

**EAST GOSHEN TOWNSHIP**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

*Year Ended December 31, 2019*



*Certified Public Accountants and Business Consultants*

## **INTRODUCTORY SECTION**

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**YEAR ENDED DECEMBER 31, 2019**

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## **FINANCIAL SECTION**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Goshen Township as of and for the year ended December 31, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Emphasis of Matter***

For the year ended December 31, 2019, East Goshen Township adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement (GASB) No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

As discussed in Note L, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on East Goshen Township's operational and financial performance. At this point, East Goshen Township cannot reasonably estimate the impact on its operations or financial results. The accompanying financial statements do not include any adjustments related to the subsequent event. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 17, budgetary comparison information on pages 58 through 60 and pension plan information on pages 61 through 66 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.

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

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.

*Maillie LLP*

West Chester, Pennsylvania  
April 22, 2020



# **EAST GOSHEN TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2019**

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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, 2019. 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 2019 are compliant with GASB 34.
- The net position of the Township at the close of the 2019 fiscal year was \$31,436,651. 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 \$25,032,059. The comparable total as of December 31, 2018, was \$26,973,583.
- The net position of the business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds) is \$6,404,592. The unrestricted net position for the business-type activities as of December 31, 2019, is \$4,493,764 while \$1,910,828 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 2019.

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

This discussion and analysis is intended to serve as an introduction to the Township's fiscal year 2019 financial statements. The Township's fiscal year 2019 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, 2019

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### **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 18 and 19 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, 2019

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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 20 through 23 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 24 through 26 of this report.

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

The Fiduciary Funds financial statements can be found on pages 27 and 28 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 29 through 57 of this report.

# **EAST GOSHEN TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2019**

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### **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 58 through 66 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 \$31,436,651 and \$32,431,503 at the close of December 31, 2019 and 2018, respectively. This represents a decrease of \$994,852, or 3.1%, over the total net position of \$32,431,503 as of the close of fiscal year 2018.

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, \$607,530 at December 31, 2019 and \$1,090,217 at 2018, 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, 2019, \$19,335,551 or 61.5%, 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 \$19,953,895 or 61.1% at December 31, 2018.

**EAST GOSHEN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

**Statement of Net Position**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
<b>ASSETS</b>			
Current and other assets	\$ 20,660,803	\$ 4,215,030	\$ 24,875,833
Capital assets	13,219,747	13,161,572	26,381,319
TOTAL ASSETS	<u>33,880,550</u>	<u>17,376,602</u>	<u>51,257,152</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources, pension activity	<u>154,813</u>	<u>-</u>	<u>154,813</u>
<b>LIABILITIES</b>			
Other liabilities	633,703	118,275	751,978
Long-term liabilities	<u>7,904,553</u>	<u>10,853,735</u>	<u>18,758,288</u>
TOTAL LIABILITIES	<u>8,538,256</u>	<u>10,972,010</u>	<u>19,510,266</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	<u>465,048</u>	<u>-</u>	<u>465,048</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,582,742	1,910,828	11,493,570
Restricted	607,530	-	607,530
Unrestricted	<u>14,841,787</u>	<u>4,493,764</u>	<u>19,335,551</u>
TOTAL NET POSITION	<u>\$ 25,032,059</u>	<u>\$ 6,404,592</u>	<u>\$ 31,436,651</u>

The Township's Statement of Activities shows how the net position changed during the fiscal year 2019. The Statement of Activities can be found on page 19 of this report.

As shown on the Statement of Activities, the Township's net position decreases by \$994,852 from January 1, 2019; of this amount, \$1,941,524 was a decrease from governmental activities (General, Bond, Capital Reserve, Road Improvements and State Liquid Fuels (Highway Aid) Funds) and \$946,672 was an increase 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 22) along with the "Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities" (page 23).

**EAST GOSHEN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

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**Fund Financial Statements**

On page 22, 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 (\$3,571,633), and it decreases the fund balances from January 1, 2019 to December 31, 2019. The total fund balances at December 31, 2019, are \$18,055,371.

The reconciliation on page 23 explains how the Township arrived at the \$1,941,524 decrease in net position of the governmental activities from the Governmental Funds given the decrease in fund balances of (\$3,571,633). Most of the change is due to the repayment of debt (\$711,000), which reduces long-term liabilities in the Statement of Net Position and the amount by which capital outlays exceed depreciation (\$1,434,757) in the current period.

The *General Fund* reflects a decrease of \$36,385 in fund balance for the year. The fund balance at December 31, 201, is \$8,131,774.

The *Bond Fund* reflects a decrease of \$2,645,752 in fund balance for the year. The fund balance at December 31, 2019, is \$3,691,671.

The *Road Improvements Fund* reflects a decrease in its fund balance of \$482,064.

The *Capital Reserve Fund* reflects a decrease in its fund balance of \$406,809 for fiscal year 2019. 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* decrease in fund balance was \$623 for the year 2019. The fund balance at December 31, 2019, for the *State Liquid Fuels (Highway Aid) Fund* is \$1,148.

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

***Expenses - Governmental Funds***

	<u>2019</u>	<u>2018</u>	Increase (Decrease)
General government	\$ 1,630,448	\$ 1,587,228	\$ 43,220
Public safety	4,778,906	4,476,250	302,656
Health and welfare	6,000	6,000	-
Sanitation	86,893	70,522	16,371
Highways and streets	2,735,962	1,924,671	811,291
Culture and recreation	806,621	846,864	(40,243)
Conservation and development	4,844	5,380	(536)
Principal and interest on long-term debt	926,672	925,117	1,555
Capital outlay and miscellaneous	<u>3,781,084</u>	<u>1,877,898</u>	<u>1,903,186</u>
	<u>\$ 14,757,430</u>	<u>\$ 11,719,930</u>	<u>\$ 3,037,500</u>

Expenses in Governmental Funds increased by \$3,037,500, or 25.9%, between the years 2018 and 2019, due to a greater number of large one-time expenses in 2019 than in 2018.

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 22) for fiscal year 2019 were \$11,290,248.

# EAST GOSHEN TOWNSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

The percent of these revenues by source was as follows:

	2019 Revenues by Source	2019 % of Total	2018 Revenues by Source	2018 % of Total
Taxes	\$ 8,259,223	73.2%	\$ 8,188,397	74.5%
Fees, licenses and permits	459,700	4.1%	470,305	4.3%
Fines and forfeits	63,695	0.6%	72,152	0.7%
Interest and rents	568,265	5.0%	540,341	4.9%
Intergovernmental	1,327,455	11.8%	1,177,362	10.7%
Charges for services	455,198	4.0%	457,952	4.2%
Miscellaneous	156,712	1.4%	89,328	0.8%
	<u>\$ 11,290,248</u>	<u>100.0%</u>	<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 \$946,672 (page 19).

The business-type activities referred to in the Government-wide Financial Statements (pages 18 and 19) are reported as Proprietary (or Enterprise) Funds in the Fund Financial Statements (pages 24 through 26).

The *Sewer Revenue Fund's* share of the \$946,672 increase in net position was an increase of \$865,558 for 2019, as compared to an increase of \$779,286 for 2018.

### **Sewer Revenue Fund Statements of Revenues, Expenses and Changes in Net Position 2019 Comparison to 2018**

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES	\$ 2,650,809	\$ 2,670,462
OPERATING EXPENSES	<u>2,471,933</u>	<u>2,489,003</u>
OPERATING INCOME	178,876	181,459
NONOPERATING REVENUES, net		
Interest income, less interest expenses	<u>(61,837)</u>	<u>(67,236)</u>
INCOME BEFORE INTERFUND TRANSFERS	117,039	114,223
INTERFUND TRANSFERS	<u>748,519</u>	<u>665,063</u>
CHANGE IN NET POSITION	<u>\$ 865,558</u>	<u>\$ 779,286</u>

**EAST GOSHEN TOWNSHIP**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

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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 2019 from \$8.74/thousand gallons and \$27.02 fixed/quarter to \$8.42/thousand gallons and \$33.74 fixed/quarter.

The *Refuse Fund's* share of the increase in net position was a decrease of \$52,875 for 2019 due to higher costs for processing recycled materials. The Refuse Fund's net position increased by \$37,416 in 2018.

***Refuse Fund Statements of Revenues, Expenses and Changes in Net Position***  
***2019 Comparison to 2018***

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES	\$ 956,129	\$ 960,629
OPERATING EXPENSES	<u>1,105,350</u>	<u>1,076,793</u>
OPERATING LOSS	(149,221)	(116,164)
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus miscellaneous revenue	<u>96,346</u>	<u>153,934</u>
INCOME (LOSS) BEFORE INTERFUND TRANSFERS	(52,875)	37,770
INTERFUND TRANSFERS	<u>-</u>	<u>(354)</u>
CHANGE IN NET POSITION	<u>\$ (52,875)</u>	<u>\$ 37,416</u>

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

The *Municipal Authority* experienced an increase in net position of \$49,792 for the year 2019. The Municipal Authority's net position decreased by \$137,475 for the year 2018.

***Municipal Authority Statements of Revenues, Expenses and Changes in Net Position***  
***2019 Comparison to 2018***

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES	\$ 781,102	\$ 780,251
OPERATING EXPENSES	<u>95,397</u>	<u>201,803</u>
OPERATING INCOME	685,705	578,448
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus tapping fees	<u>38,132</u>	<u>6,162</u>
INCOME BEFORE INTERFUND TRANSFERS	723,837	584,610
INTERFUND TRANSFERS	<u>(674,045)</u>	<u>(722,085)</u>
CHANGE IN NET POSITION	<u>\$ 49,792</u>	<u>\$ (137,475)</u>



## **EAST GOSHEN TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2019**

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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.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

#### **Revenues**

During the year, General Fund revenues were less than budgetary estimates by \$14,282.

*Total tax revenues* were over budget by \$124,383. Real estate property tax collections were over budget by \$7,981 or about 0.4%. Earned Income Tax was under budget by \$85,585 of about -1.6%, due to lower than expected increased wage growth and more older residents retiring in place. Real Estate Transfer Tax was over budget by \$212,672 or about 36.3% due to continued strong demand for residential properties and the sale of an apartment complex in 2019. Local Services Tax was \$10,685 under budget or about -3.1%.

*Fees, licenses and permits* were over budget by \$2,200 or 0.5%.

*Fines and forfeits* were over budget by \$7,195. 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 \$95,485 over budget due to the interest rate environment.

*Intergovernmental revenues* were \$57,281 over budget due higher than expected state pension aid, due to four new firefighters becoming eligible for aid and an increase in the pension aid unit value.

*Charges for services* were over budget by \$3,672.

*Firefighter reimbursement* was over budget by \$20,000 due to the hiring of a new salaried position in the first hf of the year, but this line item is a pass-through revenue.

*Miscellaneous revenues* were over budget by \$70,717 from insurance proceeds and dividends.

## **EAST GOSHEN TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2019**

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*Transfers* to the General Fund from other Township funds was under budget by \$395,215, 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 \$425,403. 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 \$7,651 for 2019.

*General government expenditures* (administration, finance, tax collection, legal and municipal building costs accounted for under general government) were over budget by \$159,491, due to the deferral of an improvement to the municipal building from 2018, which was not budgeted in 2019.

*Public safety* (police, fire and codes expenses) and health and welfare ran \$30,578 under budget due to lower than expected funding for volunteer fire relief aid and lower than expected workers compensation premiums for volunteer firefighters.

*Public works - sanitation* was under budget by \$5,355 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 \$197,911 for 2019, due to lower than expected paving expenses.

*Culture and recreation* was over budget by \$37,685, due higher than expected costs to dredge and repair a Township-owned pond.

*Community development (conservation and development)* costs were \$3,038 under budget due to fewer than expected tree plantings.

*Debt Service* was \$2 under budget.

*Insurance premiums* were under budget by \$662.

*Employee benefits costs* were over budget by \$32,719, due to higher than expected state pension aid, which is passed through to the pension fund.

#### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

##### **Capital Assets**

The Township's total capital assets for its governmental and business-type activities as of December 31, 2019, were \$26,381,319. 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.

# **EAST GOSHEN TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2019**

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### **Long-Term Debt**

At the end of the fiscal year, the Township had total long-term debt outstanding of \$18,518,496. 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 42 through 45. Details of the Township's relationship with Westtown for police services can be found in Note H of these financial statements on page 56.

### **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.

The 2020 Coronavirus Pandemic poses some financial risks and uncertainties to the Township, the full extent of which are not yet known. However, management would expect that in the short term, Real Estate Transfer Tax revenues will be impacted due to a lack of real estate showings in the spring of 2020, although in the more medium term, we would expect sales to bounce back due to pent-up demand. In addition, while the extent of layoffs in Chester County will not be known for some time, management would expect Earned Income Tax receipts to be negatively impacted beginning in the second half of 2020, when the 2nd quarter disbursements are made to municipalities and school districts. However, on the expense side, we expect lower overtime costs due to stay-at-home orders and lower material and supply expenses as the Township's defers non-essential operating activities until the current state and federal emergency orders are relaxed.

# **EAST GOSHEN TOWNSHIP**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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## **Next Year's Budget**

The 2020 budget was adopted with a deficit of \$461,561 to be paid from the unrestricted fund balance of the General Fund. Revenues projected in the 2020 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 2020 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, 2019**

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,099,314	\$ 2,751,291	\$ 15,850,605
Investments	5,176,437	1,217,000	6,393,437
Receivables, net	1,560,647	241,558	1,802,205
Prepaid expenses	76,654	5,181	81,835
Net pension asset	747,751	-	747,751
Capital assets not being depreciated	2,279,585	397,009	2,676,594
Capital assets being depreciated, net	10,940,162	12,764,563	23,704,725
TOTAL ASSETS	<u>33,880,550</u>	<u>17,376,602</u>	<u>51,257,152</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources, pension activity	<u>154,813</u>	<u>-</u>	<u>154,813</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	598,178	94,102	692,280
Accrued interest	35,525	24,173	59,698
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	488,000	604,000	1,092,000
Portion due or payable after one year			
Net pension liability	239,792	-	239,792
Compensated absences	336,085	-	336,085
Bonds and notes payable	6,840,676	10,249,735	17,090,411
TOTAL LIABILITIES	<u>8,538,256</u>	<u>10,972,010</u>	<u>19,510,266</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources, pension activity	<u>465,048</u>	<u>-</u>	<u>465,048</u>
<b>NET POSITION</b>			
Net investment in capital assets	9,582,742	1,910,828	11,493,570
Restricted for			
Road improvements	606,382	-	606,382
Other projects	1,148	-	1,148
Unrestricted	<u>14,841,787</u>	<u>4,493,764</u>	<u>19,335,551</u>
TOTAL NET POSITION	<u>\$ 25,032,059</u>	<u>\$ 6,404,592</u>	<u>\$ 31,436,651</u>

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	\$ 1,768,535	\$ 36,603	\$ -
Public safety	5,673,010	296,225	348,649
Health and welfare	6,000	-	-
Public works			
Sanitation	1,997,949	-	-
Highways and streets	2,725,914	4,202	565,007
Culture and recreation	694,242	134,110	401,970
Conservation and development	5,963	26,658	-
Interest on long-term debt	226,330	-	-
<b>TOTAL GOVERNMENTAL     ACTIVITIES</b>	<b>13,097,943</b>	<b>497,798</b>	<b>1,315,626</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Refuse	1,105,350	956,129	78,582
Sewer	2,959,178	3,437,724	32,309
<b>TOTAL BUSINESS-TYPE     ACTIVITIES</b>	<b>4,064,528</b>	<b>4,393,853</b>	<b>110,891</b>
<b>TOTAL TOWNSHIP ACTIVITIES</b>	<b>\$ 17,162,471</b>	<b>\$ 4,891,651</b>	<b>\$ 1,426,517</b>

**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, restated**

**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
\$ -	\$ (1,731,932)	\$ -	\$ (1,731,932)
-	(5,028,136)	-	(5,028,136)
-	(6,000)	-	(6,000)
-	(1,997,949)	-	(1,997,949)
-	(2,156,705)	-	(2,156,705)
-	(158,162)	-	(158,162)
-	20,695	-	20,695
-	(226,330)	-	(226,330)
-	(11,284,519)	-	(11,284,519)
-	-	(70,639)	(70,639)
-	-	510,855	510,855
-	-	440,216	440,216
\$ -	(11,284,519)	440,216	(10,844,303)
	2,050,324	-	2,050,324
	773,474	-	773,474
	5,047,515	-	5,047,515
	337,334	-	337,334
	451,670	-	451,670
	7,503	-	7,503
	8,030	-	8,030
	63,695	-	63,695
	424,958	60,557	485,515
	15,229	-	15,229
	286,503	322,659	609,162
	9,466,235	383,216	9,849,451
	(1,818,284)	823,432	(994,852)
	(123,240)	123,240	-
	(1,941,524)	946,672	(994,852)
	26,973,583	5,457,920	32,431,503
\$	\$ 25,032,059	\$ 6,404,592	\$ 31,436,651

**EAST GOSHEN TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	<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	\$ 5,247,268	\$ 3,715,640	\$ 3,223,534	\$ 912,872	\$ 13,099,314
Investments	2,989,437	-	2,187,000	-	5,176,437
Taxes receivable, net	1,325,444	-	-	-	1,325,444
Other receivables	15,983	-	219,220	-	235,203
Prepaid expenses	76,654	-	-	-	76,654
<b>TOTAL ASSETS</b>	<b><u>\$ 9,654,786</u></b>	<b><u>\$ 3,715,640</u></b>	<b><u>\$ 5,629,754</u></b>	<b><u>\$ 912,872</u></b>	<b><u>\$ 19,913,052</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 156,034	\$ 23,969	\$ 5,358	\$ 305,342	\$ 490,703
Accrued salaries and benefits	107,475	-	-	-	107,475
<b>TOTAL LIABILITIES</b>	<b><u>263,509</u></b>	<b><u>23,969</u></b>	<b><u>5,358</u></b>	<b><u>305,342</u></b>	<b><u>598,178</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues					
Earned income taxes	1,253,589	-	-	-	1,253,589
Real estate taxes	5,914	-	-	-	5,914
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>1,259,503</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,259,503</u></b>
<b>FUND BALANCES</b>					
Nonspendable, prepaid expenses	76,654	-	-	-	76,654
Restricted					
Capital projects	-	3,691,671	-	-	3,691,671
Road improvements	-	-	-	606,382	606,382
Other projects	-	-	-	1,148	1,148
Assigned					
Capital projects	-	-	5,624,396	-	5,624,396
Operating reserve	2,596,124	-	-	-	2,596,124
Unassigned	5,458,996	-	-	-	5,458,996
<b>TOTAL FUND BALANCES</b>	<b><u>8,131,774</u></b>	<b><u>3,691,671</u></b>	<b><u>5,624,396</u></b>	<b><u>607,530</u></b>	<b><u>18,055,371</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b><u>\$ 9,654,786</u></b>	<b><u>\$ 3,715,640</u></b>	<b><u>\$ 5,629,754</u></b>	<b><u>\$ 912,872</u></b>	<b><u>\$ 19,913,052</u></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, 2019

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TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 18,055,371
<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	2,255,318
Infrastructure	2,845,632
Vehicles	2,280,778
Buildings and improvements	10,939,306
Machinery, equipment and furniture	3,527,351
Accumulated depreciation	(8,652,905)
<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>	
	747,751
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	(310,235)
<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>	
Net pension liability	(239,792)
Compensated absences	(336,085)
Bonds and notes payable	(7,291,778)
Accrued interest	(35,525)
Unamortized bond premium	(36,898)
<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>1,259,503</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 25,032,059</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, 2019**

	<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	\$ 2,047,410	\$ -	\$ -	\$ -	\$ 2,047,410
Real estate transfer	773,474	-	-	-	773,474
Local services tax	337,334	-	-	-	337,334
Earned income	5,101,005	-	-	-	5,101,005
Fees, licenses and permits	459,700	-	-	-	459,700
Fines and forfeits	63,695	-	-	-	63,695
Intergovernmental	360,478	-	144,886	822,091	1,327,455
Charges for services	455,198	-	-	-	455,198
Interest and rents	317,543	125,922	102,763	22,037	568,265
Miscellaneous	150,129	-	6,583	-	156,712
<b>TOTAL REVENUES</b>	<u>10,065,966</u>	<u>125,922</u>	<u>254,232</u>	<u>844,128</u>	<u>11,290,248</u>
<b>EXPENDITURES</b>					
Current					
General government	1,630,448	-	-	-	1,630,448
Public safety	4,778,906	-	-	-	4,778,906
Health and welfare	6,000	-	-	-	6,000
Public works					
Sanitation	86,893	-	-	-	86,893
Highways and streets	1,409,147	-	-	1,326,815	2,735,962
Culture and recreation	806,621	-	-	-	806,621
Conservation and development	4,844	-	-	-	4,844
Debt service					
Principal	711,000	-	-	-	711,000
Interest and other charges	215,672	-	-	-	215,672
Capital outlay	-	2,771,674	1,009,410	-	3,781,084
<b>TOTAL EXPENDITURES</b>	<u>9,649,531</u>	<u>2,771,674</u>	<u>1,009,410</u>	<u>1,326,815</u>	<u>14,757,430</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>416,435</u>	<u>(2,645,752)</u>	<u>(755,178)</u>	<u>(482,687)</u>	<u>(3,467,182)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	452,820	-	452,820
Transfers out	(452,820)	-	(123,240)	-	(576,060)
Proceeds from sale of assets	-	-	18,789	-	18,789
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(452,820)</u>	<u>-</u>	<u>348,369</u>	<u>-</u>	<u>(104,451)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(36,385)	(2,645,752)	(406,809)	(482,687)	(3,571,633)
<b>FUND BALANCES AT BEGINNING OF YEAR, restated*</b>	<u>8,168,159</u>	<u>6,337,423</u>	<u>6,031,205</u> *	<u>1,090,217</u>	<u>21,627,004</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 8,131,774</u>	<u>\$ 3,691,671</u>	<u>\$ 5,624,396</u>	<u>\$ 607,530</u>	<u>\$ 18,055,371</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, 2019

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NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (3,571,633)
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.	1,434,757
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position.	(3,560)
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.	(425,400)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real estate taxes	2,914
Earned income taxes	(53,490)
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.	234
Repayment of note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	711,000
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>(38,440)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (1,941,524)</u>

*See accompanying notes to the basic financial statements.*

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

	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	\$ 629,194	\$ 976,435	\$ 1,120,789	\$ 24,873	\$ 2,751,291
Investments	-	-	1,217,000	-	1,217,000
Receivables, net	28,191	210,136	-	3,231	241,558
Prepaid expenses	64	4,122	-	995	5,181
<b>TOTAL CURRENT ASSETS</b>	<b>657,449</b>	<b>1,190,693</b>	<b>2,337,789</b>	<b>29,099</b>	<b>4,215,030</b>
<b>NONCURRENT ASSETS</b>					
Due from other funds	-	-	-	8,129,000	8,129,000
<b>Capital assets</b>					
Construction in progress	-	397,009	-	-	397,009
Sewer treatment plant and improvements	-	16,240,205	-	-	16,240,205
Accumulated depreciation	-	(3,475,642)	-	-	(3,475,642)
<b>TOTAL CAPITAL ASSETS, net of accumulated depreciation</b>	<b>-</b>	<b>13,161,572</b>	<b>-</b>	<b>-</b>	<b>13,161,572</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>-</b>	<b>13,161,572</b>	<b>-</b>	<b>8,129,000</b>	<b>21,290,572</b>
<b>TOTAL ASSETS</b>	<b>\$ 657,449</b>	<b>\$ 14,352,265</b>	<b>\$ 2,337,789</b>	<b>\$ 8,158,099</b>	<b>\$ 25,505,602</b>
<b>LIABILITIES AND NET POSITION</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 23,918	\$ 52,583	\$ -	\$ 17,601	\$ 94,102
Accrued interest	-	19,097	-	5,076	24,173
Bonds and notes payable, current	-	120,000	-	484,000	604,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>23,918</b>	<b>191,680</b>	<b>-</b>	<b>506,677</b>	<b>722,275</b>
<b>NONCURRENT LIABILITIES</b>					
Due to other funds	-	8,129,000	-	-	8,129,000
Bonds and notes payable	-	2,604,735	-	7,645,000	10,249,735
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>-</b>	<b>10,733,735</b>	<b>-</b>	<b>7,645,000</b>	<b>18,378,735</b>
<b>TOTAL LIABILITIES</b>	<b>23,918</b>	<b>10,925,415</b>	<b>-</b>	<b>8,151,677</b>	<b>19,101,010</b>
<b>NET POSITION</b>					
Net investment in capital assets	-	2,307,837	-	-	2,307,837
Unrestricted	633,531	1,119,013	2,337,789	6,422	4,096,755
<b>TOTAL NET POSITION</b>	<b>633,531</b>	<b>3,426,850</b>	<b>2,337,789</b>	<b>6,422</b>	<b>6,404,592</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 657,449</b>	<b>\$ 14,352,265</b>	<b>\$ 2,337,789</b>	<b>\$ 8,158,099</b>	<b>\$ 25,505,602</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, 2019**

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 956,129	\$ 3,431,911	\$ -	\$ -	\$ 4,388,040
Lease rentals, net	-	(781,102)	-	781,102	-
<b>TOTAL OPERATING REVENUES</b>	<u>956,129</u>	<u>2,650,809</u>	<u>-</u>	<u>781,102</u>	<u>4,388,040</u>
<b>OPERATING EXPENSES</b>					
Operations	1,105,350	2,045,732	-	95,397	3,246,479
Depreciation	-	426,201	-	-	426,201
<b>TOTAL OPERATING EXPENSES</b>	<u>1,105,350</u>	<u>2,471,933</u>	<u>-</u>	<u>95,397</u>	<u>3,672,680</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(149,221)</u>	<u>178,876</u>	<u>-</u>	<u>685,705</u>	<u>715,360</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue	9,207	15,909	35,431	10	60,557
Miscellaneous Revenue	8,557	-	-	-	8,557
Grant revenue	78,582	-	-	32,309	110,891
Tapping fees	-	-	-	5,813	5,813
Interest expense	-	(78,866)	-	-	(78,866)
Amortization of bond premium	-	1,120	-	-	1,120
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>96,346</u>	<u>(61,837)</u>	<u>35,431</u>	<u>38,132</u>	<u>108,072</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(52,875)</u>	<u>117,039</u>	<u>35,431</u>	<u>723,837</u>	<u>823,432</u>
<b>TRANSFERS IN</b>	-	1,132,639	283,240	263,972	1,679,851
<b>TRANSFERS OUT</b>	<u>-</u>	<u>(384,120)</u>	<u>(234,474)</u>	<u>(938,017)</u>	<u>(1,556,611)</u>
<b>CHANGE IN NET POSITION</b>	<u>(52,875)</u>	<u>865,558</u>	<u>84,197</u>	<u>49,792</u>	<u>946,672</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>686,406</u>	<u>2,561,292</u>	<u>2,253,592</u>	<u>(43,370)</u>	<u>5,457,920</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 633,531</u>	<u>\$ 3,426,850</u>	<u>\$ 2,337,789</u>	<u>\$ 6,422</u>	<u>\$ 6,404,592</u>

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	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	\$ 963,099	\$ 3,433,184	\$ -	\$ -	\$ 4,396,283
Lease rental payments	-	(781,102)	-	781,102	-
Payments to suppliers	(1,097,400)	(2,062,514)	-	(142,717)	(3,302,631)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(134,301)	589,568	-	638,385	1,093,652
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Operating grants	78,582	-	-	29,078	107,660
Transfers from other funds	-	1,132,639	283,240	263,972	1,679,851
Transfers to other funds	-	(384,120)	(234,474)	(938,017)	(1,556,611)
Due to (from) other funds	-	(467,000)	-	466,709	(291)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	78,582	281,519	48,766	(178,258)	230,609
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Tapping fees received	-	-	-	5,813	5,813
Principal payments on debt	-	(115,000)	-	(467,000)	(582,000)
Interest paid	-	(78,866)	-	-	(78,866)
Acquisition, construction and improvements of capital capital assets	-	(665,639)	-	-	(665,639)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(859,505)	-	(461,187)	(1,320,692)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	9,207	15,909	35,431	10	60,557
Miscellaneous Revenue	8,557	-	-	-	8,557
Net sales of investments	256,941	518,695	613,097	-	1,388,733
NET CASH PROVIDED BY INVESTING ACTIVITIES	274,705	534,604	648,528	10	1,457,847
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	218,986	546,186	697,294	(1,050)	1,461,416
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	410,208	430,249	423,495	25,923	1,289,875
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 629,194	\$ 976,435	\$ 1,120,789	\$ 24,873	\$ 2,751,291
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (149,221)	\$ 178,876	\$ -	\$ 685,705	\$ 715,360
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	-	426,201	-	-	426,201
(Increase) decrease in					
Accounts receivable	6,970	1,273	-	-	8,243
Prepaid expenses	(64)	(142)	-	(995)	(1,201)
Increase (decrease) in					
Accounts payable	8,014	(15,667)	-	(46,325)	(53,978)
Accrued interest	-	(973)	-	-	(973)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (134,301)	\$ 589,568	\$ -	\$ 638,385	\$ 1,093,652

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2019**

	Pension Trust Funds			Private-	Total
	Fire	Non-	Non-	Purpose	
	Pension	Uniformed	Uniformed	Trust	Fiduciary
	Fund	Pension	Defined	Fund	Funds
		Fund	Contribution	Police	
			Pension	Pension	
			Fund	Trust Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 71,748	\$ 115,051	\$ 37,493	\$ 20,080	\$ 244,372
Receivables					
Employee contributions	969	-	-	-	969
Employer Contribution	46,000	-	-	-	46,000
State aid from Non-Uniformed Plan	1,583	-	-	-	1,583
Prepaid pension payment	-	2,149	-	-	2,149
State aid from Fire					
Pension Fund	-	-	8,154	-	8,154
Investment income due to bank error	-	-	955	-	955
Investments					
Mutual funds	36,345	57,545	19,839	22,907	136,636
Bond funds	475,956	770,490	370,746	300,665	1,917,857
Equity funds	1,315,219	2,104,031	595,345	805,383	4,819,978
	<u>\$ 1,947,820</u>	<u>\$ 3,049,266</u>	<u>\$ 1,032,532</u>	<u>\$ 1,149,035</u>	<u>\$ 7,178,653</u>
<b>LIABILITIES AND NET POSITION</b>					
<b>LIABILITIES</b>					
Transfer of state aid to					
Fireman Pension Plan	\$ -	\$ -	\$ 1,583	\$ -	\$ 1,583
<b>NET POSITION</b>					
Held in trust for pension benefits	<u>1,947,820</u>	<u>3,049,266</u>	<u>1,030,949</u>	<u>1,149,035</u>	<u>7,177,070</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 1,947,820</u>	<u>\$ 3,049,266</u>	<u>\$ 1,032,532</u>	<u>\$ 1,149,035</u>	<u>\$ 7,178,653</u>

See accompanying notes to the basic financial statements.

**EAST GOSHEN TOWNSHIP**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Pension Trust Funds			Private-Purpose Trust Fund	Total Fiduciary Funds
	Fire Pension Fund	Non-Uniformed Pension Fund	Non-Uniformed Defined Contribution Pension Fund	Police Pension Trust Fund	
<b>ADDITIONS</b>					
Contributions					
Employer	\$ 46,000	\$ -	\$ -	\$ -	\$ 46,000
Employee	35,013	-	-	-	35,013
State	117,434	-	117,839	-	235,273
<b>TOTAL CONTRIBUTIONS</b>	<u>198,447</u>	<u>-</u>	<u>117,839</u>	<u>-</u>	<u>316,286</u>
Investment income					
Net appreciation in fair value of investments	282,447	469,097	135,848	198,548	1,085,940
Interest and dividends	41,446	67,958	23,780	28,018	161,202
<b>TOTAL INVESTMENT INCOME</b>	<u>323,893</u>	<u>537,055</u>	<u>159,628</u>	<u>226,566</u>	<u>1,247,142</u>
Investment expense	(9,067)	(15,267)	(4,866)	(6,482)	(35,682)
<b>INVESTMENT INCOME, net</b>	<u>314,826</u>	<u>521,788</u>	<u>154,762</u>	<u>220,084</u>	<u>1,211,460</u>
<b>TOTAL ADDITIONS</b>	<u>513,273</u>	<u>521,788</u>	<u>272,601</u>	<u>220,084</u>	<u>1,527,746</u>
<b>DEDUCTIONS</b>					
Pension payments	39,365	23,376	-	-	62,741
Administrative expenses	7,900	9,300	5,900	-	23,100
Lump sum distributions	-	6,998	31,967	-	38,965
Transfer to WEGO Police Commission	-	-	-	151,279	151,279
<b>TOTAL DEDUCTIONS</b>	<u>47,265</u>	<u>39,674</u>	<u>37,867</u>	<u>151,279</u>	<u>276,085</u>
<b>CHANGE IN NET POSITION</b>	<u>466,008</u>	<u>482,114</u>	<u>234,734</u>	<u>68,805</u>	<u>1,251,661</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>1,481,812</u>	<u>2,567,152</u>	<u>796,215</u>	<u>1,080,230</u>	<u>5,925,409</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 1,947,820</u>	<u>\$ 3,049,266</u>	<u>\$ 1,030,949</u>	<u>\$ 1,149,035</u>	<u>\$ 7,177,070</u>

See accompanying notes to the basic financial statements.



**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**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. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

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.

The Fireman Pension Plan is a single employer defined benefit pension plan that provides pensions for all East Goshen Fire Company full-time paid fire company personnel. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a board comprised of members appointed by the Board of the Township and the Township is responsible for funding the plan. The plan is reported as a fiduciary fund and 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.

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

The Non-Uniformed Pension Plan is a single employer defined benefit pension plan that provides pensions for all full-time non-uniformed employees of the Township or the Authority. Although the plan is a separate legal entity it is reported as if it is part of the government as it is governed by a board comprised of members appointed by the Board of the Township and the Township is responsible for funding the plan. The plan is reported as a fiduciary fund 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.

**Fund Accounting**

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

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

The Township reports the following major Governmental Funds:

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

*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.

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

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.

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 *Police Pension Trust Fund* (a private-purpose trust fund) 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 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, 2019

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**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, 2019**

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**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, 2019

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**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, 2019, the allowance for uncollectible sewer and refuse accounts receivable are \$32,840 and \$8,257, respectively.

**EAST GOSHEN TOWNSHIP**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**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, 2019

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**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.

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 and the net difference between projected and actual earnings on plan investments.

**NOTE B - DEPOSITS AND INVESTMENTS**

**Deposits**

The Township's deposits with financial institutions at December 31, 2019, 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, 2019

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**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, 2019, \$1,000,000 of the Township's bank balance of \$17,707,665 was covered under FDIC insurance. Of the remaining \$16,707,665, \$3,441,405 was exposed to custodial credit risk, which is collateralized as described, and \$13,266,260 was invested in state investment pools which is uninsured and uncollateralized. All of the funds invested in statement investment pools are deposited in the PLGIT program.

**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, 2019**

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

As of December 31, 2019, 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	\$ 6,393,437	\$ -	\$ 6,393,437	\$ -	\$ -
Mutual funds	-	136,636	136,636	-	-
Bond funds	-	1,917,857	632,657	-	1,285,200
Equity funds	-	4,819,978	4,819,978	-	-
	<u>\$ 6,393,437</u>	<u>\$ 6,874,471</u>	<u>\$ 11,982,708</u>	<u>\$ -</u>	<u>\$ 1,285,200</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, 2019, is \$6,393,437. 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 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, 2019**

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**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	\$ 393,424	AAA
Bond mutual funds	954,243	AA
Bond mutual funds	375,749	A
Bond mutual funds	194,441	BBB
Mutual funds	136,636	
Equity funds	4,819,978	Not Rated
Governmental funds		
Statement investment funds (amortized cost)	<u>6,393,437</u>	Not Rated
	<u>\$ 13,267,908</u>	

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

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

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

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributable to the magnitude of a pension plan's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The plans do not have a formal investment policy that addresses concentration of credit risk; however, as of December 31, 2019, 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 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, 2019.

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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	\$ 1,283,614	\$ -	\$ 1,283,614
Local services tax	97	-	97
Real estate taxes	41,733	-	41,733
Other receivables	235,203	3,231	238,434
Sewer and refuse charges	-	238,327	238,327
	<u>\$ 1,560,647</u>	<u>\$ 241,558</u>	<u>\$ 1,802,205</u>

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

Interfund receivable and payable balances as of December 31, 2019, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Municipal Authority	Sewer Revenue Fund	\$ <u>8,129,000</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, 2019, 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	\$ -	\$ 452,820	\$ -	\$ -	\$ -	\$ 452,820
Capital Reserve Fund	-	-	-	123,240	-	123,240
Municipal Authority	-	-	938,017	-	-	938,017
Sewer Capital Reserve Fund	-	-	194,622	-	39,852	234,474
Sewer Revenue Fund	-	-	-	160,000	224,120	384,120
	<u>\$ -</u>	<u>\$ 452,820</u>	<u>\$ 1,132,639</u>	<u>\$ 283,240</u>	<u>\$ 263,972</u>	<u>\$ 2,132,671</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, 2019**

**NOTE E - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Historical treasures	\$ 24,267	\$ -	\$ -	\$ 24,267
Construction in progress	1,160,974	1,146,894	(52,550)	2,255,318
<b>TOTAL CAPITAL ASSETS NOT         BEING DEPRECIATED</b>	<b>1,185,241</b>	<b>1,146,894</b>	<b>(52,550)</b>	<b>2,279,585</b>
Capital assets being depreciated				
Infrastructure	2,674,745	170,887	-	2,845,632
Vehicles	2,367,334	30,350	(51,302)	2,346,382
Buildings and improvements	10,170,851	770,670	(2,215)	10,939,306
Machinery, equipment and furniture	3,425,397	153,256	(116,906)	3,461,747
<b>TOTAL CAPITAL ASSETS         BEING DEPRECIATED</b>	<b>18,638,327</b>	<b>1,125,163</b>	<b>(170,423)</b>	<b>19,593,067</b>
Accumulated depreciation				
Infrastructure	(608,850)	(68,572)	-	(677,422)
Vehicles	(1,700,867)	(200,598)	47,742	(1,853,723)
Buildings and improvements	(3,649,579)	(320,028)	2,215	(3,967,392)
Machinery, equipment and furniture	(2,075,722)	(195,552)	116,906	(2,154,368)
<b>TOTAL ACCUMULATED         DEPRECIATION</b>	<b>(8,035,018)</b>	<b>(784,750)</b>	<b>166,863</b>	<b>(8,652,905)</b>
<b>TOTAL CAPITAL ASSETS         BEING DEPRECIATED, net</b>	<b>10,603,309</b>	<b>340,413</b>	<b>(3,560)</b>	<b>10,940,162</b>
<b>GOVERNMENTAL ACTIVITIES         CAPITAL ASSETS, net</b>	<b>11,788,550</b>	<b>1,487,307</b>	<b>(56,110)</b>	<b>13,219,747</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets not being depreciated				
Construction in progress	357,394	91,128	(51,513)	397,009
Capital assets being depreciated				
Sewer treatment plant and improvements	15,614,181	626,024	-	16,240,205
Accumulated depreciation	(3,049,441)	(426,201)	-	(3,475,642)
<b>TOTAL CAPITAL ASSETS         BEING DEPRECIATED, net</b>	<b>12,564,740</b>	<b>199,823</b>	<b>-</b>	<b>12,764,563</b>
<b>BUSINESS-TYPE ACTIVITIES         CAPITAL ASSETS, net</b>	<b>12,922,134</b>	<b>290,951</b>	<b>(51,513)</b>	<b>13,161,572</b>
<b>CAPITAL ASSETS, net</b>	<b>\$ 24,710,684</b>	<b>\$ 1,778,258</b>	<b>\$ (107,623)</b>	<b>\$ 26,381,319</b>

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE E - CAPITAL ASSETS (Continued)**

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

General government	\$ 137,119
Public safety	387,949
Public works, sanitation	6,115
Public works, highway	183,045
Culture and recreation	70,066
Conservation and development	456
	<u>784,750</u>
	<u>\$ 784,750</u>

**NOTE F - GENERAL LONG-TERM DEBT**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and notes					
Series A of 1999	\$ 237,000	\$ -	\$ (237,000)	\$ -	\$ -
Series A of 2000	69,000	-	(22,000)	47,000	23,000
Series A of 2003	1,794,000	-	(332,000)	1,462,000	345,000
Westtown Township	597,778	-	(115,000)	482,778	115,000
Series of 2017	5,305,000	-	(5,000)	5,300,000	5,000
TOTAL BONDS AND NOTES	8,002,778	-	(711,000)	7,291,778	488,000
Unamortized bond premium	38,992	-	(2,094)	36,898	-
Compensated absences	297,645	38,440	-	336,085	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>8,339,415</u>	<u>38,440</u>	<u>(713,094)</u>	<u>7,664,761</u>	<u>488,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and notes					
Series of 2008	6,581,000	-	(360,000)	6,221,000	374,000
Series of 2013	2,015,000	-	(107,000)	1,908,000	110,000
Series of 2017	2,820,000	-	(115,000)	2,705,000	120,000
TOTAL BONDS AND NOTES	11,416,000	-	(582,000)	10,834,000	604,000
Unamortized bond premium	20,855	-	(1,120)	19,735	-
TOTAL BUSINESS- TYPE ACTIVITIES	<u>11,436,855</u>	<u>-</u>	<u>(583,120)</u>	<u>10,853,735</u>	<u>604,000</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 19,776,270</u>	<u>\$ 38,440</u>	<u>\$ (1,296,214)</u>	<u>\$ 18,518,496</u>	<u>\$ 1,092,000</u>

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

Bonds and notes payable consisted of:

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	\$ 47,000
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	1,462,000
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)	482,778
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	6,221,000
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	1,908,000
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%	2,705,000
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>5,300,000</u>
	<u>\$ 18,125,778</u>

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**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, 2019, was \$633,107. Interest costs incurred for the year ended December 31, 2019, were \$215,672 in the General Fund. This includes \$240,430 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 \$392,677. Total interest capitalized on the Sewer Revenue Fund was \$313,811.

**Debt Service Requirements**

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	1,018,000	423,555	1,441,555
2025 to 2029	5,577,000	1,637,268	7,214,268
2030 to 2034	5,113,000	679,157	5,792,157
2035 to 2037	1,860,000	85,700	1,945,700
	<u>\$ 18,125,778</u>	<u>\$ 4,941,643</u>	<u>\$ 23,067,421</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**  
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**NOTE F - GENERAL LONG-TERM DEBT (Continued)**

At December 31, 2019, the market value of the Township's interest rate swap agreements for fixed rate loans was (\$1,066,490) and \$1,186,966 for the DVRFA bonds. As of December 31, 2019, the DVRFA would have received a payment of nearly \$123 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, 2019.

**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, 2019, membership consisted of:

Inactive plan members currently receiving benefits	3
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>12</u>
	<u>17</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, 2019

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**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 2019.

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**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:

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

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, 2019, 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, 2019, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 20.59%. 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, 2019**

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**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, 2019, were as follows:

Total pension liability	\$ 2,187,612
Plan fiduciary net position	<u>1,947,820</u>
NET PENSION LIABILITY	<u>\$ 239,792</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>89.0%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of January 1, 2019, 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, 2019**

**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 (a) - (b)
	<u>          </u>	<u>          </u>	<u>          </u>
BALANCE AT DECEMBER 31, 2018	\$ 1,518,827	\$ 1,481,812	\$ 37,015
Changes for the year			
Service cost	120,201	-	120,201
Interest	144,402	-	144,402
Changes in benefit terms	483,083	-	483,083
Differences between expected and actual experience	(39,536)	-	(39,536)
Contributions			
Employer	-	46,000	(46,000)
State aid	-	117,434	(117,434)
Member	-	35,013	(35,013)
Net investment income	-	314,826	(314,826)
Benefit payments	(39,365)	(39,365)	-
Administrative expense	-	(7,900)	7,900
	<u>          </u>	<u>          </u>	<u>          </u>
BALANCE AT DECEMBER 31, 2019	\$ <u>2,187,612</u>	\$ <u>1,947,820</u>	\$ <u>239,792</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>545,929</u>	\$ <u>239,792</u>	\$ <u>(15,387)</u>

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** – For the year ended December 31, 2019, the municipality recognized a pension expense of \$603,275. At December 31, 2019, 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	\$ -	\$ 95,814
Changes in assumptions	13,925	-
Net difference between projected and actual earnings on pension plan investments	-	84,352
	<u>          </u>	<u>          </u>
	\$ <u>13,925</u>	\$ <u>180,166</u>

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**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>	
2020	\$ (31,147)
2021	(32,556)
2022	(10,807)
2023	(52,362)
2024	(10,630)
Thereafter	(28,739)

**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, 2019, the date of the last actuarial valuation:

Inactive plan members currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	24
Active plan members	<u>-</u>
TOTAL MEMBERSHIP	<u><u>29</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, 2019

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**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 2019.

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**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, 2019, 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, 2019, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 20.52%. 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, 2019**

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**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, 2019, were as follows:

Total pension liability	\$ 2,301,515
Plan fiduciary net position	<u>3,049,266</u>
NET PENSION ASSET	<u>\$ (747,751)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>132.5%</u>

**Actuarial Assumptions** - The total pension asset was determined by an actuarial valuation as of January 1, 2019, 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, 2019**

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**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)
BALANCE AT DECEMBER 31, 2018	\$ 2,319,190	\$ 2,567,152	\$ (247,962)
Changes for the year			
Interest	151,560	-	151,560
Differences between expected and actual experience	(138,861)	-	(138,861)
Net investment income	-	521,788	(521,788)
Benefit payments	(30,374)	(30,374)	-
Administrative expense	-	(9,300)	9,300
BALANCE AT DECEMBER 31, 2019	<u>\$ 2,301,515</u>	<u>\$ 3,049,266</u>	<u>\$ (747,751)</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%)
Net pension (asset) liability	<u>\$ (470,386)</u>	<u>\$ (747,751)</u>	<u>\$ (979,849)</u>

**EAST GOSHEN TOWNSHIP**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**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, 2019, the Township recognized pension expense of (\$14,441). At December 31, 2019, 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	\$ -	\$ 137,950
Changes in assumptions	140,888	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>146,932</u>
	<u>\$ 140,888</u>	<u>\$ 284,882</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>	
2020	\$ (39,173)
2021	(36,879)
2022	12,039
2023	(75,816)
2024	(4,165)
Thereafter	-

***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 2019, 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, 2019

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**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 2019, the Township's share of these costs was \$3,659,957.

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, 2019, the Township's unpaid principal obligation was \$482,778.

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

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, 2019**

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**NOTE J - CONTINGENCIES**

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

**NOTE K - PRIOR PERIOD ADJUSTMENT**

For the capital reserve fund and the government-wide governmental activities, the Township made a prior period adjustment to recognize revenues earned in the year ended December 31, 2017, in the proper period. The effect of the adjustment decreased beginning fund balance on the capital reserve fund \$212,976, from \$ 6,244,181 to \$6,031,205. The effect of the adjustment decreased beginning net position for the government-wide governmental activities \$212,976, from \$27,186,559 to \$26,973,583.

**NOTE L - SUBSEQUENT EVENT**

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which is anticipated to result in significant job losses. These job losses have the potential to have a significant impact on all aspects of Township operations including tax collections. In addition, due to the economic uncertainty, future federal and state funding may be impacted. This could result in less money that is relied upon by the Township to fund specific programs. Overall, decreased funding could result in the Township having to curtail or eliminate some non-essential services and furlough employees.

Due to the pandemic, the financial markets have been in turmoil and could experience significant declines. These losses, if not regained, could have a detrimental impact on the value of the investments held by the Township.

At this point, the extent to which COVID-19 will impact the Township's financial condition or results of operations is uncertain and cannot be reasonably estimated at this time.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EAST GOSHEN TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>RESOURCES (INFLOWS)</b>				
Taxes				
Real estate	\$ 2,039,429	\$ 2,039,429	\$ 2,047,410	\$ 7,981
Real estate transfer	585,000	585,000	797,672	212,672
Local services tax	348,000	348,000	337,315	(10,685)
Earned income	5,191,400	5,191,400	5,105,815	(85,585)
Fees, licenses and permits	457,500	457,500	459,700	2,200
Fines and forfeits	56,500	56,500	63,695	7,195
Intergovernmental	303,197	303,197	360,478	57,281
Charges for services	451,526	451,526	455,198	3,672
Interest and rents	222,058	222,058	317,543	95,485
Paid firefighter reimbursement	1,699,677	1,699,677	1,719,677	20,000
Spray irrigation loan revenue	24,758	24,758	24,758	-
Miscellaneous	119,403	119,403	190,120	70,717
Transfers	1,391,875	1,391,875	996,660	(395,215)
AMOUNT AVAILABLE FOR APPROPRIATION	<u>12,890,323</u>	<u>12,890,323</u>	<u>12,876,041</u>	<u>(14,282)</u>
<b>CHANGES TO APPROPRIATIONS (OUTFLOWS)</b>				
Current				
General government	1,363,553	1,363,553	1,523,044	(159,491)
Public safety	6,371,736	6,371,736	6,341,158	30,578
Health and welfare	6,000	6,000	6,000	-
Public works				
Sanitation	153,979	153,979	148,624	5,355
Highways and streets	2,278,568	2,278,568	2,080,657	197,911
Culture and recreation	774,912	774,912	812,597	(37,685)
Conservation and development	8,321	8,321	5,283	3,038
Debt service				
Principal	711,000	711,000	711,000	-
Interest and other charges	240,432	240,432	240,430	2
Insurance premiums	422,338	422,338	421,676	662
Employee benefits	559,484	559,484	592,203	(32,719)
TOTAL CHANGES TO APPROPRIATIONS (OUTFLOWS)	<u>12,890,323</u>	<u>12,890,323</u>	<u>12,882,672</u>	<u>7,651</u>
DEFICIENCY OF RESOURCES (INFLOWS) OVER CHANGES TO APPROPRIATIONS (OUTFLOWS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,631)</u>	<u>\$ (6,631)</u>

See accompanying note to the budgetary comparison schedule.

**EAST GOSHEN TOWNSHIP**

BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)

GENERAL FUND

YEAR ENDED DECEMBER 31, 2019

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

Deficiency of resources (inflows) over changes to appropriations (outflows) from the budgetary comparison schedule	\$ (6,631)
Differences - budget to GAAP	
Net effect of change in accruals of revenues	
Real estate transfer tax	(24,198)
Local services tax	19
Earned income tax	(4,810)
Miscellaneous	(39,991)
Net effect of change in accruals of expenditures	
General government	(18,847)
Public safety	3,382
Public works	
Sanitation	3,071
Highways and streets	(6,264)
Culture and recreation	17,924
Insurance	40,132
Employee benefits	(172)
	<hr/>
CHANGE IN FUND BALANCE AS REPORTED ON THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS	\$ <u>(36,385)</u>

*See accompanying note to the budgetary comparison schedule.*



# **EAST GOSHEN TOWNSHIP**

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

**YEAR ENDED DECEMBER 31, 2019**

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### **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 SIX FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 120,201	\$ 57,597	\$ 54,854	\$ 52,558	\$ 50,055	\$ 49,337
Interest	144,402	99,945	90,803	83,697	75,948	72,308
Changes of benefit terms	483,083	-	-	-	-	-
Differences between expected and actual experience	(39,536)	-	(22,361)	-	(79,060)	-
Changes of assumptions	-	-	3,143	-	20,953	-
Benefit payments, including refunds of member contributions	(39,365)	(17,807)	(17,807)	(17,807)	(17,807)	(6,727)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>668,785</b>	<b>139,735</b>	<b>108,632</b>	<b>118,448</b>	<b>50,089</b>	<b>114,918</b>
Total pension liability, beginning	<u>1,518,827</u>	<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>	<b>\$ <u>2,187,612</u></b>	<b>\$ <u>1,518,827</u></b>	<b>\$ <u>1,379,092</u></b>	<b>\$ <u>1,270,460</u></b>	<b>\$ <u>1,152,012</u></b>	<b>\$ <u>1,101,922</u></b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions						
Employer	\$ 46,000	\$ -	\$ -	\$ -	\$ -	\$ -
State aid	117,434	74,136	72,764	79,410	63,013	64,957
Member	35,013	16,478	12,697	11,281	10,858	10,984
Net investment income	314,826	(100,700)	197,512	72,041	(23,145)	37,095
Benefit payments, including refunds of member contributions	(39,365)	(17,807)	(17,807)	(17,807)	(17,807)	(6,727)
Administrative expense	(7,900)	(4,200)	(7,500)	(4,300)	(6,600)	(2,975)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>466,008</b>	<b>(32,093)</b>	<b>257,666</b>	<b>140,625</b>	<b>26,319</b>	<b>103,334</b>
Plan fiduciary net position, beginning	<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>	<u>985,961</u>
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ <u>1,947,820</u></b>	<b>\$ <u>1,481,812</u></b>	<b>\$ <u>1,513,905</u></b>	<b>\$ <u>1,256,239</u></b>	<b>\$ <u>1,115,614</u></b>	<b>\$ <u>1,089,295</u></b>
<b>NET PENSION LIABILITY (ASSET), ENDING (a)-(b)</b>	<b>\$ <u>239,792</u></b>	<b>\$ <u>37,015</u></b>	<b>\$ <u>(134,813)</u></b>	<b>\$ <u>14,221</u></b>	<b>\$ <u>36,398</u></b>	<b>\$ <u>12,627</u></b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b><u>89%</u></b>	<b><u>97.6%</u></b>	<b><u>109.8%</u></b>	<b><u>98.9%</u></b>	<b><u>96.8%</u></b>	<b><u>98.9%</u></b>
<b>COVERED PAYROLL</b>	<b>\$ <u>961,494</u></b>	<b>\$ <u>666,056</u></b>	<b>\$ <u>700,000</u></b>	<b>\$ <u>570,000</u></b>	<b>\$ <u>555,812</u></b>	<b>\$ <u>587,288</u></b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b><u>24.9%</u></b>	<b><u>5.6%</u></b>	<b><u>-19.3%</u></b>	<b><u>2.5%</u></b>	<b><u>6.5%</u></b>	<b><u>2.2%</u></b>

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 92,980	\$ 65,465	\$ 59,720	\$ 48,617	\$ 53,364	\$ 55,591
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>163,434</u>	<u>81,308</u>	<u>72,764</u>	<u>79,410</u>	<u>63,013</u>	<u>64,957</u>
CONTRIBUTION EXCESS	<u>\$ (70,454)</u>	<u>\$ (15,843)</u>	<u>\$ (13,044)</u>	<u>\$ (30,793)</u>	<u>\$ (9,649)</u>	<u>\$ (9,366)</u>
COVERED PAYROLL	<u>\$ 961,494</u>	<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 PAYROLL	<u>17.00%</u>	<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, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	10 Years
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 SIX FISCAL YEARS**

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	<u>2019</u>	<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>20.59%</u>	<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 THE NET NON-UNIFORMED EMPLOYEES'**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST SIX FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>TOTAL PENSION LIABILITY</b>						
Interest	\$ 151,560	\$ 162,956	\$ 164,144	\$ 155,548	\$ 151,866	\$ 146,061
Differences between expected and actual experience	(138,861)	-	(22,325)	-	(30,794)	-
Changes of assumptions	-	-	7,114	-	323,943	-
Benefit payments, including refunds of member contributions	<u>(30,374)</u>	<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	(17,675)	(180,456)	130,104	139,295	262,761	137,397
Total pension liability, beginning	<u>2,319,190</u>	<u>2,499,646</u>	<u>2,369,542</u>	<u>2,230,247</u>	<u>1,967,486</u>	<u>1,830,089</u>
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<u>\$ 2,301,515</u>	<u>\$ 2,319,190</u>	<u>\$ 2,499,646</u>	<u>\$ 2,369,542</u>	<u>\$ 2,230,247</u>	<u>\$ 1,967,486</u>
<b>PLAN FIDUCIARY NET POSITION</b>						
Net investment income	\$ 521,788	\$ (175,777)	\$ 431,723	\$ 187,198	\$ (25,974)	\$ 106,960
Benefit payments, including refunds of member contributions	(30,374)	(343,412)	(18,829)	(16,253)	(182,254)	(8,664)
Administrative expense	<u>(9,300)</u>	<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	482,114	(523,989)	404,044	166,095	(216,203)	94,721
Plan fiduciary net position, beginning	<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>	<u>2,642,483</u>
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<u>\$ 3,049,266</u>	<u>\$ 2,567,152</u>	<u>\$ 3,091,141</u>	<u>\$ 2,687,097</u>	<u>\$ 2,521,002</u>	<u>\$ 2,737,204</u>
<b>NET PENSION ASSET, ENDING (a)-(b)</b>	<u>\$ (747,751)</u>	<u>\$ (247,962)</u>	<u>\$ (591,495)</u>	<u>\$ (317,555)</u>	<u>\$ (290,755)</u>	<u>\$ (769,718)</u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<u>132.5%</u>	<u>110.7%</u>	<u>123.7%</u>	<u>113.4%</u>	<u>113.0%</u>	<u>139.1%</u>
<b>COVERED PAYROLL</b>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<u>N/A</u>	<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 SIX FISCAL YEARS**

Schedule of Township Contributions

	2019	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	N/A

**NOTES TO SCHEDULE**

Valuation date: January 1, 2019

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 SIX FISCAL YEARS**

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	<u>2019</u>	<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>20.52%</u>	<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, 2019**

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	State Liquid Fuels Highway Aid Fund	Road Improvements Fund	Total Other Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,148	\$ 911,724	\$ 912,872
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 305,342	\$ 305,342
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>FUND BALANCES</b>			
Restricted for			
Road improvements	\$ -	\$ 606,382	\$ 606,382
Other projects	1,148	-	1,148
TOTAL FUND BALANCES	<u>1,148</u>	<u>606,382</u>	<u>607,530</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,148</u>	<u>\$ 911,724</u>	<u>\$ 912,872</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, 2019

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	State Liquid Fuels Highway Aid Fund	Road Improvements Fund	Total Other Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
REVENUES			
Intergovernmental	\$ 565,007	\$ 257,084	\$ 822,091
Investment earnings	11,854	10,183	22,037
TOTAL REVENUES	<u>576,861</u>	<u>267,267</u>	<u>844,128</u>
EXPENDITURES			
Current			
Highways and streets	<u>577,484</u>	<u>749,331</u>	<u>1,326,815</u>
NET CHANGE IN FUND BALANCES	(623)	(482,064)	(482,687)
FUND BALANCES AT BEGINNING OF YEAR	<u>1,771</u>	<u>1,088,446</u>	<u>1,090,217</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,148</u>	<u>\$ 606,382</u>	<u>\$ 607,530</u>

See accompanying notes to the basic financial statements.