

EAST GOSHEN TOWNSHIP

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2020

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FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

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, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2020, 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.

Emphasis of Matter

As discussed in Note K, 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 7 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 schedule of expenditures of federal awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), are presented for purposes of additional analysis and is not a required part of the 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 schedule of expenditures of federal awards and 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 schedule of expenditures of federal awards and the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2021, on our consideration of East Goshen Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Goshen Township's internal control over financial reporting and compliance.

Maillie LLP

West Chester, Pennsylvania
March 23, 2021

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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, 2020. 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 2020 are compliant with GASB 34.
- The net position of the Township at the close of the 2020 fiscal year was \$34,940,417. Because retroactive reporting of general infrastructure assets is not required for the Township as a Phase 3 government under GASB 34 requirements, capital assets include only general infrastructure assets acquired from 2004 forward.
- The total net position of the governmental activities (General, Bond Fund, Capital Reserve, Road Improvements and State Liquid Fuels (Highway Aid) Funds) is \$27,783,600. The comparable total as of December 31, 2019, was \$25,032,059.
- The net position of the business-type activities (Refuse, Sewer Revenue, Sewer Capital Reserve and Municipal Authority Funds) is \$7,156,817. The unrestricted net position for the business-type activities as of December 31, 2020, is \$5,075,670 while \$2,081,147 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 through 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's fiscal year 2020 financial statements. The Township's fiscal year 2020 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, 2020

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, 2020

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, 2020

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 \$34,940,417 and \$31,436,651 at the close of December 31, 2020 and 2019, respectively. This represents an increase of \$3,503,766, or 11.1%, over the total net position of \$31,436,651 as of the close of fiscal year 2019.

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, \$609,378 at December 31, 2020 and \$607,530 at 2019, 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, 2020, \$19,962,880 or 57.1%, is unrestricted and may be used to meet the Township's ongoing obligations to citizens and creditors and to fund future capital asset replacement needs compared to \$19,335,551 or 61.5% at December 31, 2019.

EAST GOSHEN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

Statement of Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Current and other assets	\$ 20,060,326	\$ 4,240,888	\$ 24,301,214
Capital assets	15,971,514	13,258,061	29,229,575
TOTAL ASSETS	<u>36,031,840</u>	<u>17,498,949</u>	<u>53,530,789</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	<u>114,229</u>	<u>-</u>	<u>114,229</u>
LIABILITIES			
Other liabilities	956,809	716,517	1,673,326
Long-term liabilities	6,708,790	9,625,615	16,334,405
TOTAL LIABILITIES	<u>7,665,599</u>	<u>10,342,132</u>	<u>18,007,731</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	<u>696,870</u>	<u>-</u>	<u>696,870</u>
NET POSITION			
Net investment in capital assets	12,287,012	2,081,147	14,368,159
Restricted	609,378	-	609,378
Unrestricted	14,887,210	5,075,670	19,962,880
TOTAL NET POSITION	<u>\$ 27,783,600</u>	<u>\$ 7,156,817</u>	<u>\$ 34,940,417</u>

The Township's Statement of Activities shows how the net position changed during the fiscal year 2020. 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 increases by \$3,503,766 from January 1, 2020; of this amount, \$2,751,541 was an increase from governmental activities (General, Bond, Capital Reserve, Road Improvements and State Liquid Fuels (Highway Aid) Funds) and \$752,225 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).

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 (\$764,819), and it decreases the fund balances from January 1, 2020 to December 31, 2020. The total fund balances at December 31, 2020, are \$17,290,552.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

The reconciliation on page 23 explains how the Township arrived at the \$2,751,541 increase in net position of the governmental activities from the Governmental Funds given the decrease in fund balances of \$764,819. Most of the change is due to the repayment of debt in the amount of \$488,000, which reduces long-term liabilities in the Statement of Net Position and the amount of \$2,786,100 by which capital outlays exceed depreciation in the current period.

The *General Fund* reflects an increase of \$177,202 in fund balance for the year. The fund balance at December 31, 2020, is \$8,308,976.

The *Bond Fund* reflects a decrease of \$537,591 in fund balance for the year. The fund balance at December 31, 2020, is \$3,154,080.

The *Capital Reserve Fund* reflects a decrease of \$406,278 in fund balance for the year. 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 fund balance at December 31, 2020, is \$5,218,118.

The *State Liquid Fuels Highway Aid Fund* reflects a decrease of \$1,107 in fund balance for the year. The fund balance at December 31, 2020, is \$41.

The *Road Improvements Fund* reflects an increase in its fund balance of \$2,955. The fund balance at December 31, 2020, is \$609,337.

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

Expenses - Governmental Funds

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
General government	\$ 1,585,652	\$ 1,630,448	\$ (44,796)
Public safety	4,913,396	4,778,906	134,490
Health and welfare	-	6,000	(6,000)
Sanitation	134,393	86,893	47,500
Highways and streets	1,927,419	2,735,962	(808,543)
Culture and recreation	598,965	806,621	(207,656)
Conservation and development	665	4,844	(4,179)
Principal and interest on long-term debt	678,480	926,672	(248,192)
Capital outlay and miscellaneous	<u>3,860,777</u>	<u>3,781,084</u>	<u>79,693</u>
	<u>\$ 13,699,747</u>	<u>\$ 14,757,430</u>	<u>\$ (1,057,683)</u>

Expenses in Governmental Funds decreased by \$1,057,683, or 7.2%, between the years 2019 and 2020, due to a greater number of large one-time expenses in 2019 than in 2020.

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 2020 were \$12,844,872.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2020

The percent of these revenues by source was as follows:

	2020 Revenues by Source	2020 % of Total	2019 Revenues by Source	2019 % of Total
Taxes	\$ 8,186,762	63.8%	\$ 8,259,223	73.1%
Fees, licenses and permits	442,473	3.4%	459,700	4.1%
Fines and forfeits	54,741	0.4%	63,695	0.6%
Interest and rents	350,532	2.7%	568,265	5.0%
Intergovernmental	3,259,779	25.4%	1,327,455	11.8%
Charges for services	393,228	3.1%	455,198	4.0%
Miscellaneous	157,357	1.2%	156,712	1.4%
	<u>\$ 12,844,872</u>	<u>100.0%</u>	<u>\$ 11,290,248</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 \$752,225 (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 \$752,225 increase in net position was an increase of \$782,176 for 2020, as compared to an increase of \$865,558 for 2019.

Sewer Revenue Fund Statements of Revenues, Expenses and Changes in Net Position 2020 Comparison to 2019

	2020	2019
OPERATING REVENUES	\$ 2,744,101	\$ 2,650,809
OPERATING EXPENSES	<u>2,697,365</u>	<u>2,471,933</u>
OPERATING INCOME	46,736	178,876
NONOPERATING REVENUES, net		
Interest income, less interest expenses	<u>(69,409)</u>	<u>(61,837)</u>
INCOME BEFORE INTERFUND TRANSFERS	(22,673)	117,039
INTERFUND TRANSFERS	<u>804,849</u>	<u>748,519</u>
CHANGE IN NET POSITION	<u>\$ 782,176</u>	<u>\$ 865,558</u>

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

Quarterly sewage usage charges billed to residential and commercial customers were changed from flat rate to metered billing in the second quarter of 2010. The rates changed in July 2020 from a variable rate of \$8.42/thousand gallons and \$33.74 fixed/quarter to a variable rate of \$9.13/thousand gallons and \$32.41 fixed/quarter.

The *Refuse Fund's* net position was a decrease of \$90,492 for 2020 due to higher costs for processing recycled materials. The Refuse Fund's net position decreased by \$52,875 in 2019.

Refuse Fund Statements of Revenues, Expenses and Changes in Net Position 2020 Comparison to 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES	\$ 1,023,162	\$ 956,129
OPERATING EXPENSES	<u>1,125,597</u>	<u>1,105,350</u>
OPERATING LOSS	(102,435)	(149,221)
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus miscellaneous revenue	<u>11,943</u>	<u>96,346</u>
CHANGE IN NET POSITION	<u>\$ (90,492)</u>	<u>\$ (52,875)</u>

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

The *Municipal Authority* experienced an increase in net position of \$148,001 for the year 2020. The Municipal Authority's net position increased by \$49,792 for the year 2019.

Municipal Authority Statements of Revenues, Expenses and Changes in Net Position 2020 Comparison to 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES	\$ 780,282	\$ 781,102
OPERATING EXPENSES	<u>113,663</u>	<u>95,397</u>
OPERATING INCOME	666,619	685,705
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus tapping fees	<u>161,884</u>	<u>38,132</u>
INCOME BEFORE INTERFUND TRANSFERS	828,503	723,837
INTERFUND TRANSFERS	<u>(680,502)</u>	<u>(674,045)</u>
CHANGE IN NET POSITION	<u>\$ 148,001</u>	<u>\$ 49,792</u>

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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 \$356,941.

Total tax revenues were under budget by \$25,371. Real estate property tax collections were under budget by \$1,328 or about 0.1%. Earned Income Tax was under budget by \$44,278 of about 0.9%, due to lower than expected wage growth. Real Estate Transfer Tax was over budget by \$39,080 or about 6.0% due to continued strong demand for commercial and residential properties. Local Services Tax was under budget by \$18,845 or about 5.5%.

Fees, licenses and permits were under budget by \$21,386 or 4.6%.

Fines and forfeits were under budget by \$3,259. The majority of this amount was collections from the County for fines collected from township residents for District Court violations, as well as fines for vehicle violations.

Intergovernmental revenues were \$2,518 over budget due to higher than expected state pension aid.

Charges for services were under budget by \$55,543.

Interest earnings and rents were \$37,933 under budget due to a lower interest rate environment.

Firefighter reimbursement was over budget by \$79,583. This line item is a pass-through revenue.

Miscellaneous revenues were over budget by \$97,490 from insurance proceeds and dividends.

Transfers to the General Fund from other Township funds was under budget by \$393,040.

The approved General Fund budget included a Transfer from Fund Balance of \$461,561. There was no transfer needed in 2020. However, this line item is not used during the accounting year.

Expenses

General Fund expenses were under budget by \$389,960 for 2020.

General government expenditures (administration, finance, tax collection, legal and municipal building costs accounted for under general government) were over budget by \$89,304, due to improvements to the municipal building.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

Public safety (police, fire and codes expenses) and health and welfare ran \$202,229 over budget due to costs associated with Police arbitration award.

Health and welfare was under budget by \$6,000.

Public works - sanitation was over budget by \$37,410 due to performing more than expected sewer work in 2020. Note that these costs are charged back quarterly to the Sewer Fund.

Public works - highways and streets was under budget by \$398,267 for 2020, due to the reduction in paving program.

Culture and recreation was under budget by \$277,133, due to cancellation of programs as a result of COVID-19.

Community development (conservation and development) costs were \$6,822 under budget due the impacts of COVID-19.

Debt Service was \$2 over budget.

Insurance premiums were under budget by \$7,891.

Employee benefits costs were under budget by \$22,792, 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, 2020, were \$29,229,575. This includes land, buildings and improvements, furniture and equipment, automobiles and trucks, land improvements and infrastructure. Infrastructure includes roads, bridges, storm water and sewer lines and traffic signals.

Long-Term Debt

At the end of the fiscal year, the Township had total long-term debt outstanding of \$17,464,405. 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.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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 posed less than anticipated challenges to the Township. Real Estate Transfer Tax revenues were higher than expected. Earned Income Tax receipts were down less than 1%. Real Estate Property Tax was virtually not impacted. On the expense side, we incurred additional costs for cleaning/disinfecting. In addition, costs were realized due to establishing work at home provisions. The Business Park district represents approximately 10% of the Township's Earned Income Tax. We are actively investigating the anticipated negative impact on Earned Income and Local Services Tax due to non-resident employees working from home.

Next Year's Budget

The 2021 budget was adopted with a deficit of \$151,860 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 2021 budget. The Township conducts an annual long-range planning session to develop a 5-year projection.

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, 2020

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 17,120,979	\$ 3,787,090	\$ 20,908,069
Receivables, net	1,821,690	453,581	2,275,271
Prepaid expenses	72,598	217	72,815
Net pension asset	1,045,059	-	1,045,059
Capital assets not being depreciated	4,107,888	305,299	4,413,187
Capital assets being depreciated, net	11,863,626	12,952,762	24,816,388
TOTAL ASSETS	<u>36,031,840</u>	<u>17,498,949</u>	<u>53,530,789</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	<u>114,229</u>	<u>-</u>	<u>114,229</u>
LIABILITIES			
Accounts payable and accrued expenses	414,138	70,748	484,886
Accrued interest	35,671	22,769	58,440
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	507,000	623,000	1,130,000
Portion due or payable after one year			
Compensated absences	377,208	-	377,208
Bonds and notes payable	6,331,582	9,625,615	15,957,197
TOTAL LIABILITIES	<u>7,665,599</u>	<u>10,342,132</u>	<u>18,007,731</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	<u>696,870</u>	<u>-</u>	<u>696,870</u>
NET POSITION			
Net investment in capital assets	12,287,012	2,081,147	14,368,159
Restricted for			
Road improvements	609,337	-	609,337
Other projects	41	-	41
Unrestricted	<u>14,887,210</u>	<u>5,075,670</u>	<u>19,962,880</u>
TOTAL NET POSITION	<u>\$ 27,783,600</u>	<u>\$ 7,156,817</u>	<u>\$ 34,940,417</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES			
General government	\$ 1,601,823	\$ 28,291	\$ -
Public safety	5,775,351	278,220	379,932
Public works			
Sanitation	289,206	-	-
Highways and streets	1,794,123	6,566	551,495
Culture and recreation	559,193	92,996	2,315,747
Conservation and development	1,946	26,258	-
Interest on long-term debt	203,243	-	-
TOTAL GOVERNMENTAL ACTIVITIES	10,224,885	432,331	3,247,174
BUSINESS-TYPE ACTIVITIES			
Refuse	1,125,597	1,023,162	-
Sewer	3,181,478	3,533,371	152,890
TOTAL BUSINESS-TYPE ACTIVITIES	4,307,075	4,556,533	152,890
TOTAL TOWNSHIP ACTIVITIES	\$ 14,531,960	\$ 4,988,864	\$ 3,400,064

GENERAL REVENUES

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

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Totals
\$ -	\$ (1,573,532)	\$ -	\$ (1,573,532)
-	(5,117,199)	-	(5,117,199)
-	(289,206)	-	(289,206)
-	(1,236,062)	-	(1,236,062)
-	1,849,550	-	1,849,550
-	24,312	-	24,312
-	(203,243)	-	(203,243)
-	(6,545,380)	-	(6,545,380)
-	-	(102,435)	(102,435)
-	-	504,783	504,783
-	-	402,348	402,348
\$ -	(6,545,380)	402,348	(6,143,032)
	2,040,378	-	2,040,378
	735,820	-	735,820
	5,133,833	-	5,133,833
	327,805	-	327,805
	436,422	-	436,422
	8,108	-	8,108
	6,051	-	6,051
	54,741	-	54,741
	198,250	43,958	242,208
	55,723	-	55,723
	299,790	305,919	605,709
	9,296,921	349,877	9,646,798
	2,751,541	752,225	3,503,766
	25,032,059	6,404,592	31,436,651
	\$ 27,783,600	\$ 7,156,817	\$ 34,940,417

EAST GOSHEN TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 8,307,060	\$ 3,184,623	\$ 5,019,918	\$ 609,378	\$ 17,120,979
Taxes receivable, net	1,420,072	-	-	-	1,420,072
Other receivables	-	-	401,618	-	401,618
Prepaid expenses	72,598	-	-	-	72,598
TOTAL ASSETS	\$ 9,799,730	\$ 3,184,623	\$ 5,421,536	\$ 609,378	\$ 19,015,267
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 115,609	\$ 30,543	\$ 203,418	\$ -	\$ 349,570
Accrued salaries and benefits	64,568	-	-	-	64,568
TOTAL LIABILITIES	180,177	30,543	203,418	-	414,138
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues					
Earned income taxes	1,305,736	-	-	-	1,305,736
Real estate taxes	4,841	-	-	-	4,841
TOTAL DEFERRED INFLOWS OF RESOURCES	1,310,577	-	-	-	1,310,577
FUND BALANCES					
Nonspendable, prepaid expenses	72,598	-	-	-	72,598
Restricted					
Capital projects	-	3,154,080	-	-	3,154,080
Road improvements	-	-	-	609,337	609,337
Other projects	-	-	-	41	41
Assigned					
Capital projects	-	-	5,218,118	-	5,218,118
Operating reserve	2,468,151	-	-	-	2,468,151
Unassigned	5,768,227	-	-	-	5,768,227
TOTAL FUND BALANCES	8,308,976	3,154,080	5,218,118	609,378	17,290,552
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,799,730	\$ 3,184,623	\$ 5,421,536	\$ 609,378	\$ 19,015,267

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, 2020

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 17,290,552

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

Historical treasures	24,267
Construction in progress	4,083,621
Infrastructure	3,899,609
Vehicles	2,638,437
Buildings and improvements	10,987,491
Machinery, equipment and furniture	3,647,966
Accumulated depreciation	(9,309,877)

Pension assets resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds. 1,045,059

Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds. (582,641)

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

Compensated absences	(377,208)
Bonds and notes payable	(6,803,778)
Accrued interest	(35,671)
Unamortized bond premium	(34,804)

Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded as receivables or are deferred in the funds. 1,310,577

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 27,783,600

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, 2020

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Capital Reserve Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes					
Real estate	\$ 2,041,451	\$ -	\$ -	\$ -	\$ 2,041,451
Real estate transfer	735,820	-	-	-	735,820
Local services tax	327,805	-	-	-	327,805
Earned income	5,081,686	-	-	-	5,081,686
Fees, licenses and permits	442,473	-	-	-	442,473
Fines and forfeits	54,741	-	-	-	54,741
Intergovernmental	392,537	-	2,315,747	551,495	3,259,779
Charges for services	393,228	-	-	-	393,228
Interest and rents	246,007	21,011	75,583	7,931	350,532
Miscellaneous	156,854	-	503	-	157,357
TOTAL REVENUES	<u>9,872,602</u>	<u>21,011</u>	<u>2,391,833</u>	<u>559,426</u>	<u>12,844,872</u>
EXPENDITURES					
Current					
General government	1,585,652	-	-	-	1,585,652
Public safety	4,913,396	-	-	-	4,913,396
Public works					
Sanitation	134,393	-	-	-	134,393
Highways and streets	1,369,841	-	-	557,578	1,927,419
Culture and recreation	598,965	-	-	-	598,965
Conservation and development	665	-	-	-	665
Debt service					
Principal	488,000	-	-	-	488,000
Interest and other charges	190,480	-	-	-	190,480
Capital outlay	-	558,602	3,302,175	-	3,860,777
TOTAL EXPENDITURES	<u>9,281,392</u>	<u>558,602</u>	<u>3,302,175</u>	<u>557,578</u>	<u>13,699,747</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>591,210</u>	<u>(537,591)</u>	<u>(910,342)</u>	<u>1,848</u>	<u>(854,875)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	414,008	-	414,008
Transfers out	(414,008)	-	-	-	(414,008)
Proceeds from sale of assets	-	-	90,056	-	90,056
TOTAL OTHER FINANCING SOURCES (USES)	<u>(414,008)</u>	<u>-</u>	<u>504,064</u>	<u>-</u>	<u>90,056</u>
NET CHANGE IN FUND BALANCES	177,202	(537,591)	(406,278)	1,848	(764,819)
FUND BALANCES AT BEGINNING OF YEAR	<u>8,131,774</u>	<u>3,691,671</u>	<u>5,624,396</u>	<u>607,530</u>	<u>18,055,371</u>
FUND BALANCES AT END OF YEAR	<u>\$ 8,308,976</u>	<u>\$ 3,154,080</u>	<u>\$ 5,218,118</u>	<u>\$ 609,378</u>	<u>\$ 17,290,552</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, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (764,819)
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.	2,786,100
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position.	(34,333)
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.	264,694
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Real estate taxes	(1,073)
Earned income taxes	52,147
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.	(146)
Repayment of note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	488,000
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>(41,123)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 2,751,541</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 530,141	\$ 1,000,248	\$ 2,250,329	\$ 6,372	\$ 3,787,090
Receivables, net	35,553	265,138	-	152,890	453,581
Prepaid expenses	80	137	-	-	217
TOTAL CURRENT ASSETS	565,774	1,265,523	2,250,329	159,262	4,240,888
NONCURRENT ASSETS					
Due from other funds	-	-	-	7,645,000	7,645,000
Capital assets					
Construction in progress	-	305,299	-	-	305,299
Sewer treatment plant and improvements	-	16,895,730	-	-	16,895,730
Accumulated depreciation	-	(3,942,968)	-	-	(3,942,968)
TOTAL CAPITAL ASSETS, net of accumulated depreciation	-	13,258,061	-	-	13,258,061
TOTAL NONCURRENT ASSETS	-	13,258,061	-	7,645,000	20,903,061
TOTAL ASSETS	\$ 565,774	\$ 14,523,584	\$ 2,250,329	\$ 7,804,262	\$ 25,143,949
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts payable	\$ 22,735	\$ 47,947	\$ -	\$ 66	\$ 70,748
Accrued interest	-	17,996	-	4,773	22,769
Bonds and notes payable, current	-	120,000	-	503,000	623,000
TOTAL CURRENT LIABILITIES	22,735	185,943	-	507,839	716,517
NONCURRENT LIABILITIES					
Due to other funds	-	7,645,000	-	-	7,645,000
Bonds and notes payable	-	2,483,615	-	7,142,000	9,625,615
TOTAL NONCURRENT LIABILITIES	-	10,128,615	-	7,142,000	17,270,615
TOTAL LIABILITIES	22,735	10,314,558	-	7,649,839	17,987,132
NET POSITION					
Net investment in capital assets	-	3,009,446	-	-	3,009,446
Unrestricted	543,039	1,199,580	2,250,329	154,423	4,147,371
TOTAL NET POSITION	543,039	4,209,026	2,250,329	154,423	7,156,817
TOTAL LIABILITIES AND NET POSITION	\$ 565,774	\$ 14,523,584	\$ 2,250,329	\$ 7,804,262	\$ 25,143,949

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, 2020

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
OPERATING REVENUES					
Charges for services	\$ 1,023,162	\$ 3,524,383	\$ -	\$ -	\$ 4,547,545
Lease rentals, net	-	(780,282)	-	780,282	-
TOTAL OPERATING REVENUES	<u>1,023,162</u>	<u>2,744,101</u>	<u>-</u>	<u>780,282</u>	<u>4,547,545</u>
OPERATING EXPENSES					
Operations	1,125,597	2,230,039	-	113,663	3,469,299
Depreciation	-	467,326	-	-	467,326
TOTAL OPERATING EXPENSES	<u>1,125,597</u>	<u>2,697,365</u>	<u>-</u>	<u>113,663</u>	<u>3,936,625</u>
OPERATING INCOME (LOSS)	<u>(102,435)</u>	<u>46,736</u>	<u>-</u>	<u>666,619</u>	<u>610,920</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	2,306	4,759	36,887	6	43,958
Miscellaneous Revenue	9,637	-	-	-	9,637
Grant revenue	-	-	-	152,890	152,890
Tapping fees	-	-	-	8,988	8,988
Interest expense	-	(75,288)	-	-	(75,288)
Amortization of bond premium	-	1,120	-	-	1,120
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>11,943</u>	<u>(69,409)</u>	<u>36,887</u>	<u>161,884</u>	<u>141,305</u>
INCOME (LOSS) BEFORE TRANSFERS	(90,492)	(22,673)	36,887	828,503	752,225
TRANSFERS IN	-	1,047,815	187,533	367,313	1,602,661
TRANSFERS OUT	<u>-</u>	<u>(242,966)</u>	<u>(311,880)</u>	<u>(1,047,815)</u>	<u>(1,602,661)</u>
CHANGE IN NET POSITION	(90,492)	782,176	(87,460)	148,001	752,225
NET POSITION AT BEGINNING OF YEAR	<u>633,531</u>	<u>3,426,850</u>	<u>2,337,789</u>	<u>6,422</u>	<u>6,404,592</u>
NET POSITION AT END OF YEAR	<u>\$ 543,039</u>	<u>\$ 4,209,026</u>	<u>\$ 2,250,329</u>	<u>\$ 154,423</u>	<u>\$ 7,156,817</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Revenue Fund	Sewer Capital Reserve Fund	Municipal Authority	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,015,800	\$ 3,469,381	\$ -	\$ -	\$ 4,485,181
Lease rental payments	-	(780,282)	-	780,282	-
Payments to suppliers	(1,126,796)	(2,231,791)	-	(130,203)	(3,488,790)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(110,996)	457,308	-	650,079	996,391
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net investment in lease	-	-	-	483,697	483,697
Operating grants	-	-	-	3,231	3,231
Transfers from other funds	-	1,047,815	187,533	367,313	1,602,661
Transfers to other funds	-	(242,966)	(311,880)	(1,047,815)	(1,602,661)
Due to (from) other funds	-	(484,000)	-	-	(484,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	320,849	(124,347)	(193,574)	2,928
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Tapping fees received	-	-	-	8,988	8,988
Principal payments on debt	-	(120,000)	-	(484,000)	(604,000)
Interest paid	-	(75,288)	-	-	(75,288)
Acquisition, construction and improvements of capital capital assets	-	(563,815)	-	-	(563,815)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(759,103)	-	(475,012)	(1,234,115)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	2,306	4,759	36,887	6	43,958
Miscellaneous Revenue	9,637	-	-	-	9,637
Net sales of investments	-	-	1,217,000	-	1,217,000
NET CASH PROVIDED BY INVESTING ACTIVITIES	11,943	4,759	1,253,887	6	1,270,595
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(99,053)	23,813	1,129,540	(18,501)	1,035,799
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
	629,194	976,435	1,120,789	24,873	2,751,291
CASH AND CASH EQUIVALENTS AT END OF YEAR					
	\$ 530,141	\$ 1,000,248	\$ 2,250,329	\$ 6,372	\$ 3,787,090
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (102,435)	\$ 46,736	\$ -	\$ 666,619	\$ 610,920
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	-	467,326	-	-	467,326
(Increase) decrease in					
Accounts receivable	(7,362)	(55,002)	-	-	(62,364)
Prepaid expenses	(16)	3,985	-	995	4,964
Increase (decrease) in					
Accounts payable	(1,183)	(4,636)	-	(17,535)	(23,354)
Accrued interest	-	(1,101)	-	-	(1,101)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (110,996)	\$ 457,308	\$ -	\$ 650,079	\$ 996,391

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	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	
ASSETS					
Cash and cash equivalents	\$ 78,524	\$ 108,668	\$ 32,805	\$ 40,016	\$ 260,013
Receivables					
Employee contributions	4,564	-	-	-	4,564
Employer Contribution	1,800	-	-	-	1,800
State aid from Non-Uniformed Plan	10,855	-	-	-	10,855
Prepaid pension payment	-	2,871	-	-	2,871
Investments					
Bond funds	640,224	875,606	451,102	301,161	2,268,093
Equity funds	1,692,712	2,475,334	824,700	821,472	5,814,218
TOTAL ASSETS	\$ 2,428,679	\$ 3,462,479	\$ 1,308,607	\$ 1,162,649	\$ 8,362,414
LIABILITIES AND NET POSITION					
LIABILITIES					
Excess employee contributions due to General Fund	\$ 25	\$ -	\$ -	\$ -	\$ 25
Transfer of state aid to Fireman Pension Plan	-	-	10,855	-	10,855
TOTAL LIABILITIES	25	-	10,855	-	10,880
NET POSITION					
Held in trust for pension benefits	2,428,654	3,462,479	1,297,752	1,162,649	8,351,534
TOTAL LIABILITIES AND NET POSITION	\$ 2,428,679	\$ 3,462,479	\$ 1,308,607	\$ 1,162,649	\$ 8,362,414

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	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	
ADDITIONS					
Contributions					
Employer	\$ 46,000	\$ -	\$ -	\$ -	\$ 46,000
Employee	39,701	-	-	-	39,701
State	128,287	-	112,980	-	241,267
TOTAL CONTRIBUTIONS	<u>213,988</u>	<u>-</u>	<u>112,980</u>	<u>-</u>	<u>326,968</u>
Investment income					
Net appreciation in fair value of investments	293,594	405,849	152,054	148,130	999,627
Interest and dividends	43,110	63,134	23,389	23,102	152,735
TOTAL INVESTMENT INCOME	<u>336,704</u>	<u>468,983</u>	<u>175,443</u>	<u>171,232</u>	<u>1,152,362</u>
Investment expense	(10,595)	(15,918)	(5,756)	(6,039)	(38,308)
INVESTMENT INCOME, net	<u>326,109</u>	<u>453,065</u>	<u>169,687</u>	<u>165,193</u>	<u>1,114,054</u>
TOTAL ADDITIONS	<u>540,097</u>	<u>453,065</u>	<u>282,667</u>	<u>165,193</u>	<u>1,441,022</u>
DEDUCTIONS					
Pension payments	54,763	34,452	-	-	89,215
Administrative expenses	4,500	5,400	4,100	-	14,000
Lump sum distributions	-	-	11,764	-	11,764
Transfer to WEGO Police Commission	-	-	-	151,579	151,579
TOTAL DEDUCTIONS	<u>59,263</u>	<u>39,852</u>	<u>15,864</u>	<u>151,579</u>	<u>266,558</u>
CHANGE IN NET POSITION	<u>480,834</u>	<u>413,213</u>	<u>266,803</u>	<u>13,614</u>	<u>1,174,464</u>
NET POSITION AT BEGINNING OF YEAR	<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>
NET POSITION AT END OF YEAR	<u>\$ 2,428,654</u>	<u>\$ 3,462,479</u>	<u>\$ 1,297,752</u>	<u>\$ 1,162,649</u>	<u>\$ 8,351,534</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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, 2020

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, Non-Uniformed Pension and Non-Uniformed Defined Contribution 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, 2020

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, 2020

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

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, 2020

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, 2020, the allowance for uncollectible sewer and refuse accounts receivable are \$45,501 and \$10,628, respectively.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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, 2020, 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, 2020

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, 2020, \$750,000 of the Township's bank balance of \$21,115,313 was covered under FDIC insurance. Of the remaining \$20,365,313, \$7,305,728 was exposed to custodial credit risk, which is collateralized as described, and \$13,059,585 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, 2020

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2020, 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
Bond funds	\$ -	\$ 2,268,093	\$ -	\$ 343,351	\$ 1,924,742
Equity funds	-	5,814,218	5,814,218	-	-
	<u>\$ -</u>	<u>\$ 8,082,311</u>	<u>\$ 5,814,218</u>	<u>\$ 343,351</u>	<u>\$ 1,924,742</u>

A portion of the Township's investments is in the PLGIT program, of which are funds similar to a money market fund. All investor deposits are in a portfolio of securities, which held by a third party custodian in accordance with GASB requirements. With respect *PLGIT*, *PLGIT/ARM*, and *PLGIT/PRIME* portfolios, assets are marked to market daily and there are stated limits on the weighted average maturity of the portfolios. The Trust Investment Advisor performs a net asset calculation regularly on the portfolio of securities. The result of this calculation is a per share value which is rounded to the nearest penny. Although the Trust seeks to maintain the net asset value per share of the PLGIT, PLGIT/ARM, and PLGIT/PRIME portfolios at \$1.00 per share, there can be no guarantee that the net asset values will not vary from this price.

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, 2020

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	\$ 341,208	AAA
Bond mutual funds	1,129,890	A
Bond mutual funds	453,644	BBB
Bond mutual funds	343,351	B
Equity funds	<u>5,814,218</u>	Not Rated
	<u>\$ 8,082,311</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, 2020, 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, 2020.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE C - RECEIVABLES

Receivables in the government-wide financial statements are comprised of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
RECEIVABLES			
Earned income tax	\$ 1,330,925	\$ -	\$ 1,330,925
Local services tax	1,747	-	1,747
Real estate taxes	87,400	-	87,400
Other receivables	401,618	3,231	404,849
Sewer and refuse charges	-	450,350	450,350
	<u>\$ 1,821,690</u>	<u>\$ 453,581</u>	<u>\$ 2,275,271</u>

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2020, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Municipal Authority	Sewer Revenue Fund	\$ <u>7,645,000</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, 2020, 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	\$ -	\$ 414,008	\$ -	\$ -	\$ -	\$ 414,008
Capital Reserve Fund	-	-	-	187,533	-	187,533
Municipal Authority	-	-	1,047,815	-	-	1,047,815
Sewer Capital Reserve Fund	-	-	-	-	311,880	311,880
Sewer Revenue Fund	-	-	-	-	55,433	55,433
	<u>\$ -</u>	<u>\$ 414,008</u>	<u>\$ 1,047,815</u>	<u>\$ 187,533</u>	<u>\$ 367,313</u>	<u>\$ 2,016,669</u>

The general fund makes interfund transfers to the capital reserve fund for future capital outlay. The Sewer Revenue Fund and 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 and Sewer Capital Reserve Fund for purchases of fixed assets and to satisfy debt service payments.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE E - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Historical treasures	\$ 24,267	\$ -	\$ -	\$ 24,267
Construction in progress	2,255,318	2,513,757	(685,454)	4,083,621
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>2,279,585</u>	<u>2,513,757</u>	<u>(685,454)</u>	<u>4,107,888</u>
Capital assets being depreciated				
Infrastructure	2,845,632	1,090,040	(36,063)	3,899,609
Vehicles	2,280,778	452,912	(95,253)	2,638,437
Buildings and improvements	10,939,306	67,867	(19,682)	10,987,491
Machinery, equipment and furniture	3,527,351	248,714	(128,099)	3,647,966
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>19,593,067</u>	<u>1,859,533</u>	<u>(279,097)</u>	<u>21,173,503</u>
Accumulated depreciation				
Infrastructure	(677,422)	(97,644)	3,238	(771,828)
Vehicles	(1,853,723)	(155,399)	95,253	(1,913,869)
Buildings and improvements	(3,967,392)	(448,637)	18,174	(4,397,855)
Machinery, equipment and furniture	(2,154,368)	(200,056)	128,099	(2,226,325)
TOTAL ACCUMULATED DEPRECIATION	<u>(8,652,905)</u>	<u>(901,736)</u>	<u>244,764</u>	<u>(9,309,877)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>10,940,162</u>	<u>957,797</u>	<u>(34,333)</u>	<u>11,863,626</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>13,219,747</u>	<u>3,471,554</u>	<u>(719,787)</u>	<u>15,971,514</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	397,009	-	(91,710)	305,299
Capital assets being depreciated				
Sewer treatment plant and improvements	16,240,205	655,525	-	16,895,730
Accumulated depreciation	(3,475,642)	(467,326)	-	(3,942,968)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>12,764,563</u>	<u>188,199</u>	<u>-</u>	<u>12,952,762</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>13,161,572</u>	<u>188,199</u>	<u>(91,710)</u>	<u>13,258,061</u>
CAPITAL ASSETS, net	<u>\$ 26,381,319</u>	<u>\$ 3,659,753</u>	<u>\$ (811,497)</u>	<u>\$ 29,229,575</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE E - CAPITAL ASSETS (Continued)

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

General government	\$ 122,224
Public safety	392,062
Public works, sanitation	138,078
Public works, highway	188,388
Culture and recreation	60,572
Conservation and development	<u>412</u>
	<u>\$ 901,736</u>

NOTE F - GENERAL LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds and notes					
Series A of 2000	\$ 47,000	\$ -	\$ (23,000)	\$ 24,000	\$ 24,000
Series A of 2003	1,462,000	-	(345,000)	1,117,000	358,000
Westtown Township	482,778	-	(115,000)	367,778	120,000
Series of 2017	<u>5,300,000</u>	<u>-</u>	<u>(5,000)</u>	<u>5,295,000</u>	<u>5,000</u>
TOTAL BONDS AND NOTES	7,291,778	-	(488,000)	6,803,778	507,000
Unamortized bond premium	36,898	-	(2,094)	34,804	-
Compensated absences	<u>336,085</u>	<u>41,123</u>	<u>-</u>	<u>377,208</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>7,664,761</u>	<u>41,123</u>	<u>(490,094)</u>	<u>7,215,790</u>	<u>507,000</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and notes					
Series of 2008	6,221,000	-	(374,000)	5,847,000	389,000
Series of 2013	1,908,000	-	(110,000)	1,798,000	114,000
Series of 2017	<u>2,705,000</u>	<u>-</u>	<u>(120,000)</u>	<u>2,585,000</u>	<u>120,000</u>
TOTAL BONDS AND NOTES	10,834,000	-	(604,000)	10,230,000	623,000
Unamortized bond premium	<u>19,735</u>	<u>-</u>	<u>(1,120)</u>	<u>18,615</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>10,853,735</u>	<u>-</u>	<u>(605,120)</u>	<u>10,248,615</u>	<u>623,000</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 18,518,496</u>	<u>\$ 41,123</u>	<u>\$ (1,095,214)</u>	<u>\$ 17,464,405</u>	<u>\$ 1,130,000</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	\$ 24,000
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	1,117,000
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)	367,778
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	5,847,000
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	1,798,000
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%	2,585,000
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>5,295,000</u>
	<u>\$ 17,033,778</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020, was \$586,808. Interest costs incurred for the year ended December 31, 2020, were \$190,480 in the General Fund. This includes \$215,238 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 \$371,570. Total interest capitalized on the Sewer Revenue Fund was \$296,282.

Debt Service Requirements

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	1,049,000	393,198	1,442,198
2026 to 2030	5,753,000	1,462,690	7,215,690
2031 to 2035	4,488,000	507,658	4,995,658
2036 to 2037	1,260,000	38,580	1,298,580
	<u>\$ 17,033,778</u>	<u>\$ 4,352,150</u>	<u>\$ 21,385,928</u>

Swap Agreements

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

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE F - GENERAL LONG-TERM DEBT (Continued)

At December 31, 2020, the market value of the Township's interest rate swap agreements for fixed rate loans was \$1,411,126 and \$1,443,479 for the DVRFA bonds. As of December 31, 2020, the DVRFA would have received a payment of nearly \$110 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, 2020.

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, 2020, 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, 2020

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 2020.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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>
Domestic Equities	45.50%	4.63%
International Equities	24.50%	6.01%
Fixed income	27.00%	0.68%
Cash	3.00%	-0.38%
	<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, 2020, 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, 2020, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 16.04%. 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, 2020

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, 2020, were as follows:

Total pension liability	\$ 2,419,111
Plan fiduciary net position	<u>2,428,654</u>
NET PENSION ASSET	<u>\$ (9,543)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>100.4%</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, 2020

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a) - (b)
BALANCE AT DECEMBER 31, 2019	\$ 2,187,612	\$ 1,947,820	\$ 239,792
Changes for the year			
Service cost	126,211	-	126,211
Interest	160,051	-	160,051
Contributions			
Employer	-	46,000	(46,000)
State aid	-	128,287	(128,287)
Member	-	39,701	(39,701)
Net investment income	-	326,109	(326,109)
Benefit payments	(54,763)	(54,763)	-
Administrative expense	-	(4,500)	4,500
BALANCE AT DECEMBER 31, 2020	<u>\$ 2,419,111</u>	<u>\$ 2,428,654</u>	<u>\$ (9,543)</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%)
Net pension (asset) liability	<u>\$ 325,946</u>	<u>\$ (9,543)</u>	<u>\$ (289,283)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2020, the municipality recognized a pension expense of \$43,722. At December 31, 2020, 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
Differences between expected and actual experience	\$ -	\$ 83,023
Changes in assumptions	11,764	-
Net difference between projected and actual earnings on pension plan investments	-	213,752
	<u>\$ 11,764</u>	<u>\$ 296,775</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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>	
2021	\$ (70,035)
2022	(48,286)
2023	(89,841)
2024	(48,110)
2025	(10,630)
Thereafter	<u>(18,109)</u>
	<u>\$ (285,011)</u>

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, 2020, 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>29</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, 2020

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 2020.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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>
Domestic Equities	45.50%	4.63%
International Equities	24.50%	6.01%
Fixed income	27.00%	0.68%
Cash	3.00%	-0.38%
	<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, 2020, 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, 2020, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 14.93%. 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, 2020

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, 2020, were as follows:

Total pension liability	\$ 2,426,963
Plan fiduciary net position	<u>3,462,479</u>
NET PENSION ASSET	<u>\$ (1,035,516)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>142.7%</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, 2020

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

Changes in Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
BALANCE AT DECEMBER 31, 2019	\$ 2,301,515	\$ 3,049,266	\$ (747,751)
Changes for the year			
Interest	159,900	-	159,900
Net investment income	-	453,065	(453,065)
Benefit payments	(34,452)	(34,452)	-
Administrative expense	-	(5,400)	5,400
	<u> </u>	<u> </u>	<u> </u>
BALANCE AT DECEMBER 31, 2020	\$ <u>2,426,963</u>	\$ <u>3,462,479</u>	\$ <u>(1,035,516)</u>

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
	<u> </u>	<u> </u>	<u> </u>
Net pension (asset) liability	\$ <u>(764,352)</u>	\$ <u>(1,035,516)</u>	\$ <u>(1,263,339)</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020, the Township recognized pension expense of (\$134,129). At December 31, 2020, 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	\$ -	\$ 104,268
Changes in assumptions	102,465	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>295,827</u>
	<u>\$ 102,465</u>	<u>\$ 400,095</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>	
2021	\$ (85,081)
2022	(36,163)
2023	<u>(124,018)</u>
	<u>\$ (297,630)</u>

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 2020, 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, 2020

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 2020, the Township's share of these costs was \$3,938,457.

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, 2020, the Township's unpaid principal obligation was \$367,778.

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, 2020

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 - RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a pandemic, which has impacted the global economy. The Township's operations are heavily dependent on tax collections, federal funding and state funding. The COVID-19 pandemic is still on-going and the duration and extent of the related financial impact on the Township's net position and statement of activities is uncertain and cannot be reasonably estimated at this time.

NOTE L - RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements in order to conform to the current year presentation. The reclassifications had no effect on previously reported changes in net position or net position.

REQUIRED SUPPLEMENTARY INFORMATION

EAST GOSHEN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
RESOURCES (INFLOWS)				
Taxes				
Real estate	\$ 2,042,779	\$ 2,042,779	\$ 2,041,451	\$ (1,328)
Real estate transfer	650,000	650,000	689,080	39,080
Local services tax	345,000	345,000	326,155	(18,845)
Earned income	5,130,800	5,130,800	5,086,522	(44,278)
Fees, licenses and permits	463,859	463,859	442,473	(21,386)
Fines and forfeits	58,000	58,000	54,741	(3,259)
Intergovernmental	390,019	390,019	392,537	2,518
Charges for services	448,771	448,771	393,228	(55,543)
Interest and rents	283,940	283,940	246,007	(37,933)
Paid firefighter reimbursement	1,765,345	1,765,345	1,844,928	79,583
Spray irrigation loan revenue	24,758	24,758	24,758	-
Miscellaneous	113,253	113,253	210,743	97,490
Transfers	1,428,214	1,428,214	1,035,174	(393,040)
AMOUNT AVAILABLE FOR APPROPRIATION	<u>13,144,738</u>	<u>13,144,738</u>	<u>12,787,797</u>	<u>(356,941)</u>
CHANGES TO APPROPRIATIONS (OUTFLOWS)				
Current				
General government	1,378,429	1,378,429	1,467,733	(89,304)
Public safety	6,489,626	6,489,626	6,691,855	(202,229)
Health and welfare	6,000	6,000	-	6,000
Public works				
Sanitation	152,794	152,794	190,204	(37,410)
Highways and streets	2,410,519	2,410,519	2,012,252	398,267
Culture and recreation	883,485	883,485	606,352	277,133
Conservation and development	8,310	8,310	1,488	6,822
Debt service				
Principal	487,999	487,999	488,000	(1)
Interest and other charges	215,237	215,237	215,238	(1)
Insurance premiums	417,250	417,250	409,359	7,891
Employee benefits	655,089	655,089	632,297	22,792
TOTAL CHANGES TO APPROPRIATIONS (OUTFLOWS)	<u>13,104,738</u>	<u>13,104,738</u>	<u>12,714,778</u>	<u>389,960</u>
DEFICIENCY OF RESOURCES (INFLOWS) OVER CHANGES TO APPROPRIATIONS (OUTFLOWS)	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 73,019</u>	<u>\$ 33,019</u>

See accompanying note to the budgetary comparison schedule.

EAST GOSHEN TOWNSHIP

BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)

GENERAL FUND

YEAR ENDED DECEMBER 31, 2020

**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	\$ 73,019
Differences - budget to GAAP	
Net effect of change in accruals of revenues	
Real estate transfer tax	46,740
Local services tax	1,650
Earned income tax	(4,836)
Miscellaneous	(53,889)
Net effect of change in accruals of expenditures	
General government	17,242
Public safety	60,776
Public works	
Sanitation	1,257
Highways and streets	803
Culture and recreation	13,161
Insurance	21,978
Employee benefits	(699)
	<hr/>
CHANGE IN FUND BALANCE AS REPORTED ON THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS	\$ <u>177,202</u>

See accompanying note to the budgetary comparison schedule.

EAST GOSHEN TOWNSHIP

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2020

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 SEVEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service cost	\$ 126,211	\$ 120,201	\$ 57,597	\$ 54,854	\$ 52,558	\$ 50,055	\$ 49,337
Interest	160,051	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	(54,763)	(39,365)	(17,807)	(17,807)	(17,807)	(17,807)	(6,727)
NET CHANGE IN TOTAL PENSION LIABILITY	231,499	668,785	139,735	108,632	118,448	50,089	114,918
Total pension liability, beginning	2,187,612	1,518,827	1,379,092	1,270,460	1,152,012	1,101,923	987,004
TOTAL PENSION LIABILITY, ENDING (a)	\$ 2,419,111	\$ 2,187,612	\$ 1,518,827	\$ 1,379,092	\$ 1,270,460	\$ 1,152,012	\$ 1,101,922
PLAN FIDUCIARY NET POSITION							
Contributions							
Employer	\$ 46,000	\$ 46,000	\$ -	\$ -	\$ -	\$ -	\$ -
State aid	128,287	117,434	74,136	72,764	79,410	63,013	64,957
Member	39,701	35,013	16,478	12,697	11,281	10,858	10,984
Net investment income	326,109	314,826	(100,700)	197,512	72,041	(23,145)	37,095
Benefit payments, including refunds of member contributions	(54,763)	(39,365)	(17,807)	(17,807)	(17,807)	(17,807)	(6,727)
Administrative expense	(4,500)	(7,900)	(4,200)	(7,500)	(4,300)	(6,600)	(2,975)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	480,834	466,008	(32,093)	257,666	140,625	26,319	103,334
Plan fiduciary net position, beginning	1,947,820	1,481,812	1,513,905	1,256,239	1,115,614	1,089,295	985,961
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 2,428,654	\$ 1,947,820	\$ 1,481,812	\$ 1,513,905	\$ 1,256,239	\$ 1,115,614	\$ 1,089,295
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	\$ (9,543)	\$ 239,792	\$ 37,015	\$ (134,813)	\$ 14,221	\$ 36,398	\$ 12,627
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	100.4%	89.0%	97.6%	109.8%	98.9%	96.8%	98.9%
COVERED PAYROLL	\$ 1,040,000	\$ 961,494	\$ 666,056	\$ 700,000	\$ 570,000	\$ 555,812	\$ 587,288
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	-0.9%	24.9%	5.6%	-19.3%	2.5%	6.5%	2.2%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 161,056	\$ 92,980	\$ 65,465	\$ 59,720	\$ 48,617	\$ 53,364	\$ 55,591
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>174,287</u>	<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>\$ (13,231)</u>	<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>\$ 1,040,000</u>	<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>16.76%</u>	<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 SEVEN FISCAL YEARS

	<u>2020</u>	<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>16.04%</u>	<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 SEVEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Interest	\$ 159,900	\$ 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	(34,452)	(30,374)	(343,412)	(18,829)	(16,253)	(182,254)	(8,664)
NET CHANGE IN TOTAL PENSION LIABILITY	125,448	(17,675)	(180,456)	130,104	139,295	262,761	137,397
Total pension liability, beginning	2,301,515	2,319,190	2,499,646	2,369,542	2,230,247	1,967,486	1,830,089
TOTAL PENSION LIABILITY, ENDING (a)	\$ 2,426,963	\$ 2,301,515	\$ 2,319,190	\$ 2,499,646	\$ 2,369,542	\$ 2,230,247	\$ 1,967,486
PLAN FIDUCIARY NET POSITION							
Net investment income	\$ 453,065	\$ 521,788	\$ (175,777)	\$ 431,723	\$ 187,198	\$ (25,974)	\$ 106,960
Benefit payments, including refunds of member contributions	(34,452)	(30,374)	(343,412)	(18,829)	(16,253)	(182,254)	(8,664)
Administrative expense	(5,400)	(9,300)	(4,800)	(8,850)	(4,850)	(7,975)	(3,575)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	413,213	482,114	(523,989)	404,044	166,095	(216,203)	94,721
Plan fiduciary net position, beginning	3,049,266	2,567,152	3,091,141	2,687,097	2,521,002	2,737,205	2,642,483
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 3,462,479	\$ 3,049,266	\$ 2,567,152	\$ 3,091,141	\$ 2,687,097	\$ 2,521,002	\$ 2,737,204
NET PENSION ASSET, ENDING (a)-(b)	\$ (1,035,516)	\$ (747,751)	\$ (247,962)	\$ (591,495)	\$ (317,555)	\$ (290,755)	\$ (769,718)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	142.7%	132.5%	110.7%	123.7%	113.4%	113.0%	139.1%
COVERED PAYROLL	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

Schedule of Township Contributions

	2020	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	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 SEVEN FISCAL YEARS

	<u>2020</u>	<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>14.93%</u>	<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, 2020

	State Liquid Fuels Highway Aid Fund	Road Improvements Fund	Total Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 41	\$ 609,337	\$ 609,378
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Restricted for			
Road improvements	\$ -	\$ 609,337	\$ 609,337
Other projects	41	-	41
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	\$ 41	\$ 609,337	\$ 609,378
	<u> </u>	<u> </u>	<u> </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, 2020

	State Liquid Fuels Highway Aid Fund	Road Improvements Fund	Total Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Intergovernmental	\$ 551,495	\$ -	\$ 551,495
Investment earnings	4,976	2,955	7,931
TOTAL REVENUES	<u>556,471</u>	<u>2,955</u>	<u>559,426</u>
EXPENDITURES			
Current			
Highways and streets	<u>557,578</u>	<u>-</u>	<u>557,578</u>
NET CHANGE IN FUND BALANCES	(1,107)	2,955	1,848
FUND BALANCES AT BEGINNING OF YEAR	<u>1,148</u>	<u>606,382</u>	<u>607,530</u>
FUND BALANCES AT END OF YEAR	<u>\$ 41</u>	<u>\$ 609,337</u>	<u>\$ 609,378</u>

See accompanying notes to the basic financial statements.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of East Goshen Township for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise East Goshen Township's basic financial statements, and have issued our report thereon dated March 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Goshen Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Goshen Township's internal control. Accordingly, we do not express an opinion on the effectiveness of East Goshen Township's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Goshen Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maillie LLP

West Chester, Pennsylvania
March 23, 2021

Independent Auditors' Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited East Goshen Township's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of East Goshen Township's major federal programs for the year ended December 31, 2020. East Goshen Township's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of East Goshen Township's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Goshen Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of East Goshen Township's compliance.

Opinion on Each Major Federal Program

In our opinion, East Goshen Township complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

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

Report on Internal Control Over Compliance

Management of East Goshen Township is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered East Goshen Township's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Goshen Township's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maillie LLP

West Chester, Pennsylvania
March 23, 2021

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

EAST GOSHEN TOWNSHIP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
PA DEPARTMENT OF TRANSPORTATION				
Highway Planning and Construction Cluster	20.205	R19060014	\$ <u>1,981,224</u>	\$ <u>-</u>
PA DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES				
Outdoor Recreation Acquisition, Development and Planning	15.916	LWCF 42-01597	<u>41,600</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,022,824</u>	<u>\$ -</u>

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See accompanying notes to the schedule of expenditure of federal awards.

EAST GOSHEN TOWNSHIP

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

DECEMBER 31, 2020

NOTE A - REPORTING ENTITY

East Goshen Township is the reporting entity for financial reporting purposes as defined in Note A of East Goshen Township's financial statements.

NOTE B - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of East Goshen Township under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of East Goshen Township, it is not intended to and does not present the financial position, change in net position, or cash flows of East Goshen Township.

NOTE C - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is a summary of the activity of the Township's federal award program presented using the accrual basis of accounting as described in the financial statements.

The Township has not elected to use the 10% de minimis indirect cost rate as discussed in 2 CFR 200.414(f).

EAST GOSHEN TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2020

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of East Goshen Township.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of East Goshen Township were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major award programs for East Goshen Township expresses an unmodified opinion.
6. There were no audit findings that are required to be reported in accordance with the Uniform Grant Guidance.
7. The programs tested as major programs include:

Program	CFDA
Highway Planning and Construction Cluster	20.205
8. The threshold used for distinguishing Types A and B programs was \$750,000.
9. East Goshen Township was determined not to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None