

EAST GOSHEN TOWNSHIP

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2021

INTRODUCTORY SECTION

EAST GOSHEN TOWNSHIP
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	4
Management's Discussion and Analysis (Unaudited)	7
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	18
Statement of Activities	19
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	20
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23
<i>Proprietary Funds</i>	
Statement of Net Position	24
Statement of Revenues, Expenses and Changes in Fund Net Position	25
Statement of Cash Flows	26
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	27
Statement of Changes in Fiduciary Net Position	28
Notes to the Basic Financial Statements	29

EAST GOSHEN TOWNSHIP
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021

	Page
Required Supplementary Information	
Budgetary Comparison Schedule (Budgetary Basis)	58
Note to the Budgetary Comparison Schedule	60
<i>Firemen’s Pension Plan</i>	
Schedule of Changes in the Net Firemen’s Pension Plan Liability and Related Ratios	61
Schedule of Firemen’s Pension Plan Contributions	62
Schedule of Firemen’s Pension Plan Investment Returns	63
<i>Non-Uniformed Pension Plan</i>	
Schedule of Changes in the Net Non-Uniformed Pension Plan Liability and Related Ratios	64
Schedule of Non-Uniformed Pension Plan Contributions	65
Schedule of Non-Uniformed Pension Plan Investment Returns	66
Supplementary Information Section	
<i>Other Governmental Funds</i>	
Combining Balance Sheet	67
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	68
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	69
Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance	71

EAST GOSHEN TOWNSHIP
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2021

	Page
Supplementary Information - Major Federal Award Programs Audit	
Schedule of Expenditures of Federal Awards	74
Notes to the Schedule of Expenditures of Federal Awards	75
Schedule of Findings and Questioned Costs	76

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2021, 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.

In our opinion, the accompanying financial statements 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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of East Goshen Township and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note K to the financial statements, the opening net position of the Municipal Authority proprietary fund and the business type activities have been restated to correct a misstatement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

East Goshen Township's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Goshen Township's ability to continue as a going concern for one year after the financial statement date.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 East Goshen Township's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Goshen Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management, 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.

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

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Goshen Township's basic financial statements. The Combining Balance Sheet, Combining schedule of revenues, expenditures and changes in fund balances, and 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 are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 April 29, 2022 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 solely 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 the effectiveness of internal control over financial reporting or on 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.



West Chester, Pennsylvania
April 29, 2022

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

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, 2021. 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 2021 are compliant with GASB 34.
- The net position of the Township at the close of the 2021 fiscal year was \$37,954,253. 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, COVID Relief, Road Improvements, Infrastructure and State Liquid Fuels (Highway Aid) Funds) is \$30,328,587. The comparable total as of December 31, 2020, was \$27,783,600.
- The net position of the business-type activities (Refuse, Sewer, Sewer Capital Reserve and Municipal Authority Funds) is \$7,625,666. The unrestricted net position for the business-type activities as of December 31, 2021, is \$4,015,739 while \$3,609,927 is invested in capital assets.
- The Township implemented a local real estate tax of 1.25 mills in fiscal year 2004. The local tax rate remained the same for 2005 through 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Township's fiscal year 2021 financial statements. The Township's fiscal year 2021 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, 2021

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, 2021

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 seven 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 seven Governmental Funds are the General Fund, the Bond Fund, the Road Improvements Fund, the Capital Reserve Fund, COVID Relief Fund, Infrastructure 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 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, 2021

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 \$37,954,253 and \$34,787,527 at the close of December 31, 2021 and 2020, respectively. This represents an increase of \$3,166,726, or 9.1%, over the total net position of \$34,787,527 as of the close of fiscal year 2020.

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, \$797,445 at December 31, 2021 and \$609,378 at 2020, represents resources that are subject to external restrictions on how they may be used. This is the net position of the Road Improvements Fund, Infrastructure Fund and the State Liquid Fuels (Highway Aid) Fund.

The majority of the Township's net position at December 31, 2021, \$20,141,053 or 53.1%, 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 \$19,962,880 or 57.1% at December 31, 2020.

EAST GOSHEN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Statement of Net Position

	2021			2020		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
ASSETS						
Current and other assets	\$ 22,005,904	\$ 4,129,761	\$ 26,135,665	\$ 20,060,326	\$ 4,087,998	\$ 24,148,324
Capital assets	16,957,232	13,234,422	30,191,654	15,971,514	13,258,061	29,229,575
TOTAL ASSETS	38,963,136	17,364,183	56,327,319	36,031,840	17,346,059	53,377,899
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources, pension activity	322,483	-	322,483	114,229	-	114,229
LIABILITIES						
Other liabilities	1,818,638	757,142	2,575,780	956,809	716,517	1,673,326
Long-term liabilities	6,229,017	8,981,375	15,210,392	6,708,790	9,625,615	16,334,405
TOTAL LIABILITIES	8,047,655	9,738,517	17,786,172	7,665,599	10,342,132	18,007,731
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources, pension activity	909,377	-	909,377	696,870	-	696,870
NET POSITION						
Net investment in capital assets	13,405,828	3,609,927	17,015,755	12,287,012	2,081,147	14,368,159
Restricted	797,445	-	797,445	609,378	-	609,378
Unrestricted	16,125,314	4,015,739	20,141,053	14,887,210	4,922,780	19,809,990
TOTAL NET POSITION	\$ 30,328,587	\$ 7,625,666	\$ 37,954,253	\$ 27,783,600	\$ 7,003,927	\$ 34,787,527

The Township's Statement of Activities shows how the net position changed during the fiscal year 2021. 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 increased by \$3,166,726 from January 1, 2021. Of this amount, \$2,544,987 was an increase from governmental activities (General, Bond, Capital Reserve, COVID Relief, Road Improvements, Infrastructure and State Liquid Fuels (Highway Aid) Funds) and \$621,739 was an increase from business-type activities (Refuse, Sewer, 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 \$718,973, and it increases the fund balances from January 1, 2021 to December 31, 2021. The total fund balances at December 31, 2021, are \$18,009,525.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

The reconciliation on page 23 explains how the Township arrived at the \$2,544,987 increase in net position of the governmental activities from the Governmental funds. Most of the change is due to the repayment of debt in the amount of \$504,184, which reduces long-term liabilities in the Statement of Net Position and the amount of \$1,009,055 by which capital outlays exceed depreciation in the current period.

The *General Fund* reflects an increase of \$438,322 in fund balance for the year. The fund balance at December 31, 2021, is \$8,747,298.

The *Bond Fund* reflects a decrease of \$373,180 in fund balance for the year. The fund balance at December 31, 2021, is \$2,780,900.

The *Capital Reserve Fund* reflects an increase of \$465,764 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, 2021, is \$5,683,882.

The *COVID Relief Fund* reflects an increase of \$44 in fund balance for the year. The fund balance at December 31, 2021, is \$44.

The *State Liquid Fuels Highway Aid Fund* reflects an increase of \$89 in fund balance for the year. The fund balance at December 31, 2021, is \$130.

The *Road Improvements Fund* reflects a decrease in its fund balance of \$151,124. The fund balance at December 31, 2021, is \$458,213.

The *Infrastructure Fund* reflects an increase of \$339,058 in fund balance for the year. The fund balance at December 31, 2021, is \$339,058.

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

Expenses - Governmental Funds

	2021	2020	Increase (Decrease)
General government	\$ 1,714,537	\$ 1,585,652	\$ 128,885
Public safety	4,859,410	4,913,396	(53,986)
Sanitation	138,539	134,393	4,146
Highways and streets	2,210,751	1,927,419	283,332
Culture and recreation	598,660	598,965	(305)
Conservation and development	921	665	256
Principal and interest on long-term debt	674,773	678,480	(3,707)
Capital outlay and miscellaneous	1,900,905	3,860,777	(1,959,872)
	<u>\$ 12,098,496</u>	<u>\$ 13,699,747</u>	<u>\$ (1,601,251)</u>

Expenses in Governmental Funds decreased by \$1,601,251, or 11.7%, between the years 2020 and 2021, due to a greater number of large one-time expenses in 2020 than in 2021. 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 2021 were \$12,740,369.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2021

The percent of these revenues by source was as follows:

	2021 Revenues by Source	2021 % of Total	2020 Revenues by Source	2020 % of Total
Taxes	\$ 9,152,804	71.9%	\$ 8,186,762	63.7%
Fees, licenses and permits	440,810	3.5%	442,473	3.4%
Fines and forfeits	45,121	0.4%	54,741	0.4%
Interest and rents	156,812	1.2%	350,532	2.7%
Intergovernmental	2,266,582	17.8%	3,259,779	25.4%
Charges for services	534,557	4.2%	393,228	3.1%
Miscellaneous	143,683	1.1%	157,357	1.2%
	<u>\$ 12,740,369</u>	<u>100.0%</u>	<u>\$ 12,844,872</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, Sewer Capital Reserve and Municipal Authority Funds) was \$621,739 (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 Fund's* share of the \$621,739 increase in net position was an increase of \$563,640 for 2021, as compared to an increase of \$782,176 for 2020.

Sewer Fund Statements of Revenues, Expenses and Changes in Net Position 2021 Comparison to 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES	\$ 2,831,715	\$ 2,744,101
OPERATING EXPENSES	<u>2,808,931</u>	<u>2,697,365</u>
OPERATING INCOME	22,784	46,736
NONOPERATING REVENUES, net		
Interest income, less interest expenses	<u>(68,845)</u>	<u>(69,409)</u>
INCOME BEFORE INTERFUND TRANSFERS	(46,061)	(22,673)
INTERFUND TRANSFERS	<u>609,701</u>	<u>804,849</u>
CHANGE IN NET POSITION	<u>\$ 563,640</u>	<u>\$ 782,176</u>

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Quarterly sewage usage charges billed to residential and commercial customers were changed from flat rate to metered billing rate in the second quarter of 2010. The rates changed in July 2021 from \$9.13/thousand gallons and \$32.41 fixed/quarter to \$9.70/thousand gallons and \$35.61 fixed/quarter.

The *Refuse Fund's* share of the increase in net position was a decrease of \$31,835 for 2021 due to lesser costs for processing recycled materials. The Refuse Fund's net position decreased by \$90,492 in 2020.

Refuse Fund Statements of Revenues, Expenses and Changes in Net Position ***2021 Comparison to 2020***

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES	\$ 1,027,030	\$ 1,023,162
OPERATING EXPENSES	<u>1,100,799</u>	<u>1,125,597</u>
OPERATING LOSS	(73,769)	(102,435)
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus miscellaneous revenue	<u>41,934</u>	<u>11,943</u>
CHANGE IN NET POSITION	<u>\$ (31,835)</u>	<u>\$ (90,492)</u>

The current refuse rate is \$75/quarter.

The *Municipal Authority* experienced a decrease in net position of \$20,889 for the year 2021. The Municipal Authority's net position increased by \$148,001 for the year 2020.

Municipal Authority Statements of Revenues, Expenses and Changes in Net Position ***2021 Comparison to 2020***

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES	\$ 780,791	\$ 780,282
OPERATING EXPENSES	<u>112,159</u>	<u>113,663</u>
OPERATING INCOME	668,632	666,619
NONOPERATING REVENUES, net		
Interest income, less interest expenses plus tapping fees	<u>30,588</u>	<u>161,884</u>
INCOME BEFORE INTERFUND TRANSFERS	699,220	828,503
INTERFUND TRANSFERS	<u>(720,109)</u>	<u>(680,502)</u>
CHANGE IN NET POSITION	<u>\$ (20,889)</u>	<u>\$ 148,001</u>

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED DECEMBER 31, 2021

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 greater than budgetary estimates by \$425,280.

Total tax revenues were over budget by \$1,058,326. Real estate property tax collections were under budget by \$4,060 or about 0.2%. Earned Income Tax was over budget by \$736,165 or about 14.7%, due to higher than expected collections of prior year and current year taxes. Real Estate Transfer Tax was over budget by \$288,967 or about 42.8% due to continued strong demand for commercial and residential properties. Local Services Tax was over budget by \$37,254 or about 11.8%.

Interest earnings were \$230,490 under budget due to a lower interest rate environment.

Rent was exactly on budget.

Miscellaneous revenues were over budget by \$59,372 from insurance proceeds and dividends.

Transfers to the General Fund from other Township funds was under budget by \$397,522, due to the General Fund not needing to transfer funds from its fund balance. The Township adopted its budget with an assumed annual deficit of \$151,860. Therefore, in order to achieve a balanced budget, a transfer from General Fund is included in the adopted budget. However, this line item is not used during the accounting year.

Expenses

General Fund expenses were over budget by \$212,136 for 2021.

General government expenditures were under budget by \$156,570 due to (administration, finance, management, consulting, auditing costs accounted for under general government) were under budget by \$37,767, due lower legal and engineering expenses.

Tax collection expenses were over budget by \$31,141 due to higher EIT commission proportional to the increase in EIT revenue.

Government building and plant expenses were over budget by \$45,314 due to new financial software purchased to be implemented in 2022.

EAST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Public safety (police and fire expenses) was \$225,816 under budget.

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

Public works - sanitation was over budget by \$60,080 due to performing more sewer and storm water projects, as well as repairs for storm damage. Note that these costs are charged back quarterly to the Sewer Fund.

Public works – highway and streets was over budget by \$250,699 for 2021, due to a worse winter season than expected.

Parks was under budget by \$60,941, due to lower maintenance and repair costs and the postponing of a project to start dredging and repairing a Township-owned pond.

Insurance premiums were over budget by \$88,062.

Employee benefits costs were under budget by \$41,176.

A projected positive full year 2021 net result allowed the Board to approve additional transfers from the General Fund to the Capital Reserve Fund, Infrastructure Sustainability Fund (started in 2021), and the Operating Reserve 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, 2021, were \$30,191,654. 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 \$15,906,594. 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, 2021

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 Coronavirus Pandemic did not impact the Township as heavily as the conservative budget assumed for 2021. Real Estate Transfer Tax revenues bounced back as sales increased due to pent-up demand. A housing market boom boosted prices in the area significantly. In addition, building permit fees increased with residents spending more time at home and limited travel options. Earned Income Tax receipts bounced back from 2020 as much of the workforce returned to offices and Keystone Collections initiated a focused campaign to collect prior year taxes outstanding. In addition, the Finance Department secured ARP (American Rescue Plan) funds for large, expensive Township projects in the coming years. Also, the Board directed the set-up of a new fund, the Infrastructure Sustainability Fund, to finance infrastructure costs for future maintenance and necessary projects. 2021 did have its challenges, however, as we experienced a steady inflation increase throughout the course of the year, impacting equipment and labor costs especially. Unfortunately the disruption to the supply chain, coupled with inflation, appears very likely to continue in 2022 and possibly beyond even if the Fed takes action as expected.

Next Year's Budget

The 2022 budget with \$0 net result was adopted with no payments from the unrestricted fund balance of the General Fund, the first time in a number of years. Revenues projected in the 2022 budget are more aggressive than in past years as strong EIT and Real Estate Transfer Tax collections are expected to continue. The challenge will be to reign in expenditures as costs rise with inflationary pressures. There are no increases in tax rates reflected in the 2022 budget.

REQUESTS FOR INFORMATION

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

EAST GOSHEN TOWNSHIP
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 18,050,436	\$ 3,888,711	\$ 21,939,147
Receivables, net	2,420,230	204,592	2,624,822
Prepaid expenses	180,485	36,458	216,943
Net pension asset	1,354,753	-	1,354,753
Capital assets not being depreciated	1,866,424	399,809	2,266,233
Capital assets being depreciated, net	15,090,808	12,834,613	27,925,421
TOTAL ASSETS	<u>38,963,136</u>	<u>17,364,183</u>	<u>56,327,319</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources, pension activity	<u>322,483</u>	<u>-</u>	<u>322,483</u>
LIABILITIES			
Accounts payable and accrued expenses	369,303	92,774	462,077
Accrued interest	35,621	21,248	56,869
Unearned revenue	914,620	-	914,620
Long-term liabilities			
Portion due or payable within one year			
Bonds and notes payable	499,094	643,120	1,142,214
Portion due or payable after one year			
Compensated absences	395,807	-	395,807
Bonds and notes payable	5,833,210	8,981,375	14,814,585
TOTAL LIABILITIES	<u>8,047,655</u>	<u>9,738,517</u>	<u>17,786,172</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources, pension activity	<u>909,377</u>	<u>-</u>	<u>909,377</u>
NET POSITION			
Net investment in capital assets	13,405,828	3,609,927	17,015,755
Restricted for			
Road improvements	458,213	-	458,213
Infrastructure projects	339,058	-	339,058
Other projects	174	-	174
Unrestricted	<u>16,125,314</u>	<u>4,015,739</u>	<u>20,141,053</u>
TOTAL NET POSITION	<u>\$ 30,328,587</u>	<u>\$ 7,625,666</u>	<u>\$ 37,954,253</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,819,747	\$ 39,881	\$ -	\$ 35,201
Public safety	5,447,970	351,539	361,546	-
Public works				
Sanitation	171,964	-	-	-
Highways and streets	2,058,342	10,134	510,994	-
Culture and recreation	634,419	152,645	1,346,409	-
Conservation and development	1,640	27,183	-	-
Interest on long-term debt	186,947	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	10,321,029	581,382	2,218,949	35,201
BUSINESS-TYPE ACTIVITIES				
Refuse	1,100,799	1,027,030	38,694	-
Sewer	3,268,559	3,643,091	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	4,369,358	4,670,121	38,694	-
TOTAL TOWNSHIP ACTIVITIES	\$ 14,690,387	\$ 5,251,503	\$ 2,257,643	\$ 35,201

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, RESTATED*

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Totals
\$ (1,744,665)	\$ -	\$ (1,744,665)
(4,734,885)	-	(4,734,885)
(171,964)	-	(171,964)
(1,537,214)	-	(1,537,214)
864,635	-	864,635
25,543	-	25,543
(186,947)	-	(186,947)
(7,485,497)	-	(7,485,497)
-	(35,075)	(35,075)
-	374,532	374,532
-	339,457	339,457
(7,485,497)	339,457	(7,146,040)
2,045,834	-	2,045,834
998,973	-	998,973
5,801,229	-	5,801,229
353,894	-	353,894
424,740	-	424,740
8,108	-	8,108
16,070	-	16,070
45,121	-	45,121
7,391	1,416	8,807
53,763	-	53,763
275,361	280,866	556,227
10,030,484	282,282	10,312,766
2,544,987	621,739	3,166,726
27,783,600	7,003,927 *	34,787,527
\$ 30,328,587	\$ 7,625,666	\$ 37,954,253

EAST GOSHEN TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	Bond Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,525,039	\$ 2,787,907	\$ 4,873,285	\$ 1,864,205	\$ 18,050,436
Taxes receivable, net	1,526,067	-	-	-	1,526,067
Other receivables	24,758	-	869,405	-	894,163
Prepaid expenses	180,485	-	-	-	180,485
TOTAL ASSETS	\$ 10,256,349	\$ 2,787,907	\$ 5,742,690	\$ 1,864,205	\$ 20,651,151
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 66,001	\$ 7,007	\$ 58,808	\$ 152,140	\$ 283,956
Accrued salaries and benefits	85,347	-	-	-	85,347
Unearned revenues	-	-	-	914,620	914,620
TOTAL LIABILITIES	151,348	7,007	58,808	1,066,760	1,283,923
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues					
Earned income taxes	1,353,418	-	-	-	1,353,418
Real estate taxes	4,285	-	-	-	4,285
TOTAL DEFERRED INFLOWS OF RESOURCES	1,357,703	-	-	-	1,357,703
FUND BALANCES					
Nonspendable, prepaid expenses	180,485	-	-	-	180,485
Restricted					
Capital projects	-	2,780,900	-	-	2,780,900
Road improvements	-	-	-	458,213	458,213
Infrastructure projects	-	-	-	339,058	339,058
Other projects	-	-	-	174	174
Assigned					
Capital projects	-	-	5,683,882	-	5,683,882
Operating reserve	2,710,938	-	-	-	2,710,938
Unassigned	5,855,875	-	-	-	5,855,875
TOTAL FUND BALANCES	8,747,298	2,780,900	5,683,882	797,445	18,009,525
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,256,349	\$ 2,787,907	\$ 5,742,690	\$ 1,864,205	\$ 20,651,151

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, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 18,009,525
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Historical treasures	24,267
Construction in progress	1,842,157
Infrastructure	7,923,944
Vehicles	2,548,437
Buildings and improvements	10,987,491
Machinery, equipment and furniture	3,812,358
Accumulated depreciation	(10,181,422)
<p>Pension assets resulting from contributions in excess of the annual required contribution are not financial resources and, therefore, are not reported in the funds.</p>	
	1,354,753
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the governmental funds.</p>	
	(586,894)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Compensated absences	(395,807)
Bonds and notes payable	(6,301,688)
Accrued interest	(35,621)
Unamortized bond premium	(30,616)
<p>Some of the Township's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded as receivables or are deferred in the funds.</p>	
	<u>1,357,703</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 30,328,587</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General Fund	Bond Fund	Capital Reserve Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes					
Real estate	\$ 2,041,549	\$ -	\$ -	\$ -	\$ 2,041,549
Real estate transfer	998,973	-	-	-	998,973
Local services tax	353,894	-	-	-	353,894
Earned income	5,758,388	-	-	-	5,758,388
Fees, licenses and permits	440,810	-	-	-	440,810
Fines and forfeits	45,121	-	-	-	45,121
Intergovernmental	373,582	-	1,346,409	546,591	2,266,582
Charges for services	534,557	-	-	-	534,557
Interest and rents	153,193	620	1,852	1,147	156,812
Miscellaneous	143,683	-	-	-	143,683
TOTAL REVENUES	10,843,750	620	1,348,261	547,738	12,740,369
EXPENDITURES					
Current					
General government	1,713,434	-	1,103	-	1,714,537
Public safety	4,859,410	-	-	-	4,859,410
Public works					
Sanitation	138,539	-	-	-	138,539
Highways and streets	1,547,223	-	-	663,528	2,210,751
Culture and recreation	598,660	-	-	-	598,660
Conservation and development	921	-	-	-	921
Debt service					
Principal	504,184	-	-	-	504,184
Interest and other charges	170,589	-	-	-	170,589
Capital outlay	-	373,800	1,491,904	35,201	1,900,905
TOTAL EXPENDITURES	9,532,960	373,800	1,493,007	698,729	12,098,496
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,310,790	(373,180)	(144,746)	(150,991)	641,873
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	533,410	339,058	872,468
Transfers out	(872,468)	-	-	-	(872,468)
Proceeds from sale of assets	-	-	77,100	-	77,100
TOTAL OTHER FINANCING SOURCES (USES)	(872,468)	-	610,510	339,058	77,100
NET CHANGE IN FUND BALANCES	438,322	(373,180)	465,764	188,067	718,973
FUND BALANCES AT BEGINNING OF YEAR	8,308,976	3,154,080	5,218,118	609,378	17,290,552
FUND BALANCES AT END OF YEAR	\$ 8,747,298	\$ 2,780,900	\$ 5,683,882	\$ 797,445	\$ 18,009,525

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, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 718,973

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period. 1,009,055

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins) is to decrease net position. (23,337)

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. 305,441

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Real estate taxes 4,285

Earned income taxes 42,841

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. 50

Repayment of note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. 504,184

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. (18,599)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,544,987

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Fund	Sewer Capital Reserve Fund	Municipal Authority	
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 494,811	\$ 1,021,128	\$ 2,361,152	\$ 11,620	\$ 3,888,711
Receivables, net	30,312	174,280	-	-	204,592
Prepaid expenses	107	36,351	-	-	36,458
TOTAL CURRENT ASSETS	525,230	1,231,759	2,361,152	11,620	4,129,761
NONCURRENT ASSETS					
Due from other funds	-	-	-	7,142,000	7,142,000
Capital assets					
Construction in progress	-	399,809	-	-	399,809
Sewer treatment plant and improvements	-	17,288,260	-	-	17,288,260
Accumulated depreciation	-	(4,453,647)	-	-	(4,453,647)
TOTAL CAPITAL ASSETS, net of accumulated depreciation	-	13,234,422	-	-	13,234,422
TOTAL NONCURRENT ASSETS	-	13,234,422	-	7,142,000	20,376,422
TOTAL ASSETS	\$ 525,230	\$ 14,466,181	\$ 2,361,152	\$ 7,153,620	\$ 24,506,183
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts payable	\$ 14,026	\$ 52,230	\$ -	\$ 26,518	\$ 92,774
Accrued interest	-	16,790	-	4,458	21,248
Bonds and notes payable, current	-	121,120	-	522,000	643,120
TOTAL CURRENT LIABILITIES	14,026	190,140	-	552,976	757,142
NONCURRENT LIABILITIES					
Due to other funds	-	7,142,000	-	-	7,142,000
Bonds and notes payable	-	2,361,375	-	6,620,000	8,981,375
TOTAL NONCURRENT LIABILITIES	-	9,503,375	-	6,620,000	16,123,375
TOTAL LIABILITIES	14,026	9,693,515	-	7,172,976	16,880,517
NET POSITION					
Net investment in capital assets	-	3,609,927	-	-	3,609,927
Unrestricted	511,204	1,162,739	2,361,152	(19,356)	4,015,739
TOTAL NET POSITION	511,204	4,772,666	2,361,152	(19,356)	7,625,666
TOTAL LIABILITIES AND NET POSITION	\$ 525,230	\$ 14,466,181	\$ 2,361,152	\$ 7,153,620	\$ 24,506,183

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, 2021

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Fund	Sewer Capital Reserve Fund	Municipal Authority	
OPERATING REVENUES					
Charges for services	\$ 1,027,030	\$ 3,612,506	\$ -	\$ -	\$ 4,639,536
Lease rentals, net	-	(780,791)	-	780,791	-
TOTAL OPERATING REVENUES	<u>1,027,030</u>	<u>2,831,715</u>	<u>-</u>	<u>780,791</u>	<u>4,639,536</u>
OPERATING EXPENSES					
Operations	1,100,799	2,298,252	415	112,159	3,511,625
Depreciation	-	510,679	-	-	510,679
TOTAL OPERATING EXPENSES	<u>1,100,799</u>	<u>2,808,931</u>	<u>415</u>	<u>112,159</u>	<u>4,022,304</u>
OPERATING INCOME (LOSS)	<u>(73,769)</u>	<u>22,784</u>	<u>(415)</u>	<u>668,632</u>	<u>617,232</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	165	418	830	3	1,416
Miscellaneous Revenue	3,075	-	-	-	3,075
Grant revenue	38,694	-	-	-	38,694
Tapping fees	-	-	-	30,585	30,585
Interest expense	-	(70,383)	-	-	(70,383)
Amortization of bond premium	-	1,120	-	-	1,120
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>41,934</u>	<u>(68,845)</u>	<u>830</u>	<u>30,588</u>	<u>4,507</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(31,835)</u>	<u>(46,061)</u>	<u>415</u>	<u>699,220</u>	<u>621,739</u>
TRANSFERS IN	-	990,039	290,000	269,930	1,549,969
TRANSFERS OUT	<u>-</u>	<u>(380,338)</u>	<u>(179,592)</u>	<u>(990,039)</u>	<u>(1,549,969)</u>
CHANGE IN NET POSITION	<u>(31,835)</u>	<u>563,640</u>	<u>110,823</u>	<u>(20,889)</u>	<u>621,739</u>
NET POSITION AT BEGINNING OF YEAR, RESTATED*	<u>543,039</u>	<u>4,209,026</u>	<u>2,250,329</u>	<u>1,533 *</u>	<u>7,003,927</u>
NET POSITION AT END OF YEAR	<u>\$ 511,204</u>	<u>\$ 4,772,666</u>	<u>\$ 2,361,152</u>	<u>\$ (19,356)</u>	<u>\$ 7,625,666</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Enterprise Funds				Total Proprietary Funds
	Refuse Fund	Sewer Fund	Sewer Capital Reserve Fund	Municipal Authority	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 1,032,271	\$ 3,703,364	\$ -	\$ -	\$ 4,735,635
Lease rental payments	-	(780,791)	-	780,791	-
Payments to suppliers	(1,109,535)	(2,331,389)	(415)	(85,707)	(3,527,046)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(77,264)	591,184	(415)	695,084	1,208,589
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Net investment in lease	-	-	-	502,685	502,685
Operating grants	38,694	-	-	-	38,694
Transfers from other funds	-	990,039	290,000	269,930	1,549,969
Transfers to other funds	-	(380,338)	(179,592)	(990,039)	(1,549,969)
Due to (from) other funds	-	(503,000)	-	-	(503,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	38,694	106,701	110,408	(217,424)	38,379
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Tapping fees received	-	-	-	30,585	30,585
Principal payments on debt	-	(120,000)	-	(503,000)	(623,000)
Interest paid	-	(70,383)	-	-	(70,383)
Acquisition, construction and improvements of capital assets	-	(487,040)	-	-	(487,040)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(677,423)	-	(472,415)	(1,149,838)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	165	418	830	3	1,416
Miscellaneous Revenue	3,075	-	-	-	3,075
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,240	418	830	3	4,491
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,330)	20,880	110,823	5,248	101,621
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	530,141	1,000,248	2,250,329	6,372	3,787,090
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 494,811	\$ 1,021,128	\$ 2,361,152	\$ 11,620	\$ 3,888,711
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (73,769)	\$ 22,784	\$ (415)	\$ 668,632	\$ 617,232
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	-	510,679	-	-	510,679
(Increase) decrease in					
Accounts receivable	5,241	90,858	-	-	96,099
Prepaid expenses	(27)	(36,214)	-	-	(36,241)
Increase (decrease) in					
Accounts payable	(8,709)	4,283	-	26,452	22,026
Accrued interest	-	(1,206)	-	-	(1,206)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (77,264)	\$ 591,184	\$ (415)	\$ 695,084	\$ 1,208,589

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	Pension Trust Funds			Private-Purpose Trust Fund	Total Fiduciary Funds
	Firemen's Pension Fund	Non-Uniformed Pension Fund	Non-Uniformed Defined Contribution Pension Fund	Police Pension Trust Fund	
ASSETS					
Cash and cash equivalents	\$ 95,960	\$ 111,981	\$ 50,727	\$ 41,340	\$ 300,008
Receivables					
Employee contributions	4,009	-	-	-	4,009
Prepaid pension payment	6,057	8,198	-	-	14,255
Transfer from defined contribution plan	-	24,717	(24,717)	-	-
Investments					
Bond funds	765,248	973,426	489,210	221,671	2,449,555
Equity funds	1,997,259	2,663,717	815,632	840,689	6,317,297
TOTAL ASSETS	\$ 2,868,533	\$ 3,782,039	\$ 1,330,852	\$ 1,103,700	\$ 9,085,124
NET POSITION					
Restricted for pension benefits	\$ 2,868,533	\$ 3,782,039	\$ 1,330,852	\$ 1,103,700	\$ 9,085,124

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Pension Trust Funds			Private-Purpose	Total
	Firemen's Pension Fund	Non-Uniformed Pension Fund	Non-Uniformed Defined Contribution Pension Fund	Trust Fund Police Pension Trust Fund	
ADDITIONS					
Contributions					
Employer	\$ 44,000	\$ -	\$ 16,120	\$ -	\$ 60,120
Employee	41,260	-	-	-	41,260
State	119,611	-	120,253	-	239,864
TOTAL CONTRIBUTIONS	<u>204,871</u>	<u>-</u>	<u>136,373</u>	<u>-</u>	<u>341,244</u>
Investment income					
Net appreciation in fair value of investments	266,367	377,565	112,943	127,792	884,667
Interest and dividends	55,803	76,675	28,191	25,025	185,694
TOTAL INVESTMENT INCOME	<u>322,170</u>	<u>454,240</u>	<u>141,134</u>	<u>152,817</u>	<u>1,070,361</u>
Investment expense	(13,948)	(19,678)	(7,058)	(6,717)	(47,401)
INVESTMENT INCOME, net	<u>308,222</u>	<u>434,562</u>	<u>134,076</u>	<u>146,100</u>	<u>1,022,960</u>
TOTAL ADDITIONS	<u>513,093</u>	<u>434,562</u>	<u>270,449</u>	<u>146,100</u>	<u>1,364,204</u>
DEDUCTIONS					
Pension payments	65,214	66,413	-	-	131,627
Administrative expenses	8,000	9,400	30,667	-	48,067
Lump sum distributions	-	39,189	206,682	-	245,871
Transfer to WEGO Police Commission	-	-	-	205,049	205,049
TOTAL DEDUCTIONS	<u>73,214</u>	<u>115,002</u>	<u>237,349</u>	<u>205,049</u>	<u>630,614</u>
CHANGE IN NET POSITION	<u>439,879</u>	<u>319,560</u>	<u>33,100</u>	<u>(58,949)</u>	<u>733,590</u>
NET POSITION AT BEGINNING 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>
NET POSITION AT END OF YEAR					
	<u>\$ 2,868,533</u>	<u>\$ 3,782,039</u>	<u>\$ 1,330,852</u>	<u>\$ 1,103,700</u>	<u>\$ 9,085,124</u>

See accompanying notes to the basic financial statements.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 Goshen Fire 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 unaudited 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, 2021

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. 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 unaudited 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*, *COVID Relief Fund* and *Infrastructure 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 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, 2021

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.

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, 2021

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 and no restrictions on withdrawal are considered cash equivalents.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021

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 March 31, followed by the flat period through May 31 and ends with the penalty period after May 31. The penalty is 10%. Any unpaid taxes at the end of the year are required to be lienied by January 15 with the county.

Receivables and Payables

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

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

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

Allowance for Uncollectible Accounts

The Township calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. As of December 31, 2021, the allowance for uncollectible sewer and refuse accounts receivable are \$34,500 and \$9,605, respectively.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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. The board did not delegate authority to an individual in 2021.
- ***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, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

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, 2021, 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, 2021

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, 2021, \$500,000 of the Township's bank balance of \$22,338,183 was covered under FDIC insurance. Of the remaining \$21,838,183, \$7,629,247 was exposed to custodial credit risk, which is collateralized as described, and \$14,208,936 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. Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized rating organization and is subject to an independent annual audit.

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.

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, 2021

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2021, the Township's pension plans held the following investments:

Investment Type	Amortized Cost	Fair Value	Investment Maturities		
			Less Than 1 Year	1 to 5 Years	6 to 10 Years
Fixed income mutual funds	\$ -	\$ 2,449,555	\$ -	\$ 1,116,941	\$ 1,332,614
Equity funds	-	6,317,297	6,317,297	-	-
	<u>\$ -</u>	<u>\$ 8,766,852</u>	<u>\$ 6,317,297</u>	<u>\$ 1,116,941</u>	<u>\$ 1,332,614</u>

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

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 fixed income mutual funds and equity funds 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.

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

INVESTMENT TYPE	Fair Value	Credit Quality
Fixed income mutual funds	\$ 2,449,555	B - AAA

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

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

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the pension 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, 2021, 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, 2021.

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	\$ 1,400,830	\$ -	\$ 1,400,830
Local services tax	3,387	-	3,387
Real estate taxes	121,850	-	121,850
Other receivables	894,163	3,231	897,394
Sewer and refuse charges	-	201,361	201,361
	<u>\$ 2,420,230</u>	<u>\$ 204,592</u>	<u>\$ 2,624,822</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE D - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivable and payable balances as of December 31, 2021, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Municipal Authority	Sewer Revenue Fund	\$ <u>7,142,000</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, 2021, are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>					<u>Totals</u>
	<u>Capital Reserve Fund</u>	<u>Sewer Revenue Fund</u>	<u>Sewer Capital Reserve Fund</u>	<u>Infrastructure Fund</u>	<u>Municipal Authority</u>	
General Fund	\$ 533,410	\$ -	\$ -	\$ 339,058	\$ -	\$ 872,468
Capital Reserve Fund	-	-	-	-	-	-
Municipal Authority	-	990,039	-	-	-	990,039
Sewer Capital Reserve Fund	-	-	-	-	179,592	179,592
Sewer Revenue Fund	-	-	290,000	-	90,338	380,338
	<u>\$ 533,410</u>	<u>\$ 990,039</u>	<u>\$ 290,000</u>	<u>\$ 339,058</u>	<u>\$ 269,930</u>	<u>\$ 2,422,437</u>

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

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Historical treasures	\$ 24,267	\$ -	\$ -	\$ 24,267
Construction in progress	4,083,621	1,153,591	(3,395,055)	1,842,157
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	4,107,888	1,153,591	(3,395,055)	1,866,424
Capital assets being depreciated				
Infrastructure	3,899,609	4,024,335	-	7,923,944
Vehicles	2,638,437	-	(90,000)	2,548,437
Buildings and improvements	10,987,491	-	-	10,987,491
Machinery, equipment and furniture	3,647,966	261,306	(96,914)	3,812,358
TOTAL CAPITAL ASSETS BEING DEPRECIATED	21,173,503	4,285,641	(186,914)	25,272,230
Accumulated depreciation				
Infrastructure	(771,828)	(168,937)	-	(940,765)
Vehicles	(1,913,869)	(184,030)	72,000	(2,025,899)
Buildings and improvements	(4,397,855)	(461,996)	-	(4,859,851)
Machinery, equipment and furniture	(2,226,325)	(220,159)	91,577	(2,354,907)
TOTAL ACCUMULATED DEPRECIATION	(9,309,877)	(1,035,122)	163,577	(10,181,422)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	11,863,626	3,250,519	(23,337)	15,090,808
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	15,971,514	4,404,110	(3,418,392)	16,957,232
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Construction in progress	305,299	94,510	-	399,809
Capital assets being depreciated				
Sewer treatment plant and improvements	16,895,730	392,530	-	17,288,260
Accumulated depreciation	(3,942,968)	(510,679)	-	(4,453,647)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	12,952,762	(118,149)	-	12,834,613
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	13,258,061	(23,639)	-	13,234,422
CAPITAL ASSETS, net	\$ 29,229,575	\$ 4,380,471	\$ (3,418,392)	\$ 30,191,654

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - CAPITAL ASSETS (Continued)

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

General government	\$ 165,450
Public safety	596,528
Public works, sanitation	29,872
Public works, highway	185,313
Culture and recreation	57,758
Conservation and development	<u>201</u>
	<u>\$ 1,035,122</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	\$ 24,000	\$ -	\$ (24,000)	\$ -	\$ -
Series A of 2003	1,117,000	-	(358,000)	759,000	372,000
Westtown Township	367,778	-	(117,184)	250,594	120,000
Series of 2017	<u>5,295,000</u>	<u>-</u>	<u>(5,000)</u>	<u>5,290,000</u>	<u>5,000</u>
TOTAL BONDS AND NOTES	6,803,778	-	(504,184)	6,299,594	497,000
Unamortized bond premium	34,804	-	(2,094)	32,710	2,094
Compensated absences	<u>377,208</u>	<u>18,599</u>	<u>-</u>	<u>395,807</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>7,215,790</u>	<u>18,599</u>	<u>(506,278)</u>	<u>6,728,111</u>	<u>499,094</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and notes					
Series of 2008	5,847,000	-	(389,000)	5,458,000	405,000
Series of 2013	1,798,000	-	(114,000)	1,684,000	117,000
Series of 2017	<u>2,585,000</u>	<u>-</u>	<u>(120,000)</u>	<u>2,465,000</u>	<u>120,000</u>
TOTAL BONDS AND NOTES	10,230,000	-	(623,000)	9,607,000	642,000
Unamortized bond premium	<u>18,615</u>	<u>-</u>	<u>(1,120)</u>	<u>17,495</u>	<u>1,120</u>
TOTAL BUSINESS- TYPE ACTIVITIES	<u>10,248,615</u>	<u>-</u>	<u>(624,120)</u>	<u>9,624,495</u>	<u>643,120</u>
TOTAL LONG-TERM LIABILITIES	<u>\$ 17,464,405</u>	<u>\$ 18,599</u>	<u>\$ (1,130,398)</u>	<u>\$ 16,352,606</u>	<u>\$ 1,142,214</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - GENERAL LONG-TERM DEBT (Continued)

Bonds and notes payable consisted of:

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	\$ 759,000
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)	250,594
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	5,458,000
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	1,684,000
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%	2,465,000
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>5,290,000</u>
	<u>\$ 15,906,594</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, was \$543,521. Interest costs incurred for the year ended December 31, 2021, were \$195,347 in the General Fund. Total interest expense charged to the Sewer Fund was \$348,174.

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>
2022	\$ 1,144,000	\$ 508,683	\$ 1,652,683
2023	1,194,594	467,823	1,662,417
2024	1,018,000	423,555	1,441,555
2025	1,049,000	393,198	1,442,198
2026	1,081,000	361,847	1,442,847
2026 to 2030	5,939,000	1,277,095	7,216,095
2031 to 2035	3,841,000	360,226	4,201,226
2036 to 2037	640,000	9,760	649,760
	<u>\$ 15,906,594</u>	<u>\$ 3,802,187</u>	<u>\$ 19,708,781</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, 2021

NOTE F - GENERAL LONG-TERM DEBT (Continued)

At December 31, 2021, the market value of the Township's interest rate swap agreements for fixed rate loans was \$(923,504) and \$858,731 for the DVRFA bonds. As of December 31, 2021, the DVRFA would have received a payment of nearly \$98 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, 2021.

NOTE G - EMPLOYEE RETIREMENT PLANS

Firemen's 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, 2021, membership consisted of:

Inactive plan members currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	1
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, 2021

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 required to contribute \$33,000 to the plan for the year 2021.

EAST GOSHEN TOWNSHIP
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2021

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	49.00%	4.40%
International Equities	21.00%	5.73%
Fixed income	27.00%	-1.22%
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, 2021, 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, 2021, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 12.63%. 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, 2021

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, 2021, were as follows:

Total pension liability	\$ 2,795,738
Plan fiduciary net position	<u>2,868,533</u>
NET PENSION ASSET	<u>\$ (72,795)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>102.6%</u>

Actuarial Assumptions - The total pension liability (asset) was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	5.00%
Investment rate of return	6.75%

Mortality rates were based on the PUBS-2010 Mortality projected 5 years past the valuation date using scale MP-2020.

Discount Rate - The discount rate used to measure the total pension liability (asset) was 6.75%. 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, 2021

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (asset) (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
BALANCE AT DECEMBER 31, 2020	\$ 2,419,111	\$ 2,428,654	\$ (9,543)
Changes for the year			
Service cost	147,236	-	147,236
Interest	178,841	-	178,841
Differences between expected and actual experience	(12,036)	-	(12,036)
Changes of assumptions	127,799	-	127,799
Contributions			
Employer	-	44,000	(44,000)
State aid	-	119,611	(119,611)
Member	-	41,260	(41,260)
Net investment income	-	308,221	(308,221)
Benefit payments	(65,213)	(65,213)	-
Administrative expense	-	(8,000)	8,000
	<u> </u>	<u> </u>	<u> </u>
BALANCE AT DECEMBER 31, 2021	\$ <u>2,795,738</u>	\$ <u>2,868,533</u>	\$ <u>(72,795)</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 6.75% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	<u> </u>	<u> </u>	<u> </u>
Net pension (asset) liability	\$ <u>321,083</u>	\$ <u>(72,795)</u>	\$ <u>(399,681)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2021, the municipality recognized a pension expense of \$39,700. At December 31, 2021, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 81,118
Changes in assumptions	125,196	-
Net difference between projected and actual earnings on pension plan investments	-	268,430
	<u> </u>	<u> </u>
	\$ <u>125,196</u>	\$ <u>349,548</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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>	
2022	\$ (65,751)
2023	(107,306)
2024	(65,575)
2025	(28,094)
2026	3,883
Thereafter	<u>38,491</u>
	<u>\$ (224,352)</u>

Non-Uniformed 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 January 1, 2021, the date of the last actuarial valuation:

Inactive plan members currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	24
Active plan members	<u>-</u>
TOTAL MEMBERSHIP	<u>30</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, 2021

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 2021.

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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	49.00%	4.40%
International Equities	21.00%	5.73%
Fixed income	27.00%	-1.22%
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, 2021, 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, 2021, the annual money-weighted rate of return on pension investments, net of pension plan investment expense, was 12.83%. 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, 2021

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, 2021, were as follows:

Total pension liability	\$ 2,500,081
Plan fiduciary net position	<u>3,782,039</u>
NET PENSION ASSET	<u>\$ (1,281,958)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>151.3%</u>

Actuarial Assumptions - The total pension asset was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	0.00%
Investment rate of return	6.75%

Mortality rates were based on the PUBS-2010 Mortality projected 5 years past the valuation date using scale MP-2020.

Discount Rate - The discount rate used to measure the total pension liability (asset) was 6.75%. 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, 2021

NOTE G - EMPLOYEE RETIREMENT PLANS (Continued)

Changes in Net Pension Liability (Asset)

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (asset) <u>(a) - (b)</u>
BALANCE AT DECEMBER 31, 2020	\$ 2,426,963	\$ 3,462,479	\$ (1,035,516)
Changes for the year			
Interest	161,423	-	161,423
Differences between expected and actual experience	(149,854)	-	(149,854)
Changes of assumptions	167,150	-	167,150
Contributions			
Employer	-	-	-
State aid	-	-	-
Member	-	-	-
Net investment income	-	434,561	(434,561)
Benefit payments	(105,601)	(105,601)	-
Administrative expense	-	(9,400)	9,400
BALANCE AT DECEMBER 31, 2021	<u>\$ 2,500,081</u>	<u>\$ 3,782,039</u>	<u>\$ (1,281,958)</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 6.75% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	1% Decrease <u>(5.75%)</u>	Current Discount Rate (6.75%) <u>Rate (6.75%)</u>	1% Increase <u>(7.75%)</u>
Net pension (asset) liability	<u>\$ (979,821)</u>	<u>\$ (1,281,958)</u>	<u>\$ (1,535,444)</u>

EAST GOSHEN TOWNSHIP
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021, the Township recognized pension expense of (\$181,530). At December 31, 2021, 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	\$ -	\$ 190,044
Changes in assumptions	197,287	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>369,785</u>
	<u>\$ 197,287</u>	<u>\$ 559,829</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>	
2022	\$ (73,599)
2023	(161,454)
2024	(89,804)
2025	<u>(37,685)</u>
	<u>\$ (362,542)</u>

Non-Uniformed 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 2021, 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, 2021

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 2021, the Township's share of these costs was \$3,782,629.

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, 2021, the Township's unpaid principal obligation was \$250,594.

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, 2021

NOTE J - CONTINGENCIES

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

NOTE K - PRIOR PERIOD ADJUSTMENT

During the year, the Authority became aware of an adjustment needed to correct the grant receivable balance. As a result of the adjustment, the beginning net position decreased from \$154,423 to \$1,533 and the grant receivable balance decreased \$152,890. On the government wide financial statement, the beginning net position of the business-type funds decreased from \$7,156,817 to \$7,003,927 and the grant receivable balance decreased \$152,890.

REQUIRED SUPPLEMENTARY INFORMATION

EAST GOSHEN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE (Budgetary Basis)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
TOTAL RESOURCES (INFLOWS)				
Taxes				
Real estate	\$ 2,045,609	\$ 2,045,609	\$ 2,041,549	\$ (4,060)
Real estate transfer	675,000	675,000	963,967	288,967
Local services tax	315,000	315,000	352,254	37,254
Earned income	5,000,000	5,000,000	5,736,165	736,165
Fees, licenses and permits	438,159	438,159	440,810	2,651
Fines and forfeits	57,000	57,000	45,121	(11,879)
Intergovernmental	422,117	422,117	373,582	(48,535)
Charges for services	480,306	480,306	534,557	54,251
Interest and rents	383,683	383,683	153,193	(230,490)
Paid firefighter reimbursement	1,871,327	1,871,327	1,835,191	(36,136)
Spray irrigation loan revenue	24,758	24,758	-	(24,758)
Miscellaneous	132,524	132,524	191,896	59,372
Transfers	1,060,871	1,060,871	663,349	(397,522)
AMOUNT AVAILABLE FOR APPROPRIATION	<u>12,906,354</u>	<u>12,906,354</u>	<u>13,331,634</u>	<u>425,280</u>
CHANGES TO APPROPRIATIONS (OUTFLOWS)				
Current				
General government	1,475,853	1,475,853	1,632,423	(156,570)
Public safety	6,867,654	6,867,654	6,641,838	225,816
Health and welfare	6,000	6,000	-	6,000
Public works				
Sanitation	138,607	138,607	198,687	(60,080)
Highways and streets	1,940,916	1,940,916	2,191,615	(250,699)
Culture and recreation	651,110	651,110	590,169	60,941
Conservation and development	6,134	6,134	1,385	4,749
Debt service				
Principal	506,998	506,998	504,184	2,814
Interest and other charges	197,126	197,126	195,347	1,779
Insurance premiums	412,126	412,126	500,188	(88,062)
Employee benefits	698,568	698,568	657,392	41,176
TOTAL CHANGES TO APPROPRIATIONS (OUTFLOWS)	<u>12,901,092</u>	<u>12,901,092</u>	<u>13,113,228</u>	<u>(212,136)</u>
SURPLUS OF RESOURCES (INFLOWS) OVER CHANGES TO APPROPRIATIONS (OUTFLOWS)	<u>\$ 5,262</u>	<u>\$ 5,262</u>	<u>\$ 218,406</u>	<u>\$ 213,144</u>

EAST GOSHEN TOWNSHIP

NOTE TO THE BUDGETARY COMPARISON SCHEDULE

YEAR ENDED DECEMBER 31, 2021

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 FIREMEN'S PENSION PLAN LIABILITY AND RELATED RATIOS LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 147,236	\$ 126,211	\$ 120,201
Interest	178,841	160,051	144,402
Changes of benefit terms	-	-	483,083
Differences between expected and actual experience	(12,036)	-	(39,536)
Changes of assumptions	127,799	-	-
Benefit payments, including refunds of member contributions	<u>(65,213)</u>	<u>(54,763)</u>	<u>(39,365)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	376,627	231,499	668,785
Total pension liability, beginning	<u>2,419,111</u>	<u>2,187,612</u>	<u>1,518,827</u>
 TOTAL PENSION LIABILITY, ENDING (a)	 <u>\$ 2,795,738</u>	 <u>\$ 2,419,111</u>	 <u>\$ 2,187,612</u>
 PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 44,000	\$ 46,000	\$ 46,000
State aid	119,611	128,287	117,434
Member	41,260	39,701	35,013
Net investment income	308,221	326,109	314,826
Benefit payments, including refunds of member contributions	(65,213)	(54,763)	(39,365)
Administrative expense	<u>(8,000)</u>	<u>(4,500)</u>	<u>(7,900)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	439,879	480,834	466,008
Plan fiduciary net position, beginning	<u>2,428,654</u>	<u>1,947,820</u>	<u>1,481,812</u>
 PLAN FIDUCIARY NET POSITION, ENDING (b)	 <u>\$ 2,868,533</u>	 <u>\$ 2,428,654</u>	 <u>\$ 1,947,820</u>
 NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	 <u>\$ (72,795)</u>	 <u>\$ (9,543)</u>	 <u>\$ 239,792</u>
 PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY			
	<u>102.6%</u>	<u>100.4%</u>	<u>89.0%</u>
 COVERED PAYROLL	 <u>\$ 985,588</u>	 <u>\$ 1,040,000</u>	 <u>\$ 961,494</u>
 NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	 <u>-7.4%</u>	 <u>-0.9%</u>	 <u>24.9%</u>

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	57,597	\$ 54,854	\$ 52,558	\$ 50,055	\$ 49,337
	99,945	90,803	83,697	75,948	72,308
	-	-	-	-	-
	-	(22,361)	-	(79,060)	-
	-	3,143	-	20,953	-
	<u>(17,807)</u>	<u>(17,807)</u>	<u>(17,807)</u>	<u>(17,807)</u>	<u>(6,727)</u>
	139,735	108,632	118,448	50,089	114,918
	<u>1,379,092</u>	<u>1,270,460</u>	<u>1,152,012</u>	<u>1,101,923</u>	<u>987,004</u>
\$	<u><u>1,518,827</u></u>	<u><u>1,379,092</u></u>	<u><u>1,270,460</u></u>	<u><u>1,152,012</u></u>	<u><u>1,101,922</u></u>
\$	-	\$ -	\$ -	\$ -	\$ -
	74,136	72,764	79,410	63,013	64,957
	16,478	12,697	11,281	10,858	10,984
	(100,700)	197,512	72,041	(23,145)	37,095
	(17,807)	(17,807)	(17,807)	(17,807)	(6,727)
	<u>(4,200)</u>	<u>(7,500)</u>	<u>(4,300)</u>	<u>(6,600)</u>	<u>(2,975)</u>
	(32,093)	257,666	140,625	26,319	103,334
	<u>1,513,905</u>	<u>1,256,239</u>	<u>1,115,614</u>	<u>1,089,295</u>	<u>985,961</u>
\$	<u><u>1,481,812</u></u>	<u><u>1,513,905</u></u>	<u><u>1,256,239</u></u>	<u><u>1,115,614</u></u>	<u><u>1,089,295</u></u>
\$	<u><u>37,015</u></u>	<u><u>(134,813)</u></u>	<u><u>14,221</u></u>	<u><u>36,398</u></u>	<u><u>12,627</u></u>
	<u>97.6%</u>	<u>109.8%</u>	<u>98.9%</u>	<u>96.8%</u>	<u>98.9%</u>
\$	<u><u>666,056</u></u>	<u><u>700,000</u></u>	<u><u>570,000</u></u>	<u><u>555,812</u></u>	<u><u>587,288</u></u>
	<u>5.6%</u>	<u>-19.3%</u>	<u>2.5%</u>	<u>6.5%</u>	<u>2.2%</u>

EAST GOSHEN TOWNSHIP

SCHEDULE OF FIREMEN'S PENSION PLAN CONTRIBUTIONS LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 152,611	\$ 161,056	\$ 92,980
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>163,611</u>	<u>174,287</u>	<u>163,434</u>
CONTRIBUTION EXCESS	<u>\$ (11,000)</u>	<u>\$ (13,231)</u>	<u>\$ (70,454)</u>
COVERED PAYROLL	<u>\$ 985,588</u>	<u>\$ 1,040,000</u>	<u>\$ 961,494</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>16.60%</u>	<u>16.76%</u>	<u>17.00%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2021

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	15 Years
Asset valuation method	Market value
Inflation	2.25%
Salary increases	5.00%
Investment rate of return	6.75% (Net of pension plan investment expense including inflation)
Retirement age	55
Mortality	Mortality rates were based on the PUBS-2010 Mortality projected 5 years past the valuation date using scale MP-2020

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 65,465	\$ 59,720	\$ 48,617	\$ 53,364	\$ 55,591
<u>81,308</u>	<u>72,764</u>	<u>79,410</u>	<u>63,013</u>	<u>64,957</u>
\$ <u>(15,843)</u>	\$ <u>(13,044)</u>	\$ <u>(30,793)</u>	\$ <u>(9,649)</u>	\$ <u>(9,366)</u>
\$ <u>666,056</u>	\$ <u>700,000</u>	\$ <u>570,000</u>	\$ <u>555,812</u>	\$ <u>587,288</u>
<u>12.21%</u>	<u>10.39%</u>	<u>13.93%</u>	<u>11.34%</u>	<u>11.06%</u>

EAST GOSHEN TOWNSHIP
SCHEDULE OF FIREMEN'S PENSION PLAN
INVESTMENT RETURNS
LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>12.63%</u>	<u>16.04%</u>	<u>20.59%</u>

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u><u>-6.68%</u></u>	<u><u>15.67%</u></u>	<u><u>6.46%</u></u>	<u><u>-2.16%</u></u>	<u><u>2.50%</u></u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY			
Interest	\$ 161,423	\$ 159,900	\$ 151,560
Differences between expected and actual experience	(149,854)	-	(138,861)
Changes of assumptions	167,150	-	-
Benefit payments, including refunds of member contributions	<u>(105,601)</u>	<u>(34,452)</u>	<u>(30,374)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	73,118	125,448	(17,675)
Total pension liability, beginning	<u>2,426,963</u>	<u>2,301,515</u>	<u>2,319,190</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 2,500,081</u>	<u>\$ 2,426,963</u>	<u>\$ 2,301,515</u>
PLAN FIDUCIARY NET POSITION			
Net investment income	\$ 434,561	\$ 453,065	\$ 521,788
Benefit payments, including refunds of member contributions	(105,601)	(34,452)	(30,374)
Administrative expense	<u>(9,400)</u>	<u>(5,400)</u>	<u>(9,300)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	319,560	413,213	482,114
Plan fiduciary net position, beginning	<u>3,462,479</u>	<u>3,049,266</u>	<u>2,567,152</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 3,782,039</u>	<u>\$ 3,462,479</u>	<u>\$ 3,049,266</u>
NET PENSION ASSET, ENDING (a)-(b)	<u>\$ (1,281,958)</u>	<u>\$ (1,035,516)</u>	<u>\$ (747,751)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>151.3%</u>	<u>142.7%</u>	<u>132.5%</u>
COVERED PAYROLL	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 162,956	\$ 164,144	\$ 155,548	\$ 151,866	\$ 146,061
-	(22,325)	-	(30,794)	-
-	7,114	-	323,943	-
<u>(343,412)</u>	<u>(18,829)</u>	<u>(16,253)</u>	<u>(182,254)</u>	<u>(8,664)</u>
(180,456)	130,104	139,295	262,761	137,397
<u>2,499,646</u>	<u>2,369,542</u>	<u>2,230,247</u>	<u>1,967,486</u>	<u>1,830,089</u>
<u>\$ 2,319,190</u>	<u>\$ 2,499,646</u>	<u>\$ 2,369,542</u>	<u>\$ 2,230,247</u>	<u>\$ 1,967,486</u>
\$ (175,777)	\$ 431,723	\$ 187,198	\$ (25,974)	\$ 106,960
(343,412)	(18,829)	(16,253)	(182,254)	(8,664)
<u>(4,800)</u>	<u>(8,850)</u>	<u>(4,850)</u>	<u>(7,975)</u>	<u>(3,575)</u>
(523,989)	404,044	166,095	(216,203)	94,721
<u>3,091,141</u>	<u>2,687,097</u>	<u>2,521,002</u>	<u>2,737,205</u>	<u>2,642,483</u>
<u>\$ 2,567,152</u>	<u>\$ 3,091,141</u>	<u>\$ 2,687,097</u>	<u>\$ 2,521,002</u>	<u>\$ 2,737,204</u>
<u>\$ (247,962)</u>	<u>\$ (591,495)</u>	<u>\$ (317,555)</u>	<u>\$ (290,755)</u>	<u>\$ (769,718)</u>
<u>110.7%</u>	<u>123.7%</u>	<u>113.4%</u>	<u>113.0%</u>	<u>139.1%</u>
<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>N/A</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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

Schedule of Township Contributions

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED-EMPLOYEE PAYROLL	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2021

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	6.75% (Net of pension plan investment expense including inflation)
Retirement age	65
Mortality	Mortality rates were based on the PUBS-2010 Mortality projected 5 years past the valuation date using scale MP-2020

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>12.83%</u>	<u>14.93%</u>	<u>20.52%</u>

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u><u>-6.12%</u></u>	<u><u>16.16%</u></u>	<u><u>7.92%</u></u>	<u><u>-0.97%</u></u>	<u><u>4.59%</u></u>

SUPPLEMENTARY INFORMATION

EAST GOSHEN TOWNSHIP
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	State Liquid Fuels Highway Aid Fund	Road Improvements Fund	Infrastructure Fund	COVID Relief Fund	Total Other Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 130	\$ 610,353	\$ 339,058	\$ 914,664	\$ 1,864,205
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 152,140	\$ -	\$ -	\$ 152,140
Unearned revenue	-	-	-	914,620	914,620
TOTAL LIABILITIES	-	152,140	-	914,620	1,066,760
FUND BALANCES					
Restricted for					
Road improvements	-	458,213	-	-	458,213
Infrastructure projects	-	-	339,058	-	339,058
Other projects	130	-	-	44	174
TOTAL FUND BALANCES	130	458,213	339,058	44	797,445
TOTAL LIABILITIES AND FUND BALANCES	\$ 130	\$ 610,353	\$ 339,058	\$ 914,664	\$ 1,864,205

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, 2021

	State Liquid Fuels Highway Aid Fund	Road Improvements Fund	Infrastructure Fund	COVID Relief Fund	Total Other Governmental Funds
REVENUES					
Intergovernmental	\$ 510,994	\$ 396	\$ -	\$ 35,201	\$ 546,591
Investment earnings	454	649	-	44	1,147
TOTAL REVENUES	<u>511,448</u>	<u>1,045</u>	<u>-</u>	<u>35,245</u>	<u>547,738</u>
EXPENDITURES					
Current					
Highways and streets	511,359	152,169	-	-	663,528
Capital outlay	-	-	-	35,201	35,201
TOTAL EXPENDITURES	<u>511,359</u>	<u>152,169</u>	<u>-</u>	<u>35,201</u>	<u>698,729</u>
SURPLUS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	89	(151,124)	-	44	(150,991)
OTHER FINANCING SOURCES					
Transfers in	-	-	339,058	-	339,058
NET CHANGE IN FUND BALANCES	89	(151,124)	339,058	44	188,067
FUND BALANCES AT BEGINNING OF YEAR					
	41	609,337	-	-	609,378
FUND BALANCES AT END OF YEAR	<u>\$ 130</u>	<u>\$ 458,213</u>	<u>\$ 339,058</u>	<u>\$ 44</u>	<u>\$ 797,445</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, 2021, 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 April 29, 2022.

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.

The image shows a handwritten signature in black ink that reads "Maillie LLP". The signature is written in a cursive, flowing style.

West Chester, Pennsylvania
April 29, 2022

***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

Opinion on Each Major Federal Program

We have audited East Goshen Township's compliance with the types of compliance requirements identified as subject to audit in the 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, 2021. 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.

In our opinion, East Goshen Township complied, in all material respects, with the 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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of East Goshen Township and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of East Goshen Township's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to East Goshen Township's federal programs.

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on East Goshen Township's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about East Goshen Township's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding East Goshen Township's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of East Goshen Township's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 East Goshen Township's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
April 29, 2022

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

EAST GOSHEN TOWNSHIP

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Project Title	Federal ALN	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through PA Department of Transportation				
Highway Planning and Construction Cluster	20.205	R19060014	\$ 895,845	\$ -
U.S. DEPARTMENT OF INTERIOR				
Passed through PA Department of Conservation and Natural Resources				
Outdoor Recreation Acquisition, Development and Planning	15.916	LWCF 42-01597	2,636	-
U.S. DEPARTMENT OF TREASURY				
Passed through the PA Department of Community and Economic Development				
American Rescue Plan Act	21.027	PA9238	35,201	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 933,682	\$ -

- 74 -

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, 2021

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, 2021. 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, 2021

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; and Report on Internal Control Over Compliance; 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	ALN
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