinery, equipment and furniture	3-12
Infrastructure	10-50

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

**Long-Term Obligations**

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

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

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accrued Compensated Absences**

Employees, upon termination, will receive compensation for unused sick and vacation days accumulated. Eligible non-uniform employees receive 72 sick leave hours per year and are allowed to accumulate up to 480 hours. Firefighters receive 80 sick leave hours per year and are allowed to accumulate up to 480 hours. Eligible non-uniform employees may carry over a maximum of 80 vacation hours to the following year. Any unused vacation in excess of 80 hours is forfeited. Firefighters may carry over a maximum of 100 vacation hours to the following year. Any unused vacation in excess of 100 hours is forfeited.

**Real Estate Tax Calendar and Reserve**

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

**Receivables and Payables**

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

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

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

**Allowance for Uncollectible Accounts**

The Township calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. As of December 31, 2018, the allowance for uncollectible sewer and refuse accounts receivable are \$38,106 and \$9,977, respectively.

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance**

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

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

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

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

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows of Resources and Deferred Inflows of Resources**

The Township has implemented Government Accounting Standards Board Statement No. 63, *Financial Reporting and Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Township has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions and the net difference between projected and actual earnings on pension plan investments.

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

**NOTE B - DEPOSITS AND INVESTMENTS**

**Deposits**

The Township's deposits with financial institutions at December 31, 2018, consisted of checking and savings accounts as well as certificates of deposit with an original maturity ranging from three to 18 months.

Statutes authorize the Township to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits.

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

**NOTE B - DEPOSITS AND INVESTMENTS (Continued)**

***Custodial Credit Risk*** - The Township utilizes both insurance provided by the Federal Deposit Insurance Corporation (FDIC) and collateralization to guard against custodial credit risk. Under the Township's current procedures, deposits in excess of FDIC insurance are fully collateralized. The Township has adopted a deposit policy which, in accordance with state law, requires all its banking partners to pledge collateral held by an independent third-party institution, not in the Township's name, in the amount of at least 102% of the deposit value. As of December 31, 2018, \$1,000,000 of the Township's bank balance of \$12,089,172 was covered under FDIC insurance. Of the remaining \$11,089,172, \$4,072,226 was exposed to custodial credit risk, which is collateralized as described, and \$7,016,946 was invested in state investment pools which is uninsured and uncollateralized.

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

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

The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets, net of its liabilities. The Township may also invest in shares of registered investment companies provided that investments of the company are authorized investments, as noted above.

**Investments**

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

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE B - DEPOSITS AND INVESTMENTS (Continued)**

As of December 31, 2018, the Township had the following investments:

Investment Type	Amortized Cost	Fair Value	Investment Maturities		
			Less Than 1 Year	1 to 5 Years	6 to 10 Years
State investment pools	\$ 13,916,116	\$ -	\$ 13,916,116	\$ -	\$ -
Mutual funds	-	126,807	126,807	-	-
Bond funds	-	1,777,181	-	-	1,777,181
Equity funds	-	3,894,486	3,894,486	-	-
	<u>\$ 13,916,116</u>	<u>\$ 5,798,474</u>	<u>\$ 17,937,409</u>	<u>\$ -</u>	<u>\$ 1,777,181</u>

A portion of the Township's investments is in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2018, is \$13,916,116. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized costs in accordance with GASB Statement No. 79. There are no withdrawal restrictions on these investments.

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

**Fair Value Measurement** - The Township categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. The Township's investments in U.S. government obligations, bond funds, equity funds, corporate bonds and municipal bonds are recurring fair value measurements. These investments are valued using quoted market prices (Level 1 inputs).

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



**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE B - DEPOSITS AND INVESTMENTS (Continued)**

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

INVESTMENT TYPE	<u>Amortized Cost/ Fair Value</u>	<u>Credit Quality</u>
Bond mutual funds	\$ 354,374	AAA
Bond mutual funds	892,775	AA
Bond mutual funds	352,463	A
Bond mutual funds	177,569	BBB
Mutual funds	126,807	
Equity funds	3,894,486	Not Rated
Governmental funds		
Statement investment funds (amortized cost)	<u>13,916,116</u>	Not Rated
	<u>\$ 19,714,590</u>	

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

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

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

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributable to the magnitude of a pension plan's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The plans do not have a formal investment policy that addresses concentration of credit risk; however, as of December 31, 2018, no investment in any one organization represented five percent (5%) or more of total investments.

**Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The pension and OPEB plans do not have a formal investment policy that addresses foreign currency risk; however, the plans held no investments that were exposed to foreign currency risk as of December 31, 2018.

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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	\$ 1,341,914	\$ -	\$ 1,341,914
Local services tax	78	-	78
Real estate taxes	63,017	-	63,017
Other receivables	287,310	-	287,310
Sewer and refuse charges	-	246,570	246,570
	<u>\$ 1,692,319</u>	<u>\$ 246,570</u>	<u>\$ 1,938,889</u>

**NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivable and payable balances as of December 31, 2018, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Municipal Authority	Sewer Revenue Fund	<u>\$ 8,596,000</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Interfund transfers at December 31, 2018, are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>					<u>Totals</u>
	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Capital Reserve Fund</u>	<u>Municipal Authority</u>	
General Fund	\$ -	\$ 381,305	\$ -	\$ -	\$ 71	\$ 381,376
Municipal Authority	71	-	844,085	-	-	844,156
Sewer Capital Reserve Fund	-	-	102,978	-	-	102,978
Refund Fund	354	-	-	-	-	354
Sewer Revenue Fund	-	-	-	160,000	122,000	282,000
	<u>\$ 425</u>	<u>\$ 381,305</u>	<u>\$ 947,063</u>	<u>\$ 160,000</u>	<u>\$ 122,071</u>	<u>\$ 1,610,864</u>

The general fund makes interfund transfers to the capital projects fund for future capital outlay. The Sewer Revenue Fund and Sewer Capital Reserve Fund transfer funds between each other as revenue becomes available, and for future capital outlay. The Sewer Revenue Fund makes transfers to the Municipal Authority as funds become available. The Municipal Authority transfers funds to the Sewer Revenue Fund for purchases of fixed assets and to satisfy debt service payments.

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE E - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Historical treasures	\$ 24,267	\$ -	\$ -	\$ 24,267
Construction in progress	1,154,069	656,487	(649,582)	1,160,974
<b>TOTAL CAPITAL ASSETS NOT         BEING DEPRECIATED</b>	<b>1,178,336</b>	<b>656,487</b>	<b>(649,582)</b>	<b>1,185,241</b>
Capital assets being depreciated				
Infrastructure	2,668,985	5,760	-	2,674,745
Vehicles	2,366,353	304,685	(303,704)	2,367,334
Buildings and improvements	9,846,153	324,698	-	10,170,851
Machinery, equipment and furniture	2,486,603	1,085,290	(146,496)	3,425,397
<b>TOTAL CAPITAL ASSETS         BEING DEPRECIATED</b>	<b>17,368,094</b>	<b>1,720,433</b>	<b>(450,200)</b>	<b>18,638,327</b>
Accumulated depreciation				
Infrastructure	(540,877)	(67,973)	-	(608,850)
Vehicles	(1,754,101)	(245,952)	299,186	(1,700,867)
Buildings and improvements	(3,359,238)	(290,341)	-	(3,649,579)
Machinery, equipment and furniture	(2,060,341)	(145,715)	130,334	(2,075,722)
<b>TOTAL ACCUMULATED         DEPRECIATION</b>	<b>(7,714,557)</b>	<b>(749,981)</b>	<b>429,520</b>	<b>(8,035,018)</b>
<b>TOTAL CAPITAL ASSETS         BEING DEPRECIATED, net</b>	<b>9,653,537</b>	<b>970,452</b>	<b>(20,680)</b>	<b>10,603,309</b>
<b>GOVERNMENTAL ACTIVITIES         CAPITAL ASSETS, net</b>	<b>10,831,873</b>	<b>1,626,939</b>	<b>(670,262)</b>	<b>11,788,550</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Construction in progress	305,111	52,283	-	357,394
Capital assets being depreciated				
Sewer treatment plant and improvements	15,168,401	445,780	-	15,614,181
Accumulated depreciation	(2,657,974)	(391,467)	-	(3,049,441)
<b>TOTAL CAPITAL ASSETS         BEING DEPRECIATED, net</b>	<b>12,510,427</b>	<b>54,313</b>	<b>-</b>	<b>12,564,740</b>
<b>BUSINESS-TYPE ACTIVITIES         CAPITAL ASSETS, net</b>	<b>12,815,538</b>	<b>106,596</b>	<b>-</b>	<b>12,922,134</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 23,647,411</b>	<b>\$ 1,733,535</b>	<b>\$ (670,262)</b>	<b>\$ 24,710,684</b>

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE E - CAPITAL ASSETS (Continued)**

Depreciation for governmental activities was charged to direct expense of the programs as follows:

General government	\$ 114,982
Public safety	399,258
Public works, sanitation	6,341
Public works, highway	194,350
Culture and recreation	34,683
Conservation and development	<u>367</u>
	<u>\$ 749,981</u>

**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>					
Bonds and notes					
Series A of 1999	\$ 462,000	\$ -	\$ (225,000)	\$ 237,000	\$ 237,000
Series A of 2000	89,000	-	(20,000)	69,000	22,000
Series A of 2003	2,113,000	-	(319,000)	1,794,000	332,000
Westtown Township	712,778	-	(115,000)	597,778	115,000
Series of 2017	<u>5,310,000</u>	<u>-</u>	<u>(5,000)</u>	<u>5,305,000</u>	<u>5,000</u>
TOTAL BONDS AND NOTES	8,686,778	-	(684,000)	8,002,778	711,000
Unamortized bond premium	41,086	-	(2,094)	38,992	-
Compensated absences	<u>292,886</u>	<u>4,759</u>	<u>-</u>	<u>297,645</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>9,020,750</u>	<u>4,759</u>	<u>(686,094)</u>	<u>8,339,415</u>	<u>711,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and notes					
Series of 2008	6,927,000	-	(346,000)	6,581,000	360,000
Series of 2013	2,118,000	-	(103,000)	2,015,000	107,000
Series of 2017	<u>2,840,000</u>	<u>-</u>	<u>(20,000)</u>	<u>2,820,000</u>	<u>115,000</u>
TOTAL BONDS AND NOTES	11,885,000	-	(469,000)	11,416,000	582,000
Unamortized bond premium	<u>21,975</u>	<u>-</u>	<u>(1,120)</u>	<u>20,855</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>11,906,975</u>	<u>-</u>	<u>(470,120)</u>	<u>11,436,855</u>	<u>582,000</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 20,927,725</u>	<u>\$ 4,759</u>	<u>\$ (1,156,214)</u>	<u>\$ 19,776,270</u>	<u>\$ 1,293,000</u>

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE F - GENERAL LONG-TERM DEBT (Continued)**

Bonds and 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	\$ 237,000
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	69,000
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	1,794,000
East Goshen Township's portion of the General Obligation Bonds of Westtown Township, Series of 2012; the bonds mature in 2023 with interest rates ranging up to 2.30% (see Note H for further details on the agreement with Westtown Township)	597,778
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	6,581,000
The Municipal Authority issued a Guaranteed Note, Series of 2013, to the DVRFA; in 2013, the note was converted from a variable rate to a fixed rate of 3.049% with maturity scheduled for 2033; interest is payable monthly, principal is payable annually and is subject to a swap agreement	2,015,000
General Obligation Bonds, Series of 2017, due in annual principal installments ranging from \$20,000 to \$190,000 through October 1, 2037, interest rate is variable from 1.00% to 4.00%	2,820,000
General Obligation Bonds, Series of 2017, due in annual principal installments ranging from \$5,000 to \$450,000 through October 1, 2037, interest rate is variable from 1.00% to 4.00%	<u>5,305,000</u>
	<u>\$ 19,418,778</u>

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE F - GENERAL LONG-TERM DEBT (Continued)**

Funds to repay outstanding bonds and notes will be provided from future taxes, other general revenues and charges for services. Total interest expense incurred during the year ended December 31, 2018, was \$677,115. Interest costs incurred for the year ended December 31, 2018, were \$241,117 in the General Fund. This includes \$265,875 recorded as a direct expenditure and \$24,758 directly netted with an equal reimbursement per an agreement with an unrelated third party. Total interest expense charged to the Sewer Revenue Fund was \$411,240. Total interest capitalized on the Sewer Revenue Fund was \$330,970.

**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</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 1,293,000	\$ 635,519	\$ 1,928,519
2020	1,092,000	589,494	1,681,494
2021	1,130,000	549,963	1,679,963
2022	1,144,000	508,683	1,652,683
2023	1,191,778	467,823	1,659,601
2024 to 2028	5,411,000	1,802,533	7,213,533
2029 to 2033	5,717,000	872,627	6,589,627
2034 to 2037	2,440,000	150,520	2,590,520
	<u>\$ 19,418,778</u>	<u>\$ 5,577,162</u>	<u>\$ 24,995,940</u>

**Swap Agreements**

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

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE F - GENERAL LONG-TERM DEBT (Continued)**

At December 31, 2018, the market value of the Township's interest rate swap agreements for fixed rate loans was (\$903,391) and \$1,289,804 for the DVRFA bonds. As of December 31, 2018, the DVRFA would have received a payment of nearly \$111 million if all the swap agreements were terminated. None of these amounts are reflected in the Township's statements of net position or activities at December 31, 2018.

**NOTE G - EMPLOYEE RETIREMENT PLANS**

**Fire Pension Plan**

***Summary of Significant Accounting Policies***

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

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

**Plan Membership** - As of December 31, 2018, membership consisted of:

Inactive plan members currently receiving benefits	2
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>12</u>
	<u>16</u>

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

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

**NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)**

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

Eligibility Requirements

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

Retirement Benefit

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

Survivor Benefit

50% of participants' vested pension amount

Disability Benefit Service and Non-Service Related

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

Post Retirement Adjustments

None

Members Contributions

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

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

The plan is funded by the Township through Act 205 Pension Funds from the Commonwealth. If deemed necessary, the Township must contribute any additional funding to the plan. Member contributions are currently required at a rate of 2.25% of compensation. In accordance with Act 205, the Township was not required to contribute to the plan for the year 2018.



**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)**

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	70.00%	5.78%
Fixed income	27.00%	1.35%
Cash	3.00%	-0.31%
	<u>100.00%</u>	

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

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributable to the magnitude of a plan's investment in a single issue. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The plan does have a formal investment policy that addresses concentration of credit risk. As of December 31, 2018, no investment in any one organization represented five percent (5%) or more of the plan's fiduciary net position.

**Rate of Return** - For the year ended December 31, 2018, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was -6.68%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)**

**Net Pension Liability (Asset) of the Township**

The components of the net pension liability (asset) of the Township at December 31, 2018, were as follows:

Total pension liability	\$ 1,518,827
Plan fiduciary net position	<u>1,481,812</u>
NET PENSION LIABILITY	<u>\$ 37,015</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>97.6%</u>

**Actuarial Assumptions** - The total pension asset was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA.

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

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)**

***Changes in the Net Pension Liability (Asset)***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a) - (b)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
BALANCE AT DECEMBER 31, 2017	\$ 1,379,092	\$ 1,513,905	\$ (134,813)
Changes for the year			
Service cost	57,597	-	57,597
Interest	99,945	-	99,945
Contributions			
State aid	-	74,136	(74,136)
Member	-	16,478	(16,478)
Net investment income	-	(100,700)	100,700
Benefit payments	(17,807)	(17,807)	-
Administrative expense	-	(4,200)	4,200
	<u>                    </u>	<u>                    </u>	<u>                    </u>
BALANCE AT DECEMBER 31, 2018	\$ <u>1,518,827</u>	\$ <u>1,481,812</u>	\$ <u>37,015</u>

***Net Pension Liability (Asset) Sensitivity*** - The following is a sensitivity analysis of the net pension liability (asset) to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net pension (asset) liability	\$ <u>246,813</u>	\$ <u>37,015</u>	\$ <u>(138,256)</u>

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** – For the year ended December 31, 2018, the municipality recognized a pension expense of \$72,356. At December 31, 2018, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ -	\$ 69,069
Changes in assumptions	16,086	-
Net difference between projected and actual earnings on pension plan investments	<u>123,806</u>	<u>-</u>
	\$ <u>139,892</u>	\$ <u>69,069</u>

**EAST GOSHEN TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

---

**NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)**

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

<u>Year Ending</u> <u>December 31,</u>	
2019	\$ 34,169
2020	14,162
2021	12,753
2022	34,502
2023	(7,055)
Thereafter	(17,708)

**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. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**Plan Description and Contribution Information** - Membership of the plan consisted of the following at December 31, 2018, the date of the last actuarial valuation:

Inactive plan members currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	26
Active plan members	<u>-</u>
TOTAL MEMBERSHIP	<u><u>30</u></u>

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

**Eligibility Requirements**

Normal retirement - Age 65 and 10 years of service

Early retirement - Age 55 with 10 or more years of service

Vesting - As of January 1, 2011, all members are 100% vested; Plan is now frozen

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

**NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)**

Retirement Benefit

1.25% times final average earnings times years and fractions of years. Final average is based on highest five calendar years out of the last ten calendar years.

Unmarried - life income; Married - life income, 50% to surviving spouse offset by 0% social security.

Survivor Benefit

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

Disability Benefit Service and Non-Service Related

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

Post Retirement Adjustments

None

Members Contributions

Amount or rate - None

Interest rate credited to member contributions - None

**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 not required to contribute to the plan for the year 2018.

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)**

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

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

The Plan’s investment policy establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	70.00%	5.78%
Fixed income	27.00%	1.35%
Cash	3.00%	-0.31%
	<u>100.00%</u>	

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

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributable to the magnitude of a plan’s investment in a single issue. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The plan does have a formal investment policy that addresses concentration of credit risk. As of December 31, 2018, no investment in any one organization represented five percent (5%) or more of the plan’s fiduciary net position.

**Rate of Return** - For the year ended December 31, 2018, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was -6.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**EAST GOSHEN TOWNSHIP**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

---

**NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)**

**Net Pension Liability (Asset) of the Township**

The components of the net pension liability (asset) of the Township at December 31, 2018, were as follows:

Total pension liability	\$ 2,319,190
Plan fiduciary net position	<u>2,567,152</u>
NET PENSION ASSET	<u>\$ (247,962)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>110.7%</u>

**Actuarial Assumptions** - The total pension asset was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Mortality Table projected to 2017 using Scale AA.

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

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)**

***Changes in Net Pension Liability (Asset)***

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a) - (b)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
BALANCE AT DECEMBER 31, 2017	\$ 2,499,646	\$ 3,091,141	\$ (591,495)
Changes for the year			
Interest	162,956	-	162,956
Net investment income	-	(175,777)	175,777
Benefit payments	(343,412)	(343,412)	-
Administrative expense	-	(4,800)	4,800
	<u>                    </u>	<u>                    </u>	<u>                    </u>
BALANCE AT DECEMBER 31, 2018	\$ <u>2,319,190</u>	\$ <u>2,567,152</u>	\$ <u>(247,962)</u>

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
	<u>(6.0%)</u>	<u>Rate (7.0%)</u>	<u>(8.0%)</u>
Net pension (asset) liability	\$ <u>63,840</u>	\$ <u>(247,962)</u>	\$ <u>(508,453)</u>



**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)**

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** - For the year ended December 31, 2018, the Township recognized pension expense of \$62,339. At December 31, 2018, the Township reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 32,771
Changes in assumptions	179,311	-
Net difference between projected and actual earnings on pension plan investments	<u>194,814</u>	<u>-</u>
	<u>\$ 374,125</u>	<u>\$ 32,771</u>

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

<u>Year Ending December 31,</u>	
2019	\$ 98,774
2020	56,590
2021	58,884
2022	107,802
2023	19,948
Thereafter	(644)

***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 2018, the Township contributed an allocation equal to 5.0% of the eligible participant's compensation on behalf of the participating non-uniformed employees. Participants may not contribute to this plan, and the plan does not accept rollovers or direct transfers. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

**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 2018, the Township's share of these costs was \$3,482,846.

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

In 2012, Westtown Township's General Obligation Bonds, Series of 2004, were refunded through the issuance of Westtown Township's General Obligation Bonds, Series of 2012. The Intergovernmental Subsidy Agreement with Westtown Township remains in effect. The Township's principal obligation for the new note was \$1,360,000, an increase from the beginning balance on the Township's books of \$55,000. As of December 31, 2018, the Township's unpaid principal obligation was \$597,778.

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

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

**NOTE I - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Township to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018

---

**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, 2018**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>RESOURCES (INFLOWS)</b>				
Taxes				
Real estate	\$ 2,026,129	\$ 2,026,129	\$ 2,048,179	\$ 22,050
Real estate transfer	575,000	575,000	735,107	160,107
Local services tax	348,000	348,000	339,995	(8,005)
Earned income	5,181,600	5,181,600	5,046,567	(135,033)
Fees, licenses and permits	491,100	491,100	470,305	(20,795)
Fines and forfeits	58,000	58,000	72,152	14,152
Intergovernmental	458,752	458,752	331,591	(127,161)
Charges for services	458,881	458,881	457,921	(960)
Interest and rents	222,759	222,759	297,535	74,776
Paid firefighter reimbursement	1,622,443	1,622,443	1,636,447	14,004
Spray irrigation loan revenue	24,758	24,758	24,758	-
Miscellaneous	114,025	114,025	134,939	20,914
Transfers	1,370,206	1,370,206	992,726	(377,480)
AMOUNT AVAILABLE FOR APPROPRIATION	<u>12,951,653</u>	<u>12,951,653</u>	<u>12,588,222</u>	<u>(363,431)</u>
<b>CHANGES TO APPROPRIATIONS (OUTFLOWS)</b>				
Current				
General government	1,747,454	1,747,454	1,494,436	253,018
Public safety	6,205,510	6,205,510	6,059,394	146,116
Health and welfare	6,000	6,000	6,000	-
Public works				
Sanitation	159,139	159,139	126,765	32,374
Highways and streets	2,330,024	2,330,024	2,072,343	257,681
Culture and recreation	694,194	694,194	814,398	(120,204)
Conservation and development	9,630	9,630	5,087	4,543
Debt service				
Principal	684,000	684,000	684,000	-
Interest and other charges	265,874	265,874	265,875	(1)
Insurance premiums	378,919	378,919	351,901	27,018
Employee benefits	470,909	470,909	507,918	(37,009)
Transfers	-	-	71	(71)
TOTAL CHANGES TO APPROPRIATIONS (OUTFLOWS)	<u>12,951,653</u>	<u>12,951,653</u>	<u>12,388,188</u>	<u>563,465</u>
EXCESS OF RESOURCES (INFLOWS) OVER CHANGES TO APPROPRIATIONS (OUTFLOWS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,034</u>	<u>\$ 200,034</u>

See accompanying note to the budgetary comparison schedule.

# EAST GOSHEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)

GENERAL FUND

YEAR ENDED DECEMBER 31, 2018

---

## Explanation of Differences Between Budgetary and GAAP Changes in Fund Balance

Excess of resources (inflows) over changes to appropriations (outflows) from the budgetary comparison schedule	\$ 200,034
Differences - budget to GAAP	
Net effect of change in accruals of revenues	
Real estate transfer tax	19,772
Local services tax	(4,606)
Earned income tax	3,383
Intergovernmental	(32,667)
Charges for service	31
Miscellaneous	(22,325)
Net effect of change in accruals of expenditures	
General government	33,848
Public safety	22,303
Health and welfare	
Public works	
Sanitation	(3,592)
Highways and streets	28,451
Culture and recreation	(34,015)
Insurance	(10,585)
Employee benefits	(2,639)
	<hr/>
CHANGE IN FUND BALANCE AS REPORTED ON THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS	\$ <u>197,393</u>

*See accompanying note to the budgetary comparison schedule.*

# **EAST GOSHEN TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2018**

---

### **NOTE A - BUDGETARY INFORMATION**

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

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

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

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

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

**EAST GOSHEN TOWNSHIP**  
**SCHEDULE OF CHANGES IN THE NET FIRE**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ 57,597	\$ 54,854	\$ 52,558	\$ 50,055	\$ 49,337
Interest	99,945	90,803	83,697	75,948	72,308
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(22,361)	-	(79,060)	-
Changes of assumptions	-	3,143	-	20,953	-
Benefit payments, including refunds of member contributions	<u>(17,807)</u>	<u>(17,807)</u>	<u>(17,807)</u>	<u>(17,807)</u>	<u>(6,727)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	139,735	108,632	118,448	50,089	114,918
Total pension liability, beginning	<u>1,379,092</u>	<u>1,270,460</u>	<u>1,152,012</u>	<u>1,101,923</u>	<u>987,004</u>
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<u>\$ 1,518,827</u>	<u>\$ 1,379,092</u>	<u>\$ 1,270,460</u>	<u>\$ 1,152,012</u>	<u>\$ 1,101,922</u>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions					
State aid	\$ 74,136	\$ 72,764	\$ 79,410	\$ 63,013	\$ 64,957
Member	16,478	12,697	11,281	10,858	10,984
Net investment income	(100,700)	197,512	72,041	(23,145)	37,095
Benefit payments, including refunds of member contributions	(17,807)	(17,807)	(17,807)	(17,807)	(6,727)
Administrative expense	<u>(4,200)</u>	<u>(7,500)</u>	<u>(4,300)</u>	<u>(6,600)</u>	<u>(2,975)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(32,093)	257,666	140,625	26,319	103,334
Plan fiduciary net position, beginning	<u>1,513,905</u>	<u>1,256,239</u>	<u>1,115,614</u>	<u>1,089,295</u>	<u>985,961</u>
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<u>\$ 1,481,812</u>	<u>\$ 1,513,905</u>	<u>\$ 1,256,239</u>	<u>\$ 1,115,614</u>	<u>\$ 1,089,295</u>
<b>NET PENSION LIABILITY (ASSET), ENDING (a)-(b)</b>	<u>\$ 37,015</u>	<u>\$ (134,813)</u>	<u>\$ 14,221</u>	<u>\$ 36,398</u>	<u>\$ 12,627</u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<u>97.6%</u>	<u>109.8%</u>	<u>98.9%</u>	<u>96.8%</u>	<u>98.9%</u>
<b>COVERED-EMPLOYEE PAYROLL</b>	<u>\$ 666,056</u>	<u>\$ 700,000</u>	<u>\$ 570,000</u>	<u>\$ 555,812</u>	<u>\$ 587,288</u>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	<u>5.6%</u>	<u>-19.3%</u>	<u>2.5%</u>	<u>6.5%</u>	<u>2.2%</u>



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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 65,465	\$ 59,720	\$ 48,617	\$ 53,364	\$ 55,591
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>81,308</u>	<u>72,764</u>	<u>79,410</u>	<u>63,013</u>	<u>64,957</u>
CONTRIBUTION EXCESS	<u>\$ (15,843)</u>	<u>\$ (13,044)</u>	<u>\$ (30,793)</u>	<u>\$ (9,649)</u>	<u>\$ (9,366)</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 666,056</u>	<u>\$ 700,000</u>	<u>\$ 570,000</u>	<u>\$ 555,812</u>	<u>\$ 587,288</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>12.21%</u>	<u>10.39%</u>	<u>13.93%</u>	<u>11.34%</u>	<u>11.06%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	N/A
Asset valuation method	Market value
Inflation	2.25%
Salary increases	5.00%
Investment rate of return	7.00% (Net of pension plan investment expense including inflation)
Retirement age	55
Mortality	Mortality rates were based on the Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA.

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

---

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-6.68%</u>	<u>15.67%</u>	<u>6.46%</u>	<u>-2.16%</u>	<u>2.50%</u>

**EAST GOSHEN TOWNSHIP**  
**SCHEDULE OF CHANGES IN NET NON-UNIFORMED EMPLOYEES**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST FIVE FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY					
Interest	\$ 162,956	\$ 164,144	\$ 155,548	\$ 151,866	\$ 146,061
Differences between expected and actual experience	-	(22,325)	-	(30,794)	-
Changes of assumptions	-	7,114	-	323,943	-
Benefit payments, including refunds of member contributions	<u>(343,412)</u>	<u>(18,829)</u>	<u>(16,253)</u>	<u>(182,254)</u>	<u>(8,664)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	(180,456)	130,104	139,295	262,761	137,397
Total pension liability, beginning	<u>2,499,646</u>	<u>2,369,542</u>	<u>2,230,247</u>	<u>1,967,486</u>	<u>1,830,090</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 2,319,190</u>	<u>\$ 2,499,646</u>	<u>\$ 2,369,542</u>	<u>\$ 2,230,247</u>	<u>\$ 1,967,487</u>
PLAN FIDUCIARY NET POSITION					
Net investment income	\$ (175,777)	\$ 431,723	\$ 187,198	\$ (25,974)	\$ 106,960
Benefit payments, including refunds of member contributions	(343,412)	(18,829)	(16,253)	(182,254)	(8,664)
Administrative expense	<u>(4,800)</u>	<u>(8,850)</u>	<u>(4,850)</u>	<u>(7,975)</u>	<u>(3,575)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(523,989)	404,044	166,095	(216,203)	94,721
Plan fiduciary net position, beginning	<u>3,091,141</u>	<u>2,687,097</u>	<u>2,521,002</u>	<u>2,737,205</u>	<u>2,642,484</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 2,567,152</u>	<u>\$ 3,091,141</u>	<u>\$ 2,687,097</u>	<u>\$ 2,521,002</u>	<u>\$ 2,737,205</u>
NET PENSION ASSET, ENDING (a)-(b)	<u>\$ (247,962)</u>	<u>\$ (591,495)</u>	<u>\$ (317,555)</u>	<u>\$ (290,755)</u>	<u>\$ (769,718)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>110.7%</u>	<u>123.7%</u>	<u>113.4%</u>	<u>113.0%</u>	<u>139.1%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
NET PENSION LIABILITY AS A PERCENTAGE OF EMPLOYEE PAYROLL	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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

Schedule of Township Contributions

	2018	2017	2016	2015	2014
ACTUARIALLY DETERMINED CONTRIBUTION	\$ -	\$ -	\$ -	\$ -	\$ -
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	\$ -	\$ -	\$ -	\$ -	\$ -
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -
COVERED-EMPLOYEE PAYROLL	\$ -	\$ -	\$ -	\$ -	\$ -
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	N/A	N/A	N/A	N/A	N/A

**NOTES TO SCHEDULE**

Valuation date: January 1, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	N/A
Asset valuation method	Market value
Inflation	2.25%
Salary increases	0.00%
Investment rate of return	7.00% (Net of pension plan investment expense including inflation)
Retirement age	65
Mortality	Mortality rates were based on the RP-2000 Mortality Table projected to 2017 using Scale AA

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

---

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-6.12%</u>	<u>16.16%</u>	<u>7.92%</u>	<u>(0.97%)</u>	<u>4.59%</u>

## **SUPPLEMENTARY INFORMATION**

**EAST GOSHEN TOWNSHIP**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

---

	State Liquid Fuels Highway Aid Fund	Road Improvements Fund	Total Other Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
ASSETS			
Cash and cash equivalents	\$ <u>1,771</u>	\$ <u>1,088,446</u>	\$ <u>1,090,217</u>
FUND BALANCES			
Restricted for			
Road improvements	\$ -	\$ 1,088,446	\$ 1,088,446
Other projects	<u>1,771</u>	<u>-</u>	<u>1,771</u>
TOTAL FUND BALANCES	<u>1,771</u>	<u>1,088,446</u>	<u>1,090,217</u>
Unreserved	\$ <u>1,771</u>	\$ <u>1,088,446</u>	\$ <u>1,090,217</u>

*See accompanying notes to the basic financial statements.*

# EAST GOSHEN TOWNSHIP

## COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2018

---

	State Liquid Fuels Highway Aid Fund	Road Improvements Fund	Total Other Governmental Funds
REVENUES			
Intergovernmental	\$ 553,311	\$ 793	\$ 554,104
Investment earnings	9,970	9,360	19,330
TOTAL REVENUES	<u>563,281</u>	<u>10,153</u>	<u>573,434</u>
EXPENDITURES			
Current			
Highways and streets	\$ 562,012	\$ 865	\$ 562,877
TOTAL EXPENDITURES	<u>562,012</u>	<u>865</u>	<u>562,877</u>
NET CHANGE IN FUND BALANCES	1,269	9,288	10,557
FUND BALANCES AT BEGINNING OF YEAR	<u>502</u>	<u>1,079,158</u>	<u>1,079,660</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,771</u>	<u>\$ 1,088,446</u>	<u>\$ 1,090,217</u>

See accompanying notes to the basic financial statements.