



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005



Spring at the West Goshen Municipal Complex



Summer Concert at West Goshen Community Park



Fall Harvest Festival at Coopersmith Park



Winter at West Goshen Community Park

West Goshen Township
Chester County
Pennsylvania

Committed to Excellence in Community Service

WEST GOSHEN TOWNSHIP
Chester County, Pennsylvania

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
December 31, 2005

Prepared by:
Finance Department

**WEST GOSHEN TOWNSHIP
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

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DR. ROBERT S. WHITE, *Chairman*
PATRICIA B. MCILVAINE, *Vice Chairman*
EDWARD G. MEAKIM, JR., *Member*
SHARON LYNN, *Township Manager*

Board of Supervisors

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May 11, 2006

To the Board of Supervisors and Citizens of West Goshen Township:

We are pleased to submit this Comprehensive Annual Financial Report (CAFR) of West Goshen Township ("the Township"), Chester County, Pennsylvania, for the fiscal year ended December 31, 2005. The financial statements contained within the report are presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

The Township's Finance Department prepared this report. Responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the Department's staff and the Township Manager. This responsibility is derived from a comprehensive framework of internal controls designed to protect the Township's assets from loss, theft, or misuse, and to provide sufficient reliable information from which the Township's financial statements may be compiled in conformity with GAAP. The control structure is intended to provide reasonable, but not absolute, assurance that these objectives are met.

We assert that the data contained within this report is accurate in all material respects. To the best of our knowledge, the information presented in this report is a fair and accurate portrayal of the financial position and result of operations of the Township as of December 31, 2005. We believe the report contains all disclosures necessary for its readers to gain the maximum understanding of the Township's financial affairs.

Barbacane Thornton & Company, a firm of licensed certified public accountants, audits the Township's financial statements, and has issued an unqualified opinion on West Goshen Township's financial statements for the year ended December 31, 2005. The independent auditor's report is located at the front of the Financial Section of this report.

The purpose of this report is to provide readers with useful information concerning the Township's financial position and operations. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). MD&A is designed to complement this letter of transmittal and should be read in conjunction with it. West Goshen Township's MD&A can be found in the Financial Section immediately following the independent auditors' report.

REPORT FORMAT

This report is organized into three broad sections:

- **Introductory Section.** This section includes this letter of transmittal; the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting; the Township's organizational chart; and a list of elected and appointed Township officials.

- **Financial Section.** This section includes the independent auditors' report; management's discussion and analysis; basic financial statements with notes and required supplementary information; and the financial statements of individual funds.
- **Statistical Section.** This section includes historical financial and general information in order to provide a context within which to understand the Township's financial statements.

PROFILE OF WEST GOSHEN TOWNSHIP

The lands of Goshen were purchased in 1681 from William Penn as part of the Welsh Tract of Westtown. The territory underwent numerous subdivisions and purchases over the next several years to give forth the Township as it is known today: by 1704, Goshen and Westtown had become separate townships; the size of the Township was reduced once more with the formation of the Borough of West Chester in 1788; and in 1817, it was divided still further into East and West Goshen Townships.

The Township was primarily a farming community in its early history. Before long, many different businesses began to appear, including several women-owned enterprises. Trades such as cabinet making, tailoring, weaving, clock making, and wool making characterized the area. The completion of railroads in the 1830s and 1850s facilitated the delivery of goods and services to the Township and marked the migration of many Philadelphians seeking country residences.

By 1950, the Township had been transformed from a farming community to a suburban neighborhood. The Township experienced its most explosive growth during the 1960s and 1970s, and today it can boast a balanced mix of residential, business, office, retail, and industrial uses. The Township occupies 12 square miles and serves a population of 20,495 (2000 Census).

Township Government

West Goshen Township is a Second Class Township. It is governed by three Supervisors, elected at large for staggered six-year terms. The Board derives its duties and responsibilities from sources like the Second Class Township Code and the Pennsylvania Municipalities Planning Code. These responsibilities include construction and maintenance of roads and bridges; zoning and subdivision of land; regulation of building and construction; highway lighting, signing, and signalization; designating funds for fire and emergency services; parks and recreation programs; construction and maintenance of sewer systems; and regulations to promote the welfare of the community. The Board establishes Township policy, adopts legislation, and grants final approval of the many functions of township government at public meetings.

The Township Manager is appointed by the Board of Supervisors to carry out its policies and to direct the daily administrative functions of the Township. The Manager proposes and implements procedures that will ensure delivery of efficient and effective government. The Manager is the Township's representative to a variety of municipal organizations and acts as a liaison between Township residents and the Board of Supervisors. This position serves as the primary contact for residents requiring conflict resolution.

Reporting Structure

West Goshen Township organizes its financial activities in a variety of funds, representing its primary government. The Township's financial statements include all funds of the Township as well as its component units. Component units are separate legal entities, but are part of the Township government in substance. The financial statements would be misleading without incorporating component unit information.

The West Goshen Sewer Authority is considered a blended component unit of West Goshen Township because the Township appoints the Authority's governing board. As such, the Township is financially accountable for it. The Authority is included in the financial statements as a proprietary fund.

Budgetary Control

The Board of Supervisors adopts annual budgets for the general, enterprise, and capital projects funds. Budgets are appropriated by fund, function, department, and object, and budgetary control is generally maintained at the department level. All annual appropriations lapse at year-end. The Township's fiscal year begins on January 1st and ends on December 31st. The annual budget process officially begins in September of each year when individual departments submit preliminary requests for funding. The Board of Supervisors formally adopts proposed annual budgets in November and final annual budgets in December each year.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy

West Goshen Township continues to experience a steady population increase. Population estimates project a 4.5% increase between 2000 and 2005, compared with a 1.2% increase for the state. Growth will inevitably slow as the Township becomes fully developed. Chester County per capita personal income ranks second in the state, and is approximately 50% higher than both state and national averages. Although only county-level per capita personal income and total personal income data was available for this report, the Township's historical earned income tax revenues corroborate the county trend. County-level labor force data is also provided as a gauge for the local economy. Chester County has consistently reported the lowest unemployment rate in the surrounding five-county area and lower unemployment rates than state and national averages. West Goshen Township is the second largest municipality in Chester County, so it is not unreasonable to assume that its labor force experience is similar to that of the larger economy.

Economic recovery has been slow but evident. Short-term interest rates have risen. Unemployment rates have stabilized. And the Township's interest earnings and earned income tax revenues have benefited. Low (but rising) mortgage rates have kept housing demand active and strong. Real estate values continue to increase, and transfer activity is moderate. On the spending side of the Township's operating budget, costs for services and employment-related costs have continued to increase at an expected rate. These anticipated increases are compounded by the impact of the Iraq War, recent Gulf Coast hurricanes, and rising energy costs. The Township expects to experience some residual effects in the form of higher costs for materials, gasoline, and utilities. Finally, the Township's capital purchasing schedule has necessarily evolved with the fiscal environment. A more detailed analysis of the Township's overall financial condition during the fiscal year ended 2005 is included as part of MD&A.

Long-Term Financial Planning

The Township has consistently generated revenues in excess of budgeted figures and contained expenditures below budgeted amounts year after year, even in the face of struggling national and local economies. As a result, the Township maintains healthy fund balances, in spite of diminished state assistance, relatively low interest rates, and comparatively high unemployment rates over the last few years. Management accomplishes this by regularly evaluating its revenue-generating strategy and by developing and maintaining a multi-year capital purchase plan. The Local Tax Enabling Act was amended in 2004 to permit municipalities to impose a combined Emergency and Municipal Services Tax (EMS tax) of up to \$52 per year, and the Board of Supervisors authorized the establishment of this levy effective January 1, 2006. The EMS tax is assessed on individuals employed within the Township and earning in excess of \$12,000 per year. The tax is collected to fund public safety functions, as well as road construction and maintenance activities. The Township estimates that this new tax will generate approximately \$1.2 million in revenue.

Major Initiatives

The Board of Supervisors and Township administrators remain committed to providing value to taxpayers by maintaining quality service levels and offering new benefits whenever the opportunity

presents itself and the Township's fiscal position permits. Two key projects are on the agenda for 2006:

- This summer, the Township will open the Robert E. Lambert Park, a new three-acre recreational area located at Pottstown Pike near Greenhill Road. Facilities will include: a supervised, fenced-in, paved area with ramps and other obstacles for skateboarding and inline skating; an enclosed exercise area for dogs; and two tennis courts. Total construction costs are anticipated to reach \$1,000,000, offset by \$114,500 in grant money and a transfer from the Township's Restricted Parks account. In addition to the initial investment, ongoing costs to the Township are expected to include property and liability insurance, employment costs, and costs associated with the normal maintenance of park facilities. Users of the skate park will be assessed a nominal license fee, but this revenue is not expected to appreciably contribute to the park's ongoing operating costs.
- Effective January 1, 2006, the Board of Supervisors authorized the establishment of a combined Emergency and Municipal Services Tax (EMS tax) levy of \$52 per year upon individuals employed within the Township and earning in excess of \$12,000 annually. The tax is collected to fund public safety functions, as well as road construction and maintenance activities. The revenue generated by EMS tax will enable the Township to actually double its annual road-resurfacing program from two miles to four miles in 2006. The Township contains more than 70 miles of roads, and the need for more investment in that infrastructure has always existed. Even as the administration trims discretionary spending, it recognizes that some services require additional resources, and it is our duty to address those needs. Responsible allocation of the EMS tax revenue will improve the quality of life for our citizens and the West Goshen experience for everyone who passes through our community.

AWARDS AND ACKNOWLEDGEMENTS

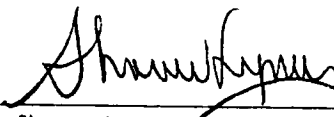
The Government Finance Officers Association (GFOA) awards Certificates of Achievement for Excellence in Financial Reporting to governments that have met the challenge of preparing high quality CAFRs. This prestigious acknowledgement is a testament to a government's financial management. West Goshen Township has received the Certificate of Achievement for its comprehensive annual financial report for three consecutive years. A Certificate of Achievement is valid for a period of one year only. We believe that this CAFR for the fiscal year ended December 31, 2005 continues to meet the GFOA's requirements for the Certificate of Achievement Program, and we are submitting it to the GFOA to determine its eligibility for another Certificate.

West Goshen Township is also a past recipient of the GFOA's Distinguished Budget Presentation Award. In order to qualify for the Award, a budget document must fulfill several criteria in order to be judged a satisfactory policy document, financial plan, operations guide, and communication device.

We would like to thank the Board of Supervisors for its support of the efforts of the Finance Department and Township Manager to promote improved accountability and communication through publications such as this. Preparation of a report of this kind could not have been accomplished without the collective contribution of many individuals. Especially deserving of recognition for their participation in this process are the Township's independent auditors, Barbacane Thornton & Company, and Assistant Finance Director, Jennifer M. Latzer.

Respectfully submitted,


Jeanne M. Denham
Finance Director


Sharon Lynn
Township Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

West Goshen Township,
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



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March 9, 2006

Board of Supervisors
West Goshen Township
West Chester, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Goshen Township, West Chester, Pennsylvania, as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of West Goshen Township, West Goshen, Pennsylvania's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Township's 2004 financial statements and, in our report dated March 18, 2005, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Goshen Township, West Goshen, Pennsylvania, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2006 on our consideration of West Goshen Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 11 - 26 and pension funds' schedule of funding progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied

BARBARA E. JORDAN
TOWNSHIP
SECRETARY

Board of Supervisors
West Goshen Township

certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and, accordingly, express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Goshen Township, West Chester, Pennsylvania's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Barbacane, Thornton & Company
BARBACANE, THORNTON & COMPANY

WEST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This discussion and analysis of the Township of West Goshen, Pennsylvania provides an overview of the Township's financial performance for the year ended December 31, 2005. Please read it in conjunction with the Township's financial statements, which begin on page 27.

FINANCIAL HIGHLIGHTS

- The assets of West Goshen Township exceeded its liabilities at the close of the most recent fiscal year by \$70,077,124 (representing its net assets). Of this amount, \$14,216,048 (or its unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's total net assets increased by \$1,621,152.
- As of December 31, 2005, the Township's governmental funds reported combined ending fund balances of \$10,939,339, an increase of \$1,092,221 as compared to the prior year. Approximately 52 percent of this total, or \$5,732,986, is available for spending at the Township's discretion (*unreserved fund balance*).
- The Township's total debt decreased by \$1,222,328.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 27 and 28) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 29. For governmental activities, these statements explain how services were financed in the short term as well as what remains for future spending. The governmental and proprietary fund financial statements also report the Township's operations in more detail than the entity-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Township as a Whole

Statement of Net Assets and the Statement of Activities

The analysis of the Township as a whole begins on pages 27 and 28 with the Statement of Net Assets and the Statement of Activities.

These statements provide information that will help the reader to determine if the Township is financially better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

WEST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

These two statements report the Township's net assets and the changes in them during the year. The reader can think of the Township's net assets – the difference between assets and liabilities – as one way to measure the Township's financial health or financial position. Over time, increases or decreases in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors, however, such as changes in the Township's property base and the condition of the Township's assets, to assess the overall health of the Township.

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental activities** – Most of the Township's basic services are reported here, including the police, fire, general administration, public works, parks and recreation. Earned income taxes, property taxes, intergovernmental revenues and franchise fees finance most of these activities.
- **Business-type activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Township's sewer and waste and recycling activities are reported here. The Township also includes a separate legal entity in its report – the West Goshen Sewer Authority. The Sewer Authority is a public authority, which exists to provide facilities for use in the sewer operation of the Township Sewer Fund. The Sewer Authority is considered a blended component unit and is included with the business-type activities. Although legally separate, the Sewer Authority is important because the Township is financially accountable for it and, therefore, it has been included as an integral part of the primary government. The Authority is audited by Barbacane, Thornton & Company, whose report dated March 9, 2006 is publicly available through the offices of West Goshen Township.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Our analysis of the Township's major funds provides detailed information about the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Supervisors establishes many other funds to help it control and manage money for particular purposes (Special Revenue Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants and other money (Capital Projects Funds). The Township's three kinds of funds – **governmental, proprietary and fiduciary** – use different accounting approaches.

Governmental funds. Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using *modified accrual accounting method*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Township's general governmental operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* in reconciliations which follow the fund financial statements.

WEST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Proprietary funds. When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the entity-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

The Township as Trustee

Reporting the Township's Fiduciary Responsibilities

The Township is the trustee, or fiduciary, responsible for other assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE TOWNSHIP AS A WHOLE

Entity-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of West Goshen Township, assets exceeded liabilities by \$70,077,124 at the close of 2005. This is an increase of \$1,621,152 from the previous year. Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Township's governmental and business-type activities.

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 13,395,010	\$ 12,259,690	\$ 14,901,355	\$ 14,824,810	\$ 28,296,365	\$ 27,084,500
Capital assets	35,297,826	35,839,079	22,473,454	22,800,384	57,771,280	58,639,463
Total Assets	<u>\$ 48,692,836</u>	<u>\$ 48,098,769</u>	<u>\$ 37,374,809</u>	<u>\$ 37,625,194</u>	<u>\$ 86,067,645</u>	<u>\$ 85,723,963</u>
Long-term liabilities outstanding	\$ 5,857,698	\$ 6,359,758	\$ 8,420,837	\$ 9,176,470	\$ 14,278,535	\$ 15,536,228
Other liabilities	715,234	663,476	996,752	1,068,287	1,711,986	1,731,763
Total Liabilities	<u>6,572,932</u>	<u>7,023,234</u>	<u>9,417,589</u>	<u>10,244,757</u>	<u>15,990,521</u>	<u>17,267,991</u>
Net Assets:						
Invested in capital assets, net of related debt	29,291,900	29,362,825	13,432,273	12,890,021	42,724,173	42,252,846
Restricted	5,206,353	4,912,249	7,930,550	7,711,315	13,136,903	12,623,564
Unrestricted	<u>7,621,651</u>	<u>6,800,461</u>	<u>6,594,397</u>	<u>6,779,101</u>	<u>14,216,048</u>	<u>13,579,562</u>
Total Net Assets	<u>42,119,904</u>	<u>41,075,535</u>	<u>27,957,220</u>	<u>27,380,437</u>	<u>70,077,124</u>	<u>68,455,972</u>
Total Liabilities and Net Assets	<u>\$ 48,692,836</u>	<u>\$ 48,098,769</u>	<u>\$ 37,374,809</u>	<u>\$ 37,625,194</u>	<u>\$ 86,067,645</u>	<u>\$ 85,723,963</u>

WEST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

The largest portion of the Township's net assets, \$42,724,173 (or 61 percent) reflects its investment in capital assets (land, buildings, vehicles, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The majority of the outstanding debt of the Township was incurred for the construction of the Township's Municipal Complex and the significant upgrade to the Sewer Wastewater Treatment Plant. 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.

Another portion of the Township's net assets, \$13,136,903 (or 19 percent), represents resources that are subject to external restrictions on how they may be used. This compares with last year's total restricted net assets of \$12,623,564. This increase is due primarily to transfers from the General Fund to offset debt service payments.

The remaining balance of unrestricted net assets, \$14,216,048 (or 20 percent), may be used to meet the Township's ongoing obligations to citizens and creditors. This compares with last year's total unrestricted net assets of \$13,579,562.

At the end of the current fiscal year, the Township is able to report positive balances in net assets, both for the government as a whole and for its business-type activities. The same situation held true for the prior fiscal year.

Governmental Activities

The net increase from the Township's governmental activities was \$1,044,369, which accounts for 64 percent of the total growth in net assets of the Township. The increase of \$1,044,369 in net assets is \$684,221 more than the previous year increase of \$360,148 and is explained on pages 15 and 16. Table 2 shows the changes in net assets for the year ended December 31, 2005.

The cost of all governmental activities this year was \$10,180,613. As shown in the Statement of Activities on page 28, the amount that our taxpayers ultimately financed for these activities through Township taxes was \$8,900,157. Other costs were paid by those who directly benefited from the programs (\$606,347) or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions (\$1,038,748).

WEST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Table 2
WEST GOSHEN TOWNSHIP'S CHANGES IN NET ASSETS
For the Year Ended December 31, 2005

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
REVENUES:						
Program revenues:						
Charges for services	\$ 606,347	\$ 618,529	\$ 4,673,567	\$ 4,606,031	\$ 5,279,914	\$ 5,224,560
Operating grants and contributions	851,335	799,994	108,451	246,287	959,786	1,046,281
Capital grants and contributions	187,413	40,000	424,427	-	611,840	40,000
General revenues:						
Earned income taxes	5,632,133	5,113,634	-	-	5,632,133	5,113,634
Property taxes	2,523,930	2,481,655	-	-	2,523,930	2,481,655
Real estate transfer taxes	744,094	921,849	-	-	744,094	921,849
Franchise fees	260,776	245,452	-	-	260,776	245,452
Grants and contributions not restricted to specific programs	17,538	13,984	-	-	17,538	13,984
Other	401,416	188,327	384,177	217,149	785,593	405,476
TOTAL REVENUES	11,224,982	10,423,424	5,590,622	5,069,467	16,815,604	15,492,891
EXPENSES:						
General government	1,645,510	1,670,145	-	-	1,645,510	1,670,145
Public safety	4,880,795	4,481,480	-	-	4,880,795	4,481,480
Highways and streets	2,293,828	2,556,659	-	-	2,293,828	2,556,659
Other public works	114,056	135,560	-	-	114,056	135,560
Library	5,000	5,000	-	-	5,000	5,000
Culture and recreation	944,821	924,619	-	-	944,821	924,619
Interest expense	296,603	289,813	-	-	296,603	289,813
Sewer operations	-	-	3,629,272	3,709,370	3,629,272	3,709,370
Waste and recycling	-	-	1,384,567	1,368,059	1,384,567	1,368,059
TOTAL EXPENSES	10,180,613	10,063,276	5,013,839	5,077,429	15,194,452	15,140,705
INCREASE (DECREASE) IN NET ASSETS	1,044,369	360,148	576,783	(7,962)	1,621,152	352,186
NET ASSETS, BEGINNING OF YEAR	41,075,535	40,715,387	27,380,437	27,388,399	68,455,972	68,103,786
NET ASSETS, END OF YEAR	\$42,119,904	\$ 41,075,535	\$ 27,957,220	\$ 27,380,437	\$ 70,077,124	\$68,455,972

As indicated by governmental program expenses, public safety programs account for approximately 48 percent of the total expenditures of the Township's governmental activities. General administration and highways and streets services account for approximately 16 percent and 23 percent, respectively, of the total expenditures for 2005.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. Noteworthy exceptions, however, included:

- Increases in employee wages increased approximately three percent resulting from negotiated and general wage increases.
- Employee benefit costs rose by approximately 15.4 percent.
- Property and liability insurance costs rose by 7.4 percent.

WEST GOSHEN TOWNSHIP

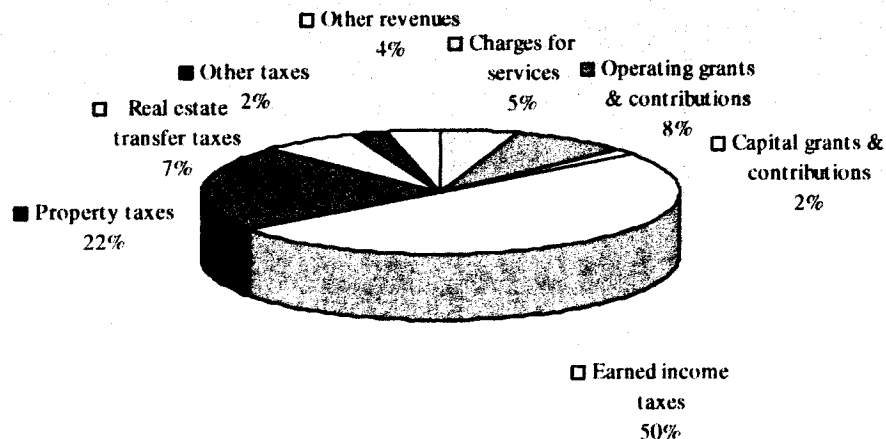
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Real estate taxes, earned income taxes and other general revenues not restricted or applicable to specific programs provide the major revenue sources for governmental activities. As identified on the previous page and below, earned income tax is the largest revenue source for governmental activities, accounting for approximately 50 percent of total revenues (49 percent in the prior year). Property taxes and real estate transfer taxes provide approximately 22 percent and seven percent, respectively, of total revenues (24 percent and nine percent in the prior year). The Township relies on these taxes to furnish the quality of life to citizens and businesses to which the Board of Supervisors has always been committed.

Major revenue factors included:

- Revenue from operating grants and contributions increased by \$51,341, or 6.4 percent due to the Commonwealth allocation increases for Act 205 Volunteer Fire Relief Association and Municipal Pension contributions.
- Earned income tax revenue increased by \$518,499, or 10.1 percent, for the year ended 2005 as labor market conditions improved over the previous year.
- Governmental investment earnings increased from \$145,472 in the prior year to \$360,705 for 2005. The year 2005 experienced a sharp rise in short-term interest rates.
- Capital grants and contributions increased from the prior year by approximately \$147,400. Noncash contributions of \$139,285 for land improvements and infrastructure and a cash grant award of \$49,128 for West Goshen Township's Comprehensive Plan Update benefited the year 2005 whereas \$40,000 in Skate Park grant monies was received in 2004.

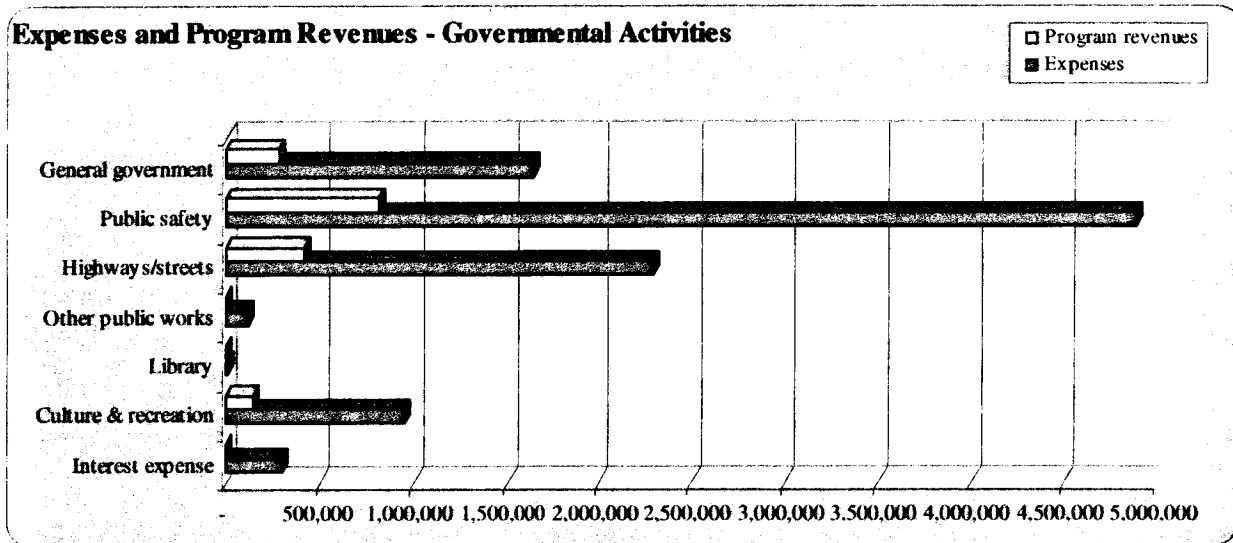
Revenues by Source - Governmental Activities



WEST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Program revenues support 16.2 percent of activity expenses. The following graph shows how program revenues supported activity expenses.



Business-type Activities

The West Goshen Township sewer system was constructed by the West Goshen Sewer Authority at the request of the Township's Board of Supervisors. The Sewer Authority retains ownership of the system and leases it to the Township, which is responsible for its operation, maintenance and repair. Sewer expenditures, which total \$3,629,272 for 2005 (as compared to \$3,709,370 for the prior year), include "Rent to Sewer Authority" of \$1,122,014 for 2005 (as compared to \$1,051,560 for the prior year) for payment of the Sewer Authority's bond expense. This amount has been eliminated in the proprietary fund financial statements as well as in the statement of activities. See Note 3 to the financial statements. The Board of Supervisors establishes and collects sewer rental fees from users of the system. Both the Authority and the Township have written agreements with East Goshen Township, Westtown Township, West Whiteland Township and Thornbury Township to accept flows from these municipalities into the West Goshen system. The contracting of surplus capacity benefits the residents and business owners of West Goshen Township by distributing the fixed costs among a greater number of users, thereby lowering the costs of treatment. The revenues generated from these agreements for the year 2005 were \$1,197,344 as compared to \$1,236,280 for the prior year. Sewer Fund fees charged to residents and businesses did not increase for the year 2005.

The Waste and Recycling Fund administers the collection of residential solid waste and recyclable material from Township homes. User fees primarily support the cost of this program. Each household is charged a flat rate for trash collection and unlimited recycling. A rate increase in the waste and recycling fees charged to residents and businesses became effective October 1, 2001. The current rate was designed to cover the 65 percent increase contained in the five-year contract with the private waste and recycling contractor. Therefore, net revenues in this department will decrease over the next year. The Commonwealth of Pennsylvania also subsidizes the recycling program with a Performance Grant. The grant amount for 2005 was \$48,260 as compared to \$177,978 for the prior year.

WEST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Business-type activities increased the Township's net assets by \$576,783, accounting for 36 percent of the total growth in the Township's net assets. The increase of \$576,783 in net assets is \$584,745 more than the previous year decrease of \$7,962.

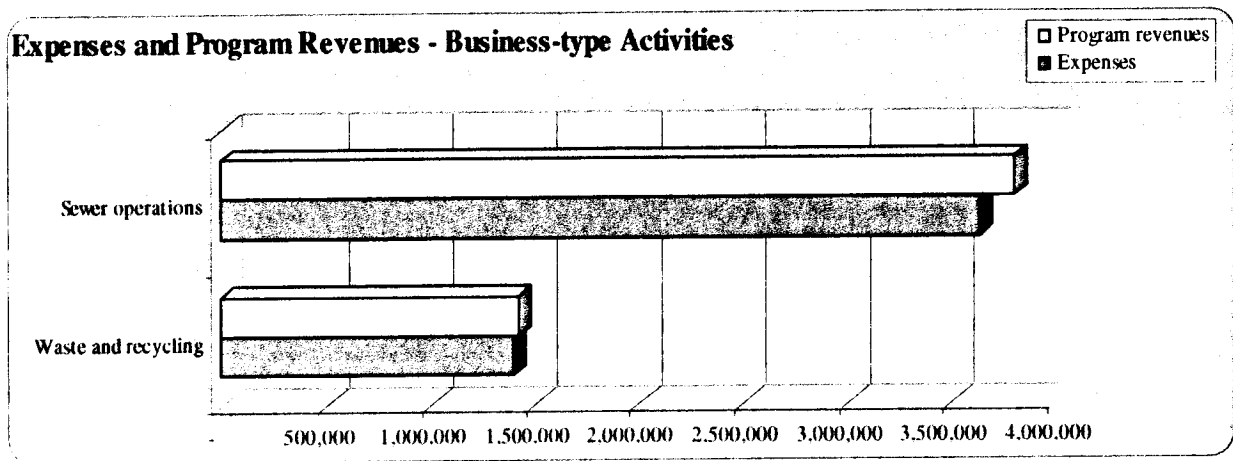
Major revenue factors include:

- Operating grants and contributions decreased by \$137,836 over the previous year due primarily to a decrease for the Recycling Grant.
- Investment earnings increased from \$179,542 in the prior year to \$346,754 for 2005. The increase in interest earnings was the result of a growing economy and the subsequent rise in interest rates.
- Capital grants and contributions of \$424,427 reflect the dedication of sanitary sewer lines from the Wiltshire and Westtown Chase developments.

Major expense factors include:

- Increases in employee wages increased approximately three percent resulting from general wage increases.
- Employee benefit costs increased by approximately 15.4 percent.
- Property and liability insurance costs increased by 7.4 percent.

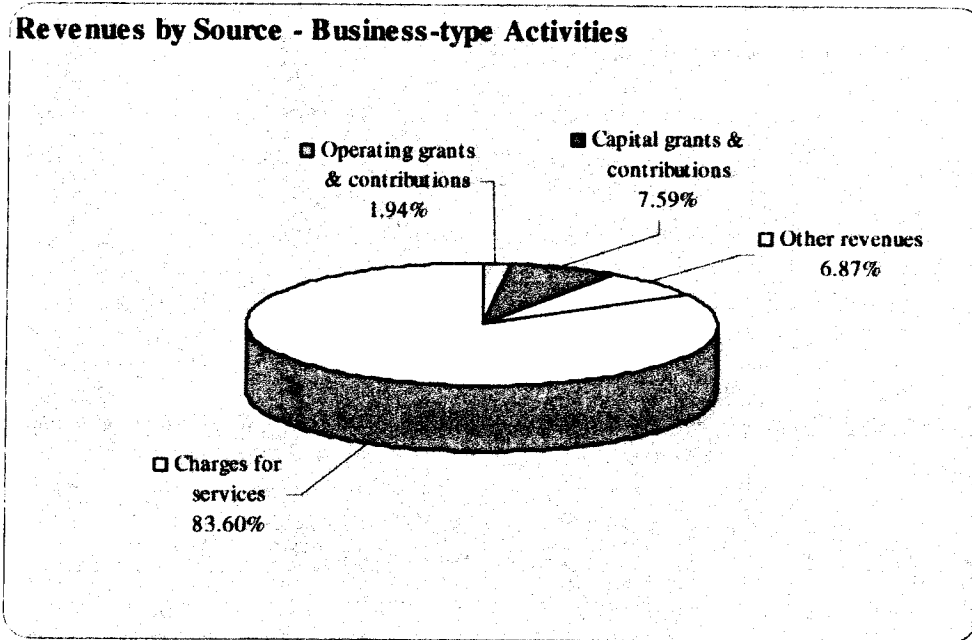
The following graph compares the charges for services to the operating expenses of each fund.



WEST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

As shown on the following chart, the revenues of the Township's business-type activities included capital and operating grants and investment income in addition to charges for services (operating revenues). Capital grants, operating grants and investment income revenues are not specific to an individual program, but to the activity as a whole.



FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2005, the Township's governmental funds reported combined ending balances of \$10,939,339, an increase of \$1,092,221 as compared to the prior year. Approximately 52 percent, or \$5,732,986, constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of the fund balance is reserved, which means that it is not available for new spending because it has already been committed to pay for: 1) debt service; 2) capital improvements; or 3) additional security for bonds.

WEST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

The **General Fund** is the chief operating fund of West Goshen Township. As of December 31, 2005, the total fund balance of the General Fund was \$5,127,853 (as compared to \$4,292,181 for the prior year), all of which is unreserved. The fund balance of the General Fund increased by \$835,672 in fiscal year 2005. Key factors contributing to this growth are as follows:

- The increase in revenues was due primarily to a moderate upturn in real estate transfer taxes (\$94,094), occupational privilege taxes (\$338,133) reflective of a growing local economy, greater investment earnings than anticipated (\$148,586), land development application fees (\$34,264) and special police services (\$20,494).
- Actual expenses and other financing uses were less than anticipated. Actual increases for employee benefits and insurance and bonding came in under budget by seven percent (\$62,000) and 18 percent (\$25,300), respectively. Major capital equipment costs were less than budgeted by approximately \$66,600 and transfers to capital reserve for traffic studies and traffic maintenance were less than budgeted by approximately \$152,500.

The **Capital Reserve Fund** provides funding for debt service, capital improvements or other unique expenditures which are not normal operating or maintenance-type expenditures reportable within the General Fund or other governmental funds. Major revenue sources for the Capital Reserve Fund are transfers from the General Fund and Offsite Development Fund (Restricted Parks account). The General Fund transfers monies to the Capital Reserve Fund to pay for capital expenditures associated with the general operation of the Township, and also for General Obligation debt service payments. The Offsite Development Fund (Restricted Parks account) transfers monies to the Capital Reserve Fund to pay for expenses that are associated with the Township's parks.

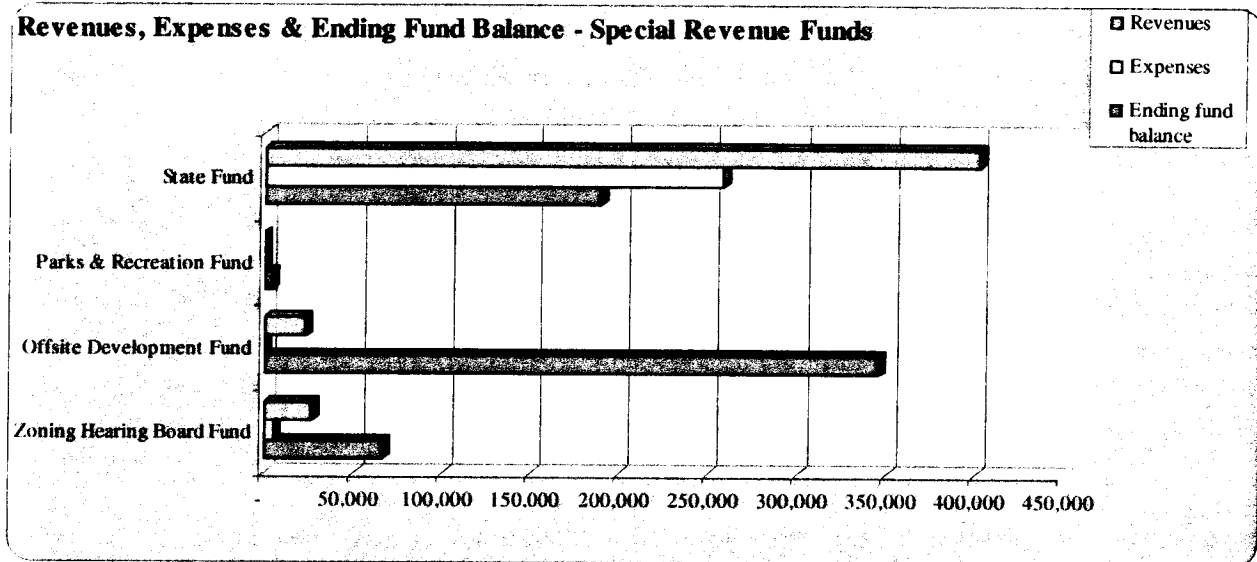
Capital improvements financed out of this fund in 2005 totaled \$379,257 in the following categories: Public Works (\$16,394 – traffic signal upgrades and emergency pre-emption devices, \$165,126 – North Hills culver replacement); and Culture and Recreation (\$27,776 – site construction document costs, \$160,000 – Skate Park equipment for Pottstown Pike Park, and \$9,961 – playground shelter for the Community Park).

The total fund balance as of December 31, 2005 is \$5,206,353, all of which is reserved as previously explained.

Special Revenue Funds are maintained to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. Special Revenue Funds include State Fund, Parks and Recreation, Offsite Development and Zoning Hearing Board. Major revenue sources for these funds include grants from the Commonwealth, contributions, charges for services and interest earnings.

- **State Funds** – The Township received \$393,859 (compared to \$383,890 in the prior year) from the Commonwealth of Pennsylvania to pay for various expenses including roadway resurfacing, snow removal and capital purchases for the Public Works department.
- **Offsite Development Fund** – The Township received \$12,500 (compared to \$57,500 in the prior year) from building contractors for open space projects. Expenditures from this fund were minimal of \$27. The Restricted Parks account transferred \$225,576 to the Capital Reserve Fund to pay for expenses associated with the Township's parks.

WEST GOSHEN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)



The total fund balance as of December 31, 2005 is \$605,133 (as compared to \$642,688 in the prior year), all of which is unreserved as previously explained.

The financial statements for the governmental funds can be found on pages 29-39 of this report.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the entity-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer, Waste and Recycling, Sewer Authority and Sewer Reserve Funds at the end of the year amounted to \$6,594,397 as compared to \$6,779,101 in the prior year. The total increase in net assets was \$576,783. Factors contributing to the finances of these three funds have already been addressed in the discussion of the Township's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the Township's budget and actual results can be found on pages 33 and 34.

For 2005, there were no revisions to the General Fund budget.

The program budget for the General Fund anticipated a drawing down of fund balance in the amount of \$357,876.

WEST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Actual revenues and other financing sources exceeded budgeted amounts by \$749,245. Actual expenditures and other financing uses were less than budgeted expenditures by \$444,303. Following are the main components of the increase:

- Moderate upturn in revenues from real estate sales transactions (\$94,094);
- Occupational privilege taxes reflect a growing local economy (\$338,133);
- Greater investment returns resulting from positive market conditions (\$148,586);
- Land development application fees exceeded budget expectations (\$34,264);
- Actual increases for employee benefits and insurance and bonding came in under budget (\$62,000 and \$25,300, respectively);
- Major capital equipment came in under budget (\$66,600); and
- Transfers to capital reserve were less than budgeted (\$152,500). Township-wide traffic studies and traffic signal maintenance were postponed to 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2005 amounts to \$57,712,485, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, land improvements and infrastructure. The total decrease in the Township's investment in capital assets for the current fiscal year was a total of approximately \$860,597, net of accumulated depreciation, or a 1.5 percent decrease.

Table 3
WEST GOSHEN TOWNSHIP'S CAPITAL ASSETS
December 31, 2005 and 2004

	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Buildings and improvements	\$ 5,953,999	\$ 5,944,038	\$ 11,606,882	\$ 11,596,790	\$ 17,560,881	\$ 17,540,828
Machinery and equipment	2,771,407	2,690,608	7,505,150	7,505,150	10,276,557	10,195,758
Vehicles	1,116,916	975,301	215,877	211,261	1,332,793	1,186,562
Land	3,128,044	3,128,044	82,083	82,083	3,210,127	3,210,127
Land improvements	1,887,019	1,842,544	560,571	560,571	2,447,590	2,403,115
Infrastructure	44,989,552	44,713,223	16,022,082	15,594,568	61,011,634	60,307,791
Construction-in-progress	204,294	57,290	69,251	23,702	273,545	80,992
Total capital assets	60,051,231	59,351,048	36,061,896	35,574,125	96,113,127	94,925,173
Less accumulated depreciation	(24,753,405)	(23,511,969)	(13,647,237)	(12,840,122)	(38,400,642)	(36,352,091)
Capital assets, net of depreciation	\$ 35,297,826	\$ 35,839,079	\$ 22,414,659	\$ 22,734,003	\$ 57,712,485	\$ 58,573,082

WEST GOSHEN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Major capital assets in the governmental funds acquired during the current fiscal year included the following:

- \$25,314 – Administration Department computer software and equipment;
- \$10,135 – Administration Department photocopier;
- \$116,547 – Purchase of five new Administration vehicles;
- \$7,200 – Police Department computer software;
- \$7,969 – Completion of the Police radio system upgrade;
- \$66,405 – Purchase of three new Police vehicles;
- \$54,652 – Purchase of two new Parks Department pickup trucks;
- \$9,297 – Parks Gator utility vehicle;
- \$16,158 – Purchase of two Hustler mowers;
- \$23,418 – Purchase of a Hustler tractor;
- \$8,036 – Purchase of an equipment hoist;
- \$4,660 – Purchase of a deckover trailer;
- \$7,322 – Purchase of a road saw/trailer/water tank;
- \$193,835 – Purchase of two Roads Department dump trucks;
- \$160,000 – Skate Park equipment for the Pottstown Pike Park;
- \$27,776 – Construction-in-progress of Pottstown Pike Park;
- \$9,961 – Playground shelter for the Community Park;
- \$16,394 – Traffic signal upgrades included green and red LED strobes;
- \$165,125 – Replacement of North Hills culvert;
- \$49,820 – Traffic signal dedicated to the Township; and
- \$89,465 – Stillwood Lane subdivision infrastructure and land improvements consisting of curbing, storm sewers and roadway paving dedicated to the Township.

WEST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

Major capital assets in the business-type activities and proprietary funds acquired during the current fiscal year included the following:

- \$30,551 – Purchase of a new pickup truck;
- \$10,092 – Electrical revisions to the Taylor Run pumping station;
- \$427,514 – Infrastructure improvements consisting of mains and laterals for two residential developments dedicated to the Township;
- \$3,984 – Construction-in-progress of Biogas Cogeneration System;
- \$33,013 – Construction-in-progress of UV system upgrade; and
- \$8,552 – Construction-in-progress to the Fern Hill pumping station upgrade.

Additional information about the Township's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

At December 31, 2005, the Township had \$15,090,926 in bonds, notes and capital leases outstanding versus \$16,313,254 last year – a decrease of 7.5 percent – as shown in Table 4 below.

<p style="text-align: center;">Table 4 WEST GOSHEN TOWNSHIP'S OUTSTANDING DEBT DECEMBER 31, 2005 AND 2004</p>						
	Governmental Activities		Business-type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 5,876,000	\$ 6,404,000	\$ -	\$ -	\$ 5,876,000	\$ 6,404,000
Capital lease	129,926	72,254	-	-	129,926	72,254
Sewer revenue bonds	-	-	4,430,000	4,930,000	4,430,000	4,930,000
Sewer revenue notes	-	-	4,655,000	4,907,000	4,655,000	4,907,000
Total Outstanding Debt	\$ 6,005,926	\$ 6,476,254	\$ 9,085,000	\$ 9,837,000	\$ 15,090,926	\$ 16,313,254

New debt issued this year included capital leases of \$170,835 to purchase two Road Department dump trucks. Other obligations of the Township include compensated absences of \$685,439.

West Goshen Township maintains a "Aa3" rating from Moody's for its current debt issuances.

WEST GOSHEN TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

State statutes limit the amount of general obligation debt a governmental entity may issue to 250 percent of its average borrowing base (average revenues over the past three years). The current debt limitation for West Goshen Township is \$39,339,497, which is significantly in excess of the Township's outstanding debt.

Additional information about the Township's long-term debt can be found in Note 6 on pages 50-52 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The Township continues to maintain a diversified revenue base should there be any short-term fluctuations in any one revenue source.
- Interest rates for savings and checking accounts increased from a low of 2.53 percent to a high of 4.44 percent, and certificates of deposits increased from a low of 3.04 percent to a high of 4.26 percent.
- New housing growth has been moderate and property values have been on the rise. The number of real estate sales in the Township directly affects the revenue streams of real estate transfer taxes.
- Changes in the pension laws and contractual changes to the pension plans continue to place added financial burdens on the Township to supplement State Aid.
- The Township adopted a balanced budget for 2006.
- Township real estate taxes were not increased for 2006.
- The Township enacted the Emergency and Municipal Services Tax as of January 1, 2006. This tax is expected to generate approximately \$1.2 million in revenues per year to support public safety services and road construction/maintenance costs.
- Costs for services have continued to rise, far outpacing revenues. The increases are largely attributed to expanded staffing, salary increases and the increased cost of providing employee benefits.
- Sewer and waste and recycling user fees were not increased for 2006.
- The Township broke ground in 2005 on a three-acre park site located at Pottstown Pike near Greenhill Road. Construction will continue into 2006. Design and construction costs of \$806,300 are budgeted for 2006. Financing for the park will include prior year grant monies received of \$114,500 and a transfer from the Restricted Parks account.

All of these factors were considered in preparing the Township's budget for the 2006 fiscal year.

WEST GOSHEN TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of West Goshen Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Finance Director, West Goshen Township, 1025 Paoli Pike, West Chester, PA 19380-4699.

General information relating to West Goshen Township can be found on its website, <http://www.westgoshen.org>.

BASIC FINANCIAL STATEMENTS

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 9,622,561	\$ 2,975,467	\$ 12,598,028
Cash and cash equivalents, restricted	-	1,526,648	1,526,648
Investments	1,299,427	2,520,865	3,820,292
Accounts and other receivables, net	2,473,022	6,576,502	9,049,524
Due from developers	-	1,292,886	1,292,886
Total Current Assets	<u>13,395,010</u>	<u>14,901,355</u>	<u>28,296,365</u>
Noncurrent Assets:			
Depreciable capital assets, net	31,965,488	22,263,325	54,228,813
Land	3,128,044	82,083	3,210,127
Construction-in-progress	204,294	69,251	273,545
Bond issuance costs	-	58,795	58,795
Total Noncurrent Assets	<u>35,297,826</u>	<u>22,473,454</u>	<u>57,771,280</u>
TOTAL ASSETS	\$ 48,692,836	\$ 37,374,809	\$ 86,067,645
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and other current liabilities	\$ 46,788	\$ 29,600	\$ 76,388
Developers' deposits	-	181,587	181,587
Compensated absences payable within one year	36,415	11,565	47,980
Capital leases payable within one year	73,031	-	73,031
Bonds payable within one year	-	510,000	510,000
Notes payable within one year	559,000	264,000	823,000
Total Current Liabilities	<u>715,234</u>	<u>996,752</u>	<u>1,711,986</u>
Noncurrent Liabilities:			
Compensated absences	483,803	153,656	637,459
Capital leases payable	56,895	-	56,895
Bonds payable	-	3,920,000	3,920,000
Deferred amount on refunding	-	(43,819)	(43,819)
Notes payable	5,317,000	4,391,000	9,708,000
Total Noncurrent Liabilities	<u>5,857,698</u>	<u>8,420,837</u>	<u>14,278,535</u>
TOTAL LIABILITIES	6,572,932	9,417,589	15,990,521
NET ASSETS:			
Invested in capital assets, net of related debt	29,291,900	13,432,273	42,724,173
Restricted for:			
Capital reserve	5,206,353	-	5,206,353
Sewer	-	7,930,550	7,930,550
Unrestricted	7,621,651	6,594,397	14,216,048
TOTAL NET ASSETS	42,119,904	27,957,220	70,077,124
TOTAL LIABILITIES AND NET ASSETS	\$ 48,692,836	\$ 37,374,809	\$ 86,067,645

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005
(With Summarized Comparative Data for the Year Ended December 31, 2004)

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Primary Government		Totals
			Governmental Activities	Business-type Activities	
GOVERNMENTAL ACTIVITIES					
General government	\$ 1,645,510	\$ 84,648	\$ 51,170	\$ (1,370,407)	\$ (1,370,407)
Public safety	4,880,795	449,618	363,933	(4,067,244)	(3,712,448)
Public works - highways and streets	2,293,828	-	416,519	(1,877,309)	(2,175,199)
Other public works	114,056	-	-	(114,056)	(133,130)
Library	5,000	-	-	(5,000)	(5,000)
Culture and recreation	944,821	72,081	19,713	(804,899)	(781,467)
Interest expense	296,603	-	-	(296,603)	(289,813)
TOTAL GOVERNMENTAL ACTIVITIES	10,180,613	606,347	851,335	(8,535,518)	(8,604,753)
BUSINESS-TYPE ACTIVITIES					
Sewer operations	3,629,272	3,307,995	60,191	-	(393,032)
Waste and recycling	1,384,567	1,365,572	48,260	-	167,921
TOTAL BUSINESS-TYPE ACTIVITIES	5,013,839	4,673,567	108,451	-	225,111
TOTAL PRIMARY GOVERNMENT	15,194,452	5,279,914	959,786	(8,535,518)	(8,829,864)
GENERAL REVENUES					
Taxes:					
				2,523,930	2,481,655
				744,094	921,849
				5,632,133	5,113,634
				260,776	245,452
				360,705	325,014
				17,538	13,984
				19,907	15,181
				20,804	65,281
				9,579,887	9,182,050
CHANGE IN NET ASSETS					
				1,044,369	352,186
NET ASSETS, BEGINNING OF YEAR					
				41,075,535	68,455,972
NET ASSETS, END OF YEAR					
				42,119,904	68,455,972
				27,957,220	168,455,972

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2005
(With Summarized Comparative Data for December 31, 2004)

	Major Funds		Nonmajor Governmental Funds	Totals	
	General Fund	Capital Reserve Fund		2005	2004
ASSETS					
Cash and cash equivalents	\$4,757,506	\$4,259,922	\$ 605,133	\$ 9,622,561	\$ 8,484,796
Investments	362,345	937,082	-	1,299,427	1,257,951
Accounts receivable, net	15,201	9,349	-	24,550	27,509
Taxes receivable, net	2,448,472	-	-	2,448,472	2,489,434
TOTAL ASSETS	<u>\$7,583,524</u>	<u>\$5,206,353</u>	<u>\$ 605,133</u>	<u>\$13,395,010</u>	<u>\$12,259,690</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 46,788	\$ -	\$ -	\$ 46,788	\$ 47,277
Deferred revenues	2,408,883	-	-	2,408,883	2,365,295
TOTAL LIABILITIES	<u>2,455,671</u>	<u>-</u>	<u>-</u>	<u>2,455,671</u>	<u>2,412,572</u>
FUND BALANCES					
Reserved for capital projects	-	5,206,353	-	5,206,353	4,912,249
Unreserved:					
General fund	5,127,853	-	-	5,127,853	4,292,181
Special revenue funds	-	-	605,133	605,133	642,688
TOTAL FUND BALANCES	<u>5,127,853</u>	<u>5,206,353</u>	<u>605,133</u>	<u>10,939,339</u>	<u>9,847,118</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$7,583,524</u>	<u>\$5,206,353</u>	<u>\$ 605,133</u>	<u>\$13,395,010</u>	<u>\$12,259,690</u>

The accompanying notes are an integral part of these financial statements.

**WEST GOSHEN TOWNSHIP
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 10,939,339
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Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. These assets consist of:

Depreciable capital assets, net	31,965,488
Land	3,128,044
Construction-in-progress	204,294

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 deferred in the funds.

2,408,883

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

Capital leases	(129,926)
Compensated absences	(520,218)
Notes payable	<u>(5,876,000)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 42,119,904</u>
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The accompanying notes are an integral part of these financial statements.

WEST GOSHEN TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005
(with Summarized Comparative Data for the Year Ended December 31, 2004)

	Major Funds		Nonmajor Governmental Funds	Totals	
	General Fund	Capital Reserve Fund		2005	2004
REVENUES					
Taxes	\$ 8,856,569	\$ -	\$ -	\$ 8,856,569	\$ 8,392,482
Licenses and permits	266,385	-	-	266,385	273,814
Fines, forfeits and costs	181,130	-	-	181,130	180,887
Investment earnings	229,959	140,217	18,810	388,986	156,984
Intergovernmental revenues	475,014	48,128	393,859	917,001	853,978
Charges for services/fees	352,327	-	26,500	378,827	340,268
Contributions	-	-	12,500	12,500	57,500
Miscellaneous revenue/other	20,804	-	-	20,804	31,718
TOTAL REVENUES	10,382,188	188,345	451,669	11,022,202	10,287,631
EXPENDITURES					
Current:					
General government	1,675,325	5,200	-	1,680,525	1,582,454
Public safety	4,834,336	-	5,491	4,839,827	4,416,172
Public works - highways and streets	1,014,717	193,823	247,272	1,455,812	1,359,534
Other public works	114,056	-	-	114,056	133,130
Library	5,000	-	-	5,000	5,000
Culture and recreation	861,535	225,577	-	1,087,112	858,351
Miscellaneous expenditures	-	-	27	27	27
Debt service:					
Principal	102,305	528,000	10,858	641,163	563,267
Interest and other charges	-	296,603	-	296,603	289,813
TOTAL EXPENDITURES	8,607,274	1,249,203	263,648	10,120,125	9,207,748
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,774,914</u>	<u>(1,060,858)</u>	<u>188,021</u>	<u>902,077</u>	<u>1,079,883</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital lease	170,835	-	-	170,835	57,127
Sale of/compensation for sale of capital assets	19,309	-	-	19,309	14,890
Transfers in	-	1,354,962	-	1,354,962	1,113,231
Transfers out	(1,129,386)	-	(225,576)	(1,354,962)	(1,113,231)
TOTAL OTHER FINANCING SOURCES (USES)	(939,242)	1,354,962	(225,576)	190,144	72,017
NET CHANGE IN FUND BALANCES	835,672	294,104	(37,555)	1,092,221	1,151,900
FUND BALANCES, BEGINNING OF YEAR	4,292,181	4,912,249	642,688	9,847,118	8,695,218
FUND BALANCES, END OF YEAR	\$ 5,127,853	\$ 5,206,353	\$ 605,133	\$10,939,339	\$ 9,847,118

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN TOWNSHIP
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,092,221

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 and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period.

(627,944)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenues increased by this amount this year.

43,588

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balances by the net book value of the capital assets sold and the fair market value of capital assets traded in.

(52,594)

In the statement of activities, contributed assets are recognized as a capital contribution and as a capital asset, whereas in the governmental funds, the transaction is not recognized.

139,285

The issuance of long-term debt (e.g., notes, bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

470,328

In the statement of activities, certain operating expenses - compensated absences (vacations and sick leave) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid.)

(20,515)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 1,044,369

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN TOWNSHIP
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Taxes:			
Real estate - current	\$ 2,500,000	\$ 2,463,288	\$ (36,712)
Real estate - delinquent and interest	26,000	30,446	4,446
Real estate - interims	10,000	30,609	20,609
Real estate - transfer	650,000	744,094	94,094
Occupational privilege	5,250,000	5,588,133	338,133
Licenses and permits	247,800	266,385	18,585
Fines, forfeits and costs	136,000	181,130	45,130
Interest, dividends and rents	81,373	229,959	148,586
Intergovernmental revenues	428,889	475,014	46,125
Charges for services/fees	277,486	352,327	74,841
Miscellaneous revenue/other	13,540	20,804	7,264
TOTAL REVENUES	9,621,088	10,382,189	761,101
EXPENDITURES			
Current			
General government:			
Administration	1,247,199	1,127,759	119,440
Auditing	22,995	22,162	833
Tax collection	119,821	130,120	(10,299)
Engineering	201,302	193,656	7,646
Building maintenance	227,524	201,628	25,896
Public safety:			
Police	3,877,474	3,868,145	9,329
Fire protection	653,658	690,374	(36,716)
Code enforcement	253,675	239,352	14,323
Planning and zoning	38,074	36,465	1,609
Public works - highways and streets:			
Administration	545,371	507,390	37,981
Winter maintenance	20,926	33,138	(12,212)
Road maintenance	467,386	452,112	15,274
Road construction	21,798	22,077	(279)
Other public works:			
Traffic signal maintenance	103,171	85,312	17,859
Street lighting	35,000	28,745	6,255
Library	5,000	5,000	-
Culture and recreation:			
Recreation	228,210	196,519	31,691
Parks	719,946	665,016	54,930
Nondepartmental:			
Debt service - principal	110,683	102,305	8,378
TOTAL EXPENDITURES	8,899,213	8,607,275	291,938

Continued on next page.

WEST GOSHEN TOWNSHIP
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
EXCESS OF REVENUES OVER EXPENDITURES	<u>721,875</u>	<u>1,774,914</u>	<u>1,053,039</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital lease	190,000	170,835	(19,165)
Sale of/Compensation for capital assets	12,000	19,309	7,309
Interfund transfers	<u>(1,281,751)</u>	<u>(1,129,386)</u>	<u>152,365</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,079,751)</u>	<u>(939,242)</u>	<u>140,509</u>
NET CHANGE IN FUND BALANCES	(357,876)	835,672	1,193,548
FUND BALANCE, BEGINNING OF YEAR	<u>4,292,181</u>	<u>4,292,181</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 3,934,305</u>	<u>\$ 5,127,853</u>	<u>\$ 1,193,548</u>

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN TOWNSHIP
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2005
(With Summarized Comparative Data for December 31, 2004)

	Major Enterprise Funds				Totals	
	Sewer Fund	Waste and Recycling Fund	Sewer Authority	Nonmajor Fund	2005	2004
ASSETS						
Current Assets:						
Cash and cash equivalents	\$1,772,869	\$1,190,675	\$ 11,923	\$ -	\$ 2,975,467	\$ 3,024,991
Cash and cash equivalents, restricted	-	-	1,526,648	-	1,526,648	434,783
Investments	1,210,399	90,119	-	1,220,347	2,520,865	2,439,690
Investments, restricted	-	-	6,576,502	-	6,576,502	7,432,149
Accounts receivable, net	832,613	459,911	-	362	1,292,886	1,485,129
Due from developers	-	-	8,987	-	8,987	8,068
Total Current Assets	<u>3,815,881</u>	<u>1,740,705</u>	<u>8,124,060</u>	<u>1,220,709</u>	<u>14,901,355</u>	<u>14,824,810</u>
Noncurrent Assets:						
Bond issuance costs	-	-	-	-	-	-
Land	-	-	58,795	-	58,795	66,381
Construction-in-progress	-	-	82,083	-	82,083	82,083
Capital assets, net	195,562	-	69,251	-	69,251	23,702
Total Noncurrent Assets	<u>195,562</u>	<u>-</u>	<u>22,067,763</u>	<u>-</u>	<u>22,263,325</u>	<u>22,628,218</u>
			<u>22,277,892</u>	<u>-</u>	<u>22,473,454</u>	<u>22,800,384</u>
TOTAL ASSETS	\$4,011,443	\$1,740,705	\$30,401,952	\$1,220,709	\$37,374,809	\$37,625,194
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable	\$ 19,240	\$ 10,360	\$ -	\$ -	\$ 29,600	\$ 137,260
Developer deposits	-	-	181,587	-	181,587	163,685
Compensated absences	11,218	347	-	-	11,565	15,342
Bonds payable within one year	-	-	510,000	-	510,000	500,000
Notes payable within one year	-	-	264,000	-	264,000	252,000
Total Current Liabilities	<u>30,458</u>	<u>10,707</u>	<u>955,587</u>	<u>-</u>	<u>996,752</u>	<u>1,068,287</u>
Noncurrent Liabilities:						
Compensated absences	149,044	4,612	-	-	153,656	140,943
Bonds payable	-	-	3,920,000	-	3,920,000	4,430,000
Deferred amount on refunding	-	-	(43,819)	-	(43,819)	(49,473)
Notes payable	149,044	4,612	4,391,000	-	4,391,000	4,655,000
Total Noncurrent Liabilities	<u>179,502</u>	<u>15,319</u>	<u>8,267,181</u>	<u>-</u>	<u>8,420,837</u>	<u>9,176,470</u>
TOTAL LIABILITIES			<u>9,222,768</u>	<u>-</u>	<u>9,417,589</u>	<u>10,244,757</u>
NET ASSETS						
Invested in capital assets, net of related debt	195,562	-	13,236,711	-	13,432,273	12,890,021
Restricted	-	-	7,930,550	-	7,930,550	7,711,315
Unrestricted	3,636,379	1,725,386	11,923	1,220,709	6,594,397	6,779,101
TOTAL NET ASSETS	<u>3,831,941</u>	<u>1,725,386</u>	<u>21,179,184</u>	<u>1,220,709</u>	<u>27,957,220</u>	<u>27,380,437</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,011,443</u>	<u>\$1,740,705</u>	<u>\$30,401,952</u>	<u>\$1,220,709</u>	<u>\$37,374,809</u>	<u>\$37,625,194</u>

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN TOWNSHIP
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005
(With Summarized Comparative Data for the Year Ended December 31, 2004)

	Major Enterprise Funds				Totals	
	Sewer Fund	Waste and Recycling Fund	Sewer Authority	Nonmajor Fund	2005	2004
OPERATING REVENUES:						
Fees	\$3,133,614	\$1,365,572	\$ 174,381	\$ -	\$ 4,673,567	\$ 4,606,031
Other	85,210	1,998	-	-	87,208	101,872
TOTAL OPERATING REVENUES	<u>3,218,824</u>	<u>1,367,570</u>	<u>174,381</u>	-	<u>4,760,773</u>	<u>4,707,903</u>
OPERATING EXPENSES:						
Contracted services	-	1,305,824	-	-	1,305,824	1,284,678
Sewer collection	145,560	-	-	-	145,560	140,815
Sewer disposal	380,383	-	-	-	380,383	349,681
Salaries and wages	887,396	44,308	-	-	931,704	941,687
Engineering fees	-	-	29,301	-	29,301	140,059
Administration	49,583	17,961	29,615	-	97,159	132,456
Employee benefits	504,017	15,390	-	-	519,407	449,021
Supplies	-	184	-	-	184	367
Fuel and light	398,652	-	-	-	398,652	413,467
Repairs and maintenance	93,055	900	-	-	93,955	142,706
Depreciation	41,897	-	788,561	-	830,458	828,355
TOTAL OPERATING EXPENSES	<u>2,500,543</u>	<u>1,384,567</u>	<u>847,477</u>	-	<u>4,732,587</u>	<u>4,823,292</u>
OPERATING INCOME (LOSS)	<u>718,281</u>	<u>(16,997)</u>	<u>(673,096)</u>	-	<u>28,188</u>	<u>(115,389)</u>
NONOPERATING REVENUES (EXPENSES)						
Interest and investment revenue	102,061	44,931	157,595	42,167	346,754	179,542
Capital contribution	-	-	424,427	-	424,427	-
Interest expense on bonds	-	-	(268,012)	-	(268,012)	(220,963)
Amortization expense	-	-	(13,240)	-	(13,240)	(13,240)
Other nonoperating revenue	10,406	48,260	-	-	58,666	162,088
TOTAL NONOPERATING REVENUES	<u>112,467</u>	<u>93,191</u>	<u>300,770</u>	<u>42,167</u>	<u>548,595</u>	<u>107,427</u>
INCOME (LOSS) BEFORE TRANSFERS	830,748	76,194	(372,326)	42,167	576,783	(7,962)
Transfers in	-	-	1,150,014	-	1,150,014	1,079,060
Transfers out	(1,150,014)	-	-	-	(1,150,014)	(1,079,060)
CHANGE IN NET ASSETS	(319,266)	76,194	777,688	42,167	576,783	(7,962)
NET ASSETS, BEGINNING OF YEAR	4,151,207	1,649,192	20,401,496	1,178,542	27,380,437	27,388,399
NET ASSETS, END OF YEAR	<u>\$3,831,941</u>	<u>\$1,725,386</u>	<u>\$21,179,184</u>	<u>\$1,220,709</u>	<u>\$27,957,220</u>	<u>\$27,380,437</u>

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN TOWNSHIP
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005
(with Summarized Comparative Data for the Year Ended December 31, 2004)

	Major Enterprise Funds				Totals	
	Sewer Fund	Waste and Recycling Fund	Sewer Authority	Nonmajor Fund	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:						
Received from customers	\$ 3,284,762	\$ 1,493,875	\$ 173,462	\$ -	\$ 4,952,099	\$ 4,725,588
Paid to suppliers for goods and services	(1,032,931)	(1,341,968)	(163,850)	-	(2,538,749)	(2,517,028)
Paid to employees for services	(1,400,123)	(44,082)	-	-	(1,444,205)	(1,384,391)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>851,708</u>	<u>107,825</u>	<u>9,612</u>	-	<u>969,145</u>	<u>824,169</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Grants received from state	-	48,260	-	-	48,260	177,978
Transfer from other funds	-	-	1,150,014	-	1,150,014	1,079,060
Transfer to other funds	(1,150,014)	-	-	-	(1,150,014)	(1,079,060)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,150,014)</u>	<u>48,260</u>	<u>1,150,014</u>	-	<u>48,260</u>	<u>177,978</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Interest paid	-	-	-	-	-	-
Principal payments	-	-	(268,012)	-	(268,012)	(220,963)
Acquisition and construction of capital assets	(17,551)	-	(752,000)	-	(752,000)	(735,000)
Proceeds from sale of capital assets	-	-	(58,727)	-	(58,727)	(318,077)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(17,551)</u>	-	<u>(1,078,739)</u>	-	<u>(1,096,290)</u>	<u>6,803</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest and investment earnings	144,228	44,931	213,378	42,311	444,848	254,483
Sale of investments, net of reinvestment	-	-	799,864	-	799,864	(1,922,970)
Purchase of investments, net of reinvestment	(78,535)	(2,640)	-	(42,311)	(123,486)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>65,693</u>	<u>42,291</u>	<u>1,013,242</u>	-	<u>1,121,226</u>	<u>(1,668,487)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(250,164)	198,376	1,094,129	-	1,042,341	(1,933,577)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,023,033	992,299	444,442	-	3,459,774	5,393,351
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,772,869</u>	<u>\$ 1,190,675</u>	<u>\$ 1,538,571</u>	<u>\$ -</u>	<u>\$ 4,502,115</u>	<u>\$ 3,459,774</u>
Operating income (loss)	\$ 718,281	\$ (16,997)	\$ (673,096)	\$ -	\$ 28,188	\$ (115,389)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	41,894	-	788,561	-	830,455	828,355
Changes in assets and liabilities:						
Accounts receivable	65,938	126,305	-	-	192,243	9,458
Due from developers	-	-	(919)	-	(919)	8,227
Accounts payable	16,885	(1,709)	(122,836)	-	(107,660)	63,268
Developers' deposits	-	-	17,902	-	17,902	23,933
Compensated absences	8,710	226	-	-	8,936	6,317
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 851,708</u>	<u>\$ 107,825</u>	<u>\$ 9,612</u>	<u>\$ -</u>	<u>\$ 969,145</u>	<u>\$ 824,169</u>
SUPPLEMENTAL INFORMATION:						
Restricted cash	\$ -	\$ -	\$ 1,526,648	\$ -	\$ 1,526,648	\$ 434,783
Unrestricted cash	<u>1,772,869</u>	<u>1,190,675</u>	<u>11,923</u>	-	<u>2,975,467</u>	<u>3,024,991</u>
NONCASH INVESTING ACTIVITIES:	<u>\$ 1,772,869</u>	<u>\$ 1,190,675</u>	<u>\$ 1,538,571</u>	<u>\$ -</u>	<u>\$ 4,502,115</u>	<u>\$ 3,459,774</u>
Net decrease in fair value of investments	\$ -	\$ -	\$ (55,783)	\$ -	\$ (55,783)	\$ (74,941)
Amortization expense	-	-	(13,240)	-	(13,240)	(13,240)
TOTAL NONCASH INVESTING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (69,023)</u>	<u>\$ -</u>	<u>\$ (69,023)</u>	<u>\$ (88,181)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:						
Contributed capital assets	\$ -	\$ -	\$ 424,727	\$ -	\$ 424,727	\$ -

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN TOWNSHIP
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2005

	Pension and Other Employee Benefit <u>Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 972,296	\$ 66,569
Accrued receivables	4,954	-
Insurance contracts, at contract value	2,120,802	-
Investments, at market value:		
Mutual funds	<u>8,946,657</u>	<u>-</u>
TOTAL ASSETS	<u>\$12,044,709</u>	<u>\$ 66,569</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Escrow deposits	\$ -	\$ 66,569
 NET ASSETS:		
Assets held in trust for pension and other employee benefits (schedule of funding progress for each pension plan is presented on page 55) and pool participants	<u>12,044,709</u>	<u>-</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$12,044,709</u>	<u>\$ 66,569</u>

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN TOWNSHIP
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Pension and Other Employee Benefit Trust Funds
ADDITIONS:	
Contributions:	
Employer contributions	\$ 534,829
State aid (See Note 15)	316,091
Member contributions	<u>117,780</u>
Total Contributions	<u>968,700</u>
Investment earnings:	
Interest and dividends	335,369
Net increase in fair value of investments	<u>465,273</u>
Total Investment Earnings	<u>800,642</u>
TOTAL ADDITIONS	<u>1,769,342</u>
DEDUCTIONS:	
Pension payments	422,931
Administrative expenses	51,906
Other expenses	<u>52,898</u>
TOTAL DEDUCTIONS	<u>527,735</u>
CHANGE IN NET ASSETS	1,241,607
NET ASSETS, BEGINNING OF YEAR	<u>10,803,102</u>
NET ASSETS, END OF YEAR	<u>\$12,044,709</u>

The accompanying notes are an integral part of these financial statements.

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

West Goshen Township (the "Township") complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

For financial reporting purposes, the Township's primary government includes all departments and agencies, bureaus, boards, commissions and certain authorities that make up the Township's legal entity. The Township's reporting entity also is comprised of its component units, which are legally separate organizations for which the Township's elected officials are financially accountable.

Financial accountability is defined in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB No. 39. The Township is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Township. The Township may also be financially accountable if an organization is fiscally dependent on the Township regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

Blended Component Unit

The West Goshen Sewer Authority is a public authority, which exists to provide facilities for use in the sewer operations of the Township Sewer Fund. The Authority is considered a blended component unit and is shown in the financial statements as part of the primary government proprietary funds. The Authority is audited by Barbacane, Thornton & Company, whose report dated March 9, 2006 is publicly available through the offices of West Goshen Township.

Basis of Presentation

Entity-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as pension and agency funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The entity-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Township and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Township.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects funds and the restrictions on their net asset use.

Fund Financial Statements

Fund financial statements report detailed information about the Township. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements. Fiduciary fund financial statements are presented by fund type.

The Township reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Capital Reserve Fund accounts for the resources accumulated for future capital projects.

The Township reports the following proprietary funds:

- The Sewer Fund accumulates resources necessary for the operations and payment of lease rentals of the West Goshen Sewer Authority.
- The Waste and Recycling Fund accounts for the activities of the Township for the operation and maintenance of the Township's collection services.
- The Sewer Authority accounts for the activities of the West Goshen Sewer Authority, blended component unit of the Township. The Authority operates the sewage treatment plant, sewage pumping stations and collection systems.

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major governmental funds of the Township include the general fund and the capital reserve fund. All other governmental funds are grouped together and presented in a separate column as nonmajor governmental funds. They include the state fund, parks and recreation fund, offsite development fund and zoning hearing board fund.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, 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 government considers property and earned income tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Township must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Township on a reimbursement basis.

Property tax and earned income tax receivables collected after 60 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Further, as provided in GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, certain governmental fund liabilities and expenditures, such as for compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The Township's only proprietary funds are enterprise funds.

These 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 fund's principal ongoing operations. The principal operating revenues of the Township's enterprise funds are sewer and waste recycling fees. Operating expenses for the Township's enterprise funds include sewer disposal, recycling, supplies and administrative costs, and depreciation. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 are followed in both the entity-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. These include Pension Trust and Agency Funds. The Pension Trust Funds account for the activities of the Police Retirement Insurance Fund, the Non-Uniformed Insurance Fund, the Police Pension Fund, the Non-Uniformed Pension Fund and the Sewer Pension Fund. Pension Trust Funds are accounted for in essentially the same manner as proprietary funds since the measurement of the economic resources is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Fund accounts for the escrow account held by the Township.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund, capital reserve fund and state fund special revenue fund, which is a nonmajor governmental fund. All annual appropriations lapse at fiscal year end. For 2005, there were no revisions to the general fund budget.

Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Restricted Assets

Certain proceeds of the Sewer Revenue Bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants and to fund capital assets.

Investments

Investments consist of certificates of deposit, U.S. Government securities and pooled investment programs held by the Pennsylvania Local Government Investment Trust and are recorded at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the proprietary fund financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

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

Machinery and equipment	5-20 years
Vehicles	5-10 years
Land improvements	10-20 years
Buildings and improvements	25-40 years
Utility systems	25-40 years
Infrastructure	20-60 years

WEST GOSHEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums. Sick leave accrues to full-time, permanent employees and can be carried over from year to year. After 20 years of service, employees who retire are entitled to 20 percent of their accrued vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the entity-wide and proprietary fund financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report a liability for compensated absences only if they have matured. Historically, the general fund has been responsible for liquidation of compensated absences associated with governmental activities. Compensated absences associated with business-type activities are liquidated from the fund in which the liability was generated.

Long-Term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred amounts are recorded as a decrease to debt payable and amortized over the life of the debt.

In the fund financial statements, governmental fund types report discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, except for refundings paid from proceeds which are reported as other financing uses.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets

Restricted net assets are comprised of assets, net of related liabilities, that are required to be set aside by revenue bond covenants for operations, maintenance and renewal and replacements. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Township does not have a policy for custodial credit risk on deposits. The Township is required by statute to deposit funds in depositories that are either banks, banking institutions or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit excluding the pension funds. See Notes 8, 9 and 10. At December 31, 2005, the carrying amount of the Township's deposits was \$14,124,676 and the bank balance was \$9,178,830. Of the bank balance, \$400,000 was covered by federal depository insurance and \$8,778,830 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name.

As of December 31, 2005, \$4,076,558 of the Township's deposits were in the Pennsylvania Local Government Investment Trust (PLGIT). 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.

As of December 31, 2005, \$1,354,048 of the Township's deposits were in the form of U.S. Treasury obligation money market mutual funds and are not subject to custodial credit risk.

Investments

Statutes authorize the Township to invest in obligations of the U.S. Treasury; agencies and instrumentalities; deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation (FSLIC) or the National Credit Union Share Insurance Fund (NCUSIF). The Township also is authorized to invest in obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 2 DEPOSITS AND INVESTMENTS (cont'd)

As of December 31, 2005, the Township had the following investments:

Certificates of deposit	\$ 3,820,292
U.S. agencies:	
Federal Home Loan Banks (FHLBs)	<u>6,576,502</u>
Total	<u>\$ 10,396,794</u>

Investments classified as U.S. agencies are securities of agencies of the U.S. government that have an implied but not explicit guarantee.

Interest Rate Risk

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. It is the practice of the Township to limit its interest rate risk by investing in securities with maturity dates under one year. At December 31, 2005, the Township's investments in certificates of deposit and FHLBs had maturity dates of less than one year.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. As of December 31, 2005, \$3,820,292 of the Township's investments were subject to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Township's name.

Credit Risk

The Township does not have an investment policy that would limit its investment choices to those with certain credit ratings. As of December 31, 2005, FHLBs were rated as AAA by a nationally recognized statistical rating organization.

Concentration Risk

The Township does not have a policy that would limit the amount it may invest in any one issuer. As of December 31, 2005, all of the Township's investments were in the form of certificates of deposit issued by three banks and FHLBs.

NOTE 3 INTERFUND TRANSFERS

Interfund transfers:

Transfers out:		Transfers in:	
General fund	\$ 1,129,386	Capital reserve	<u>\$ 1,354,962</u>
Other governmental funds	<u>225,576</u>		
Total	<u>\$ 1,354,962</u>		<u>\$ 1,354,962</u>

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 3 INTERFUND TRANSFERS (cont'd)

Transfers represent funds set aside for the anticipation of future capital needs.

Eliminations of interfund activity:

	<u>Sewer fund</u>	<u>Sewer Authority</u>	<u>Totals</u>
Revenue:			
Lease rental fees	\$ -	\$ 1,150,014	\$ 1,150,014
Total	\$ -	\$ 1,150,014	\$ 1,150,014
Expenses:			
Administration	\$ 1,150,014	\$ -	\$ 1,150,014
Total	\$ 1,150,014	\$ -	\$ 1,150,014

These amounts have been eliminated in the statement of revenues, expenses and changes in net assets – proprietary funds. These amounts represent operating lease payments and receipts for the sewer system between the primary government and the component unit and are reflected in the fund statements as transfers.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
General capital assets not being depreciated:				
Land	\$ 3,128,044	\$ -	\$ -	\$ 3,128,044
Construction-in-progress	<u>57,290</u>	<u>195,745</u>	<u>(48,741)</u>	<u>204,294</u>
Total general capital assets not being depreciated	<u>3,185,334</u>	<u>195,745</u>	<u>(48,741)</u>	<u>3,332,338</u>
General capital assets being depreciated:				
Buildings and improvements	5,944,038	9,961	-	5,953,999
Vehicles	975,301	440,736	(299,121)	1,116,916
Infrastructure	44,713,223	276,329	-	44,989,552
Land improvements	1,842,544	44,475	-	1,887,019
Machinery and equipment	<u>2,690,608</u>	<u>150,983</u>	<u>(70,184)</u>	<u>2,771,407</u>
Total general capital assets being depreciated	<u>56,165,714</u>	<u>922,484</u>	<u>(369,305)</u>	<u>56,718,893</u>
Accumulated depreciation:				
Buildings and improvements	615,355	110,205	-	725,560
Vehicles	613,068	129,225	(255,065)	487,228
Infrastructure	20,691,607	1,084,374	-	21,775,981

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land improvements	659,811	76,853	-	736,664
Machinery and equipment	<u>932,128</u>	<u>157,491</u>	<u>(61,647)</u>	<u>1,027,972</u>
Total accumulated depreciation	<u>23,511,969</u>	<u>1,558,148</u>	<u>(316,712)</u>	<u>24,753,405</u>
Total general capital assets being depreciated, net	<u>32,653,745</u>	<u>(635,664)</u>	<u>(52,593)</u>	<u>31,965,488</u>
Governmental Activities, Net	<u>\$35,839,079</u>	<u>\$ (439,919)</u>	<u>\$ (101,334)</u>	<u>\$35,297,826</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 82,083	\$ -	\$ -	\$ 82,083
Construction-in-progress	<u>23,702</u>	<u>45,549</u>	<u>-</u>	<u>69,251</u>
Total capital assets not being depreciated, net	<u>105,785</u>	<u>45,549</u>	<u>-</u>	<u>151,334</u>
Capital assets being depreciated:				
Collection system - infrastructure	15,594,568	427,514	-	16,022,082
Land improvements	560,571	-	-	560,571
Buildings and improvements	11,596,790	10,092	-	11,606,882
Vehicles	211,261	30,551	(25,935)	215,877
Equipment	<u>7,505,150</u>	<u>-</u>	<u>-</u>	<u>7,505,150</u>
Total capital assets being depreciated	<u>35,468,340</u>	<u>468,157</u>	<u>(25,935)</u>	<u>35,910,562</u>
Accumulated depreciation:				
Collection system - infrastructure	5,743,125	285,979	-	6,029,104
Land improvements	127,153	11,710	-	138,863
Buildings and improvements	4,251,547	259,769	-	4,511,316
Vehicles	150,222	20,227	(23,343)	147,106
Equipment	<u>2,568,075</u>	<u>252,773</u>	<u>-</u>	<u>2,820,848</u>
Total accumulated depreciation	<u>12,840,122</u>	<u>830,458</u>	<u>(23,343)</u>	<u>13,647,237</u>
Total capital assets being depreciated, net	<u>22,628,218</u>	<u>(362,301)</u>	<u>(2,592)</u>	<u>22,263,325</u>
Business-type Activities, Net	<u>\$22,734,003</u>	<u>\$ (316,752)</u>	<u>\$ (2,592)</u>	<u>\$22,414,659</u>

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 4 CAPITAL ASSETS (cont'd)

Depreciation expense was charged to function/programs of the Township as follows:

Governmental Activities:	
General government	\$ 102,082
Public safety	113,354
Public works	1,188,108
Culture and recreation	<u>154,604</u>
Total Depreciation Expense - Governmental Activities	<u>\$1,558,148</u>
Business-type Activities:	
Sewer operations	<u>\$ 830,458</u>

NOTE 5 CAPITAL LEASES - LESSEE

The Township entered into lease agreements as lessee for financing the acquisition of vehicles and a brush chipper. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

Vehicles acquired through capital leases	\$ 385,469
Less: accumulated depreciation	<u>(73,360)</u>
Total	<u>\$ 312,109</u>

Future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005 are as follows:

Year Ending December 31,

2006	\$ 79,767
2007	<u>59,943</u>
Total minimum lease payments	139,710
Less: amount representing interest	<u>(9,784)</u>
Present value of minimum lease payments	<u>\$ 129,926</u>

NOTE 6 LONG-TERM DEBT

Governmental Activities:

Delaware Valley Regional Finance Authority -
General Obligation Note with interest at variable rates not to exceed 15% per annum, payable annually. Interest rates change on a weekly basis and are determined by the Bond

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

Market Association Index. As of December 31, 2005, the interest rate is 3.38%. Maturity date is July 25, 2008. \$ 865,000

Delaware Valley Regional Finance Authority -
General Obligation Note with interest at a fixed rate of 4.909%
per annum, payable annually. Maturity date is July 25, 2008. 5,011,000

5,876,000

Business-type Activities:

Sewer Revenue Bonds, Series 2003, currently refunded Series 1995, with interest varying from 1.75% to 3.6%, payable semi-annually. Maturity date is September 1, 2013. 4,430,000

Delaware Valley Regional Finance Authority note with interest at variable rates not to exceed 25% per annum, payable annually. Interest rates change on a weekly basis and are determined by the Bond Market Association Index. As of December 31, 2005, the interest rate is 2.33%. Maturity date is July 25, 2018. 4,655,000

9,085,000

Grand Total \$ 14,961,000

An analysis of debt service requirements including sinking fund requirements to maturity on these obligations follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2006	\$ 1,333,000	\$ 499,612	\$ 1,832,612
2007	1,383,000	460,066	1,843,066
2008	1,441,000	416,797	1,857,797
2009	1,177,000	369,703	1,546,703
2010	1,227,000	329,667	1,556,667
2011-2015	5,625,000	986,924	6,611,924
2016-2018	<u>2,775,000</u>	<u>166,922</u>	<u>2,941,922</u>
	<u>\$14,961,000</u>	<u>\$ 3,229,691</u>	<u>\$ 18,190,691</u>

A schedule of changes in debt is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General obligation notes	\$ 6,404,000	\$ -	\$ 528,000	\$ 5,876,000	\$ 559,000
Capital leases payable	72,254	170,835	113,163	129,926	73,031
Compensated absences	<u>499,703</u>	<u>20,515</u>	<u>-</u>	<u>520,218</u>	<u>36,415</u>
Total Governmental Activities	<u>\$ 6,975,957</u>	<u>\$ 191,350</u>	<u>\$ 641,163</u>	<u>\$ 6,526,144</u>	<u>\$ 668,446</u>

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM DEBT (cont'd)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-type Activities:					
Sewer revenue bonds	\$ 4,930,000	\$ -	\$ 500,000	\$ 4,430,000	\$ 510,000
Sewer revenue notes	4,907,000	-	252,000	4,655,000	264,000
Compensated absences	<u>156,285</u>	<u>8,936</u>	<u>-</u>	<u>165,221</u>	<u>11,565</u>
Total Business-type Activities	<u>\$ 9,993,285</u>	<u>\$ 8,936</u>	<u>\$ 752,000</u>	<u>\$ 9,250,221</u>	<u>\$ 785,565</u>

NOTE 7 TAXES

For 2005, the following tax was levied on assessed value of real estate:
1.50 Mills for general purposes

The taxable assessed valuation of property as of December 31, 2005 was \$1,686,941,565.

The real estate tax collection calendar is as follows:

Initial Billing	-	March 1
Discount Period	-	March 1 - April 30
Face Period	-	May - June 30
Penalty Period	-	July 1 and thereafter
Lien Date	-	February 28

Other taxes levied in 2005:

Real Estate Transfer	-	1% of sale price
Earned Income Tax	-	1% of gross income

NOTE 8 POLICE PENSION FUND

Plan description and provisions:

The West Goshen Township Police Pension Fund is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 5-1977 dated June 14, 1977, as amended. The plan is governed by the Board of Township Supervisors, which is responsible for the management of plan assets. The Board of Township Supervisors has delegated the authority to manage certain plan assets to Aetna Life Insurance Company and Bryn Mawr Trust Company. West Goshen Township issues a stand-alone financial report that includes audited financial statements and required supplementary information. Copies of that report can be obtained at the Township Administration Building.

As of January 1, 2005, pension plan membership consisted of the following:

Active employees	26
Retirees and beneficiaries currently receiving benefits	9
Vested terminated members	<u>1</u>
Total	<u>36</u>

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2005, disclosed that the pension plan benefit provisions are as follows:

Employees who retire at or after age 55 with 25 years of continuous service are entitled to a life annuity with 120 monthly guaranteed payments. The amount of monthly pension is equal to 50 percent of average monthly pay, plus a service increment of \$25 per month for each year of service in excess of 25 years but not more than \$100 additional per month. A member becomes 100 percent vested in the benefit accrued after 12 or more years of continued service.

If an active member dies, the member's beneficiary will receive a death benefit in a single lump sum equal to the member's contributions accumulated with interest. If a retired member dies, the death benefit is payable according to the normal form of annuity in effect.

An active member is eligible for disability benefit if the member is disabled as a result of a service-connected injury or disease. The monthly benefit will equal 1/12 of 50 percent of the calculated final average earnings.

Members' contributions are to be five percent of monthly regular salary, overtime, extra duty and longevity pay, accumulated at the rate of five percent per annum.

Basis of Accounting

The plan's policy is to prepare its financial statements on the accrual basis of accounting.

Method Used to Value Investments

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the insurance company. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan's assets.

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2005, the carrying amount of the Police Pension Plan's deposits was \$10,854, which is equal to the deposits in a Federated Prime obligations fund held by the trustee of the pension in the Township's name. None of this balance was subject to custodial credit risk.

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

Investments

The Investment objective of the West Goshen Township Police Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios.

As of December 31, 2005, the Township Police Pension Plan had the following investments:

	<u>Fair Value</u>	<u>Less Than One Year</u>
Domestic equity mutual funds	\$ 3,996,260	\$ 3,996,260
Fixed income funds	1,456,194	1,456,194
Unallocated insurance contract	<u>1,052,869</u>	<u>1,052,869</u>
TOTAL	<u>\$ 6,505,323</u>	<u>\$ 6,505,323</u>

Interest Rate Risk

The Police Pension Plan 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. It is the practice of the Township to limit its interest rate risk by investing in securities with maturity dates under one year. At December 31, 2005, the Police Pension Plan's investments had maturity dates of less than one year.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Police Pension Plan will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Police Pension Plan does not have a formal policy that addresses custodial credit risk.

Credit Risk

The Township has an investment policy which limits investment choices in fixed income assets to those with certain credit ratings of at least "A" according to either Moody's or Standard & Poors' rating system. All of the investments in fixed income funds were rated A by Standard & Poors.

Concentration Risk

The Police Pension Plan does not have a formal policy that would limit the amount it may invest in any one issuer. At December 31, 2005, more than five percent of the Police Pension Plan's investments were invested in the unallocated insurance contract.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation (M.M.O.). The M.M.O. is based upon the plan's biennial actuarial valuation. Employees were required to contribute five percent to the plan during 2005. The state provides an allocation

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 8 POLICE PENSION FUND (cont'd)

of funds which must be used for pension funding. Any financial requirement established by the M.M.O. which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and paid from the general fund, which is reimbursed as pension investments are liquidated.

Annual Pension Cost

The required contribution was determined as part of the January 1, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases due to inflation of 5.0 percent per year, compounded annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The unfounded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a level dollar closed basis. The remaining amortization period at December 31, 2005 was 12 years.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/05	\$ 384,698	100.00%	\$ -
12/31/04	\$ 210,364	100.00%	\$ -
12/31/03	\$ 207,813	100.00%	\$ -

NOTE 9 NON-UNIFORMED PENSION FUND

Plan description and provisions:

The West Goshen Township Non-Uniformed Pension Fund is a single-employer defined benefit pension plan covering the Township's full-time administrative and road employees. The plan is governed by the board of township supervisors, which is responsible for the management of plan assets. The board of township supervisors has delegated the authority to manage certain plan assets to Aetna Life Insurance Company and Bryn Mawr Trust Company. West Goshen Township issues a stand-alone financial report that includes audited financial statements and required supplementary information. Copies of that report can be obtained at the Township Administration Building.

As of January 1, 2005, pension plan membership consisted of the following:

Active employees	41
Retirees and beneficiaries currently receiving benefits	12
Vested terminated members	<u>6</u>
Total	<u>59</u>

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION FUND (cont'd)

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2005, disclosed that the pension plan benefit provisions are as follows:

Employees who retire at age 65 with 10 years of service, or age 60 with 20 years service, are entitled to 1.5 percent of average base earnings for the last 36 months of employment multiplied by service up to 35 years. For employees hired before July 1, 1980, the benefit is calculated as 35 percent of average base earnings for the highest 60 consecutive months out of the final 120 months of employment.

Early retirement is available up to 10 years preceding normal retirement with 15 or more years of service.

Vesting starts at 50 percent after five years, increasing ten percent each year thereafter to 100 percent after 10 years of service.

Active members who become totally and permanently disabled receive accrued benefits immediately, based on a five year minimum service requirement. Disability must be work-related.

Members are not required to contribute to the plan.

Basis of Accounting

The plan's policy is to prepare its financial statements on the accrual basis of accounting.

Method Used to Value Investments

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the insurance company. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan's assets.

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2005, the carrying amount of the Non-Uniformed Pension Plan's deposits was \$23,883, which is equal to the deposits in a Federated Prime obligations fund held by the trustee of the pension in the Township's name. None of this balance was subject to custodial credit risk.

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION FUND (cont'd)

Investments

The investment objective of the West Goshen Township Non-Uniformed Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios.

As of December 31, 2005, the Township Non-Uniformed Pension Plan had the following investments:

	<u>Fair Value</u>	<u>Less Than One Year</u>
Domestic equity mutual funds	\$ 1,714,141	\$ 1,714,141
Fixed income funds	514,853	514,853
Unallocated insurance contract	<u>576,954</u>	<u>576,954</u>
TOTAL	<u>\$ 2,805,948</u>	<u>\$ 2,805,948</u>

Interest Rate Risk

The Non-Uniformed Pension Plan 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. It is the practice of the Township to limit its interest rate risk by investing in securities with maturity dates under one year. At December 31, 2005, the Non-Uniformed Pension Plan's investments had maturity dates of less than one year.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Non-Uniformed Pension Plan will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Non-Uniformed Pension Plan does not have a formal policy that addresses custodial credit risk.

Credit Risk

The Non-Uniformed Pension Plan has an investment policy which limits investment choices in fixed income assets to those with certain credit ratings of at least "A" according to either Moody's or Standard & Poors' rating system. All of the investments in fixed income funds were rated A by Standard & Poors.

Concentration Risk

The Non-Uniformed Pension Plan does not have a formal policy that would limit the amount it may invest in any one issuer. At December 31, 2005, more than five percent of the Non-Uniformed Pension Plan's investments were invested in the unallocated insurance contract.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation (M.M.O.). The M.M.O. is based upon the plan's biennial actuarial valuation. Employees were not required to contribute to the plan during 2005. The state provides an allocation of funds

WEST GOSHEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 9 NON-UNIFORMED PENSION FUND (cont'd)

which must be used for pension funding. Any financial requirement established by the M.M.O. which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and paid from the general fund, which is reimbursed as pension investments are liquidated.

Annual Pension Cost

The required contribution was determined as part of the January 1, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases due to inflation of 5.0 percent per year, compounded annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The unfounded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a level dollar closed bases. The remaining amortization period at December 31, 2005 was nine years.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/05	\$ 219,414	100.00%	\$ -
12/31/04	\$ 175,814	100.00%	\$ -
12/31/03	\$ 181,499	100.00%	\$ -

NOTE 10 SEWER PENSION PLAN

Plan description and provisions:

The West Goshen Township Sewer Pension Plan is a single-employer defined benefit pension plan covering the Township's full-time sewer employees. The plan is governed by the board of township supervisors, which is responsible for the management of plan assets. The board of township supervisors has delegated the authority to manage certain plan assets to Aetna Life Insurance Company and Bryn Mawr Trust Company. West Goshen Township issues a stand-alone financial report that includes audited financial statements and required supplementary information. Copies of that report can be obtained at the Township Administration Building.

As of January 1, 2005, pension plan membership consisted of the following:

Active employees	21
Retirees and beneficiaries currently receiving benefits	7
Vested terminated members	<u>3</u>
Total	<u>31</u>

WEST GOSHEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 10 SEWER PENSION PLAN (cont'd)

Actuarial valuation report Form 205, filed with the Public Employee Retirement Study Commission and dated as of January 1, 2005, disclosed that the pension plan benefit provisions are as follows:

Employees who retire at age 65 with 10 years of service, or age 60 with 20 years of service, are entitled to 1.5 percent of average base earnings for the last 36 months of employment multiplied by service up to 35 years; for employees hired before July 1, 1980, 35 percent of average base earnings for the highest 60 consecutive months out of the final 120 months of employment.

Vesting starts at 50 percent after five years, increasing ten percent each year thereafter, to 100 percent after 10 years of service.

Active members who become totally and permanently disabled receive accrued benefits immediately, based on a five year minimum service requirement. Disability must be work-related.

Members are not required to contribute to the plan.

Basis of Accounting

The plan's policy is to prepare its financial statements on the accrual basis of accounting.

Method Used to Value Investments

In accordance with GASB No. 25, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the insurance company. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan's assets.

Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2005, the carrying amount of the Sewer Pension Plan's deposits was \$15,747, which is equal to the deposits in a Federated Prime obligations fund held by the trustee of the pension in the Township's name. None of this balance was subject to custodial credit risk.

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 SEWER PENSION PLAN (cont'd)

Investments

The Investment objective of the West Goshen Township Sewer Pension Plan is to maintain a balanced portfolio comprised of equity, fixed income and cash equivalent securities and, as such, is intended to be structured less aggressively than equity-oriented portfolios.

As of December 31, 2005, the Township Sewer Pension Plan had the following investments:

	<u>Fair Value</u>	<u>Less Than One Year</u>
Domestic equity mutual funds	\$ 1,072,854	\$ 1,072,854
Fixed income funds	192,355	192,355
Unallocated insurance contract	<u>490,979</u>	<u>490,979</u>
TOTAL	<u>\$ 1,756,188</u>	<u>\$ 1,756,188</u>

Interest Rate Risk

The Sewer Pension Plan 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. It is the practice of the Township to limit its interest rate risk by investing in securities with maturity dates under one year. At December 31, 2005, the Sewer Pension Plan's investments had maturity dates of less than one year.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Sewer Pension Plan will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Sewer Pension Plan does not have a formal policy that addresses custodial credit risk.

Credit Risk

The Sewer Pension Plan has an investment policy which limits investment choices in fixed income assets to those with certain credit ratings of at least "A" according to either Moody's or Standard & Poors' rating system. All of the investments in fixed income funds were rated A by Standard & Poors.

Concentration Risk

The Sewer Pension Plan does not have a formal policy that would limit the amount it may invest in any one issuer. At December 31, 2005, more than five percent of the Sewer Pension Plan's investments were invested in the unallocated insurance contract.

Contributions

Act 205 requires that annual contributions be based upon the minimum municipal obligation (M.M.O.). The M.M.O. is based upon the plan's biennial actuarial valuation. The state provides an allocation of funds which must be used for pension funding. Any financial requirement established by the M.M.O. which exceeds the state and employee contributions must be funded by the employer in accordance with Act 205.

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 10 SEWER PENSION PLAN (cont'd)

Administrative Costs

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and paid from the general fund, which is reimbursed as pension investments are liquidated.

Annual Pension Cost

The required contribution was determined as part of the January 1, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases due to inflation of 5.0 percent per year, compounded annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The unfounded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a level dollar closed bases. The remaining amortization period at December 31, 2005 was 12 years.

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/05	\$ 142,096	100.00%	\$ -
12/31/04	\$ 111,127	100.00%	\$ -
12/31/03	\$ 89,378	100.00%	\$ -

NOTE 11 VILLAGE OF SHANNON

The Village of Shannon Homeowner's Association maintains an escrow account with West Goshen Township. The money that West Goshen is holding for the Village of Shannon is currently invested in a savings account. Any interest earned is forwarded to the Association at its request. As of December 31, 2005, the carrying value of the escrow account is \$66,569.

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS

In addition to the pension benefits described in the preceding notes, the Township has established benefits for eligible employees to have health care benefits provided after retirement.

Medical Benefits Payable Upon Retirement

The Uniformed and Non-Uniformed Post-Retirement Medical Benefit Plans are single-employer plans controlled by Township ordinances, as amended. The plan is governed by the Board of Township Supervisors, which is responsible for the management of plan assets. The Plan's policy is to prepare its financial statements on the accrual basis of accounting. Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and paid from the general fund, which is reimbursed as pension investments are liquidated.

WEST GOSHEN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (cont'd)

Police Insurance Fund

A police officer is eligible for post-retirement benefits if he or she retires after attainment of age 55 and completion of 25 years of service.

Non-Uniformed Insurance Fund

A non-uniformed employee is eligible for post-retirement benefits if he or she retires after completion of the following requirements:

1. attainment of age 55 and completion of 25 years of service, or
2. attainment of age 60 and completion of 20 years of service.

For eligible retirees, the plans will pay 100 percent of the retiree's medical insurance premiums until age 65. The medical coverages provided include comprehensive medical, vision, dental and prescription drug coverage. If the retiree should die, premiums paid by the plan for the retiree shall cease. Police officers or non-uniformed employees who die or terminate employment prior to reaching the retirement requirements described above will not receive benefits under the plans.

Life-Insurance Payable Upon Retirement

A police officer or non-uniformed employee who is eligible for post-retirement benefits (as described above) will be provided with the employer-paid life and accidental death and dismemberment insurance until age 65. The amount of coverage will be \$10,000.

The benefits are advance-funded using the projected unit credit cost method. Projected costs are allocated evenly from the date of hire to the date of full eligibility, in accordance with SFAS No. 106. Significant actuarial assumptions, based on the latest actuarial review performed as of January 1, 2005, include a rate of return on investments of 6.00 percent; a rate of 8.00 percent in health care cost, decreasing by .05 percent per year to an ultimate rate of 5.50 percent in 2005 and later; and life insurance cost calculated assuming a monthly premium of \$.045 per \$1,000 of coverage.

For the year ended December 31, 2005, there were no eligible participants receiving benefits. Plan membership consisted of the following at January 1, 2005 (the most recent actuarial date):

	<u>Active Members</u>	<u>Retired Members</u>	<u>Total</u>
Police Insurance Fund	26	1	27
Non-Uniformed Insurance Fund	61	-	61

WEST GOSHEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-RETIREMENT MEDICAL BENEFITS (cont'd)

The Township's actual contributions for 2005, which were used to fund post-employment benefits, were \$38,530 for the Police Retirement Insurance Fund and \$66,182 for the Non-Uniformed Insurance Fund. The actual contribution and the actuarially required contribution amounts are the same. Net assets available for payment of benefits at January 1, 2005 (the most recent actuarial date) were \$427,399 for the Police Insurance Fund and \$379,474 for the Non-Uniformed Insurance Fund.

Statement of Plan Net Assets
December 31, 2005

	Police Retirement Insurance Fund	Non- Uniformed Insurance Fund
ASSETS		
Cash and cash equivalents	\$ 468,271	\$ 453,541
Accrued receivables	<u>2,571</u>	<u>2,383</u>
Total Assets	<u>\$ 470,842</u>	<u>\$ 455,924</u>
NET ASSETS		
Assets Held in Trust for Employee Benefits	<u>\$ 470,842</u>	<u>\$ 455,924</u>

Statement of Changes in Plan Net Assets
For the Year Ended December 31, 2005

	Police Retirement Insurance Fund	Non- Uniformed Insurance Fund
ADDITIONS		
Employer Contributions	\$ 38,530	\$ 66,182
Interest	<u>11,418</u>	<u>10,268</u>
Total Additions	<u>49,948</u>	<u>76,450</u>
DEDUCTIONS		
Other Expenses	<u>6,505</u>	<u>-</u>
Total Deductions	<u>6,505</u>	<u>-</u>
Change in Plan Net Assets	43,443	76,450
Plan Net Assets, Beginning of Year	<u>427,399</u>	<u>379,474</u>
Plan Net Assets, End of Year	<u>\$ 470,842</u>	<u>\$ 455,924</u>

WEST GOSHEN TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 13 CONTINGENT LIABILITIES

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

The Township participates in state and county assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Township is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 14 RISK MANAGEMENT

The Township has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the Township. Insurance settlements have not exceeded insurance coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

NOTE 15 ON-BEHALF PAYMENTS FOR FRINGE BENEFITS

The Township recognizes as revenue and expenses contributions made by the Commonwealth of Pennsylvania to the Township's Police, Non-Uniformed and Sewer Pension Funds on behalf of the Township's employees. In fiscal years 2005 and 2004, the State made contributions of \$316,091 and \$305,692, respectively. For the Police and Non-Uniformed Pension Funds, these contributions are recorded in the General Fund as revenue and expenditures. For the Sewer Pension Fund, these contributions are recorded in the Sewer Fund as revenue and expenses.

NOTE 16 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2005:

General Fund:

General government:

Tax collection	\$ 10,299
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Public safety:

Fire protection	\$ 36,716
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Public works - highway and streets:

Winter maintenance	\$ 12,212
Road construction	\$ 279

Capital Reserve Fund:

Debt service:

Interest	\$ 20,079
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The excess expenditures were covered by the available fund balance in the funds.

**REQUIRED
SUPPLEMENTARY INFORMATION**

WEST GOSHEN TOWNSHIP
SCHEDULE OF FUNDING PROGRESS - PENSION FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

	(1)	(2)	(3)	(4)	(5)	(6)
Calendar Year	Actuarial Value of Assets	Actuarial Accrued Liability	Percentage Funded (1)/(2)	Unfunded (assets in excess of) Accrued Liability (2)-(1)	Annual Covered Payroll	Unfunded (assets in excess of) Accrued Liability as a % of Payroll (4)/(5)
POLICE						
1/1/99	4,603,075	4,705,583	97.8%	102,508	1,536,598	6.7%
1/1/01	4,890,383	5,346,753	91.5%	456,370	1,641,046	27.8%
1/1/03	4,418,044	6,266,681	70.5%	1,848,637	1,822,170	101.5%
1/1/05	5,910,986	7,384,825	80.0%	1,473,839	2,057,978	71.6%
NON-UNIFORMED						
1/1/99	1,660,749	1,839,711	90.3%	178,962	961,244	18.6%
1/1/01	1,912,237	1,966,622	97.2%	54,385	1,088,147	5.0%
1/1/03	1,863,173	2,296,824	81.1%	433,651	1,517,413	28.6%
1/1/05	2,574,787	2,845,058	90.5%	270,271	1,694,943	15.9%
SEWER						
1/1/99	1,100,330	1,331,243	82.7%	230,913	583,999	39.5%
1/1/01	1,244,543	1,429,966	87.0%	185,423	646,402	28.7%
1/1/03	1,165,709	1,700,202	68.6%	534,493	737,055	72.5%
1/1/05	1,588,682	2,099,123	75.7%	510,441	836,643	61.0%

WEST GOSHEN TOWNSHIP
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES
DECEMBER 31, 2005

	Special Revenue Funds				Totals	
	State Fund	Parks and Recreation Fund	Offsite Development Fund	Hearing Board Fund	Zoning Fund	
ASSETS:						
Cash and cash equivalents	\$189,727	\$ 4,258	\$ 345,290	\$ 65,858	\$ 605,133	\$ 642,688
TOTAL ASSETS	<u>\$189,727</u>	<u>\$ 4,258</u>	<u>\$ 345,290</u>	<u>\$ 65,858</u>	<u>\$ 605,133</u>	<u>\$ 642,688</u>
LIABILITIES AND FUND BALANCE:						
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCE:						
Undesignated	189,727	4,258	345,290	65,858	605,133	642,688
Total Fund Balance	<u>189,727</u>	<u>4,258</u>	<u>345,290</u>	<u>65,858</u>	<u>605,133</u>	<u>642,688</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$189,727</u>	<u>\$ 4,258</u>	<u>\$ 345,290</u>	<u>\$ 65,858</u>	<u>\$ 605,133</u>	<u>\$ 642,688</u>

WEST GOSHEN TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	State Fund	Special Revenue Funds				Totals	
		Parks and Recreation Fund	Offsite Development Fund	Hearing Board Fund	Zoning Fund	2005	2004
REVENUES:							
Interest and rent	\$ 8,320	\$ 32	\$ 10,458	\$ -	-	\$ 18,810	\$ 7,141
Intergovernmental revenues	393,859	-	-	-	-	393,859	383,890
Charges for services	-	-	-	-	26,500	26,500	20,500
Contributions	-	-	12,500	-	-	12,500	57,500
Miscellaneous revenue/other	-	-	-	-	-	-	286
TOTAL REVENUES	<u>402,179</u>	<u>32</u>	<u>22,958</u>	-	<u>26,500</u>	<u>451,669</u>	<u>469,317</u>
EXPENDITURES:							
Public safety	-	-	-	-	5,491	5,491	-
Public works - highways and streets	247,272	-	-	-	-	247,272	489,049
Miscellaneous	-	-	27	-	-	27	27
Debt service:							
Principal	10,858	-	-	-	-	10,858	10,258
TOTAL EXPENDITURES	<u>258,130</u>	<u>-</u>	<u>27</u>	-	<u>5,491</u>	<u>263,648</u>	<u>499,334</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>144,049</u>	<u>32</u>	<u>22,931</u>	-	<u>21,009</u>	<u>188,021</u>	<u>(30,017)</u>
OTHER FINANCING SOURCES (USES):							
Interfund transfers	-	-	(225,576)	-	-	(225,576)	(15,949)
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>(225,576)</u>	-	-	<u>(225,576)</u>	<u>(15,949)</u>
NET CHANGE IN FUND BALANCES	144,049	32	(202,645)	-	21,009	(37,555)	(45,966)
FUND BALANCE, BEGINNING OF YEAR	<u>45,678</u>	<u>4,226</u>	<u>547,935</u>	-	<u>44,849</u>	<u>642,688</u>	<u>688,654</u>
FUND BALANCE, END OF YEAR	<u>\$189,727</u>	<u>\$ 4,258</u>	<u>\$ 345,290</u>	-	<u>\$ 65,858</u>	<u>\$ 605,133</u>	<u>\$ 642,688</u>

WEST GOSHEN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - CAPITAL RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Interest earnings	\$ 60,935	\$ 140,217	\$ 79,282
Grants	32,085	48,128	16,043
TOTAL REVENUES	<u>93,020</u>	<u>188,345</u>	<u>95,325</u>
EXPENDITURES			
Current:			
General government	8,500	5,200	3,300
Public works - highways and streets	367,500	193,823	173,677
Culture and recreation	1,044,450	225,577	818,873
Debt Service			
Principal	528,000	528,000	-
Interest	276,524	296,603	(20,079)
TOTAL EXPENDITURES	<u>2,224,974</u>	<u>1,249,203</u>	<u>975,771</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,131,954)</u>	<u>(1,060,858)</u>	<u>1,071,096</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers	1,806,751	1,354,962	(451,789)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,806,751</u>	<u>1,354,962</u>	<u>(451,789)</u>
NET CHANGE IN FUND BALANCES	(325,203)	294,104	619,307
FUND BALANCE, BEGINNING OF YEAR	<u>4,912,249</u>	<u>4,912,249</u>	-
FUND BALANCE, END OF YEAR	<u>\$ 4,587,046</u>	<u>\$ 5,206,353</u>	<u>\$ 619,307</u>

WEST GOSHEN TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - NONMAJOR GOVERNMENTAL FUND TYPE - STATE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Interest earnings	\$ 3,465	\$ 8,320	\$ 4,855
State grants	393,199	393,859	660
TOTAL REVENUES	<u>396,664</u>	<u>402,179</u>	<u>5,515</u>
EXPENDITURES			
Current:			
Public works - highways and streets	376,351	247,272	129,079
Debt Service			
Principal	11,493	10,858	635
TOTAL EXPENDITURES	<u>387,844</u>	<u>258,130</u>	<u>129,714</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>8,820</u>	<u>144,049</u>	<u>135,229</u>
NET CHANGE IN FUND BALANCES	8,820	144,049	135,229
FUND BALANCE, BEGINNING OF YEAR	<u>29,665</u>	<u>45,678</u>	<u>16,013</u>
FUND BALANCE, END OF YEAR	<u>\$ 38,485</u>	<u>\$ 189,727</u>	<u>\$ 151,242</u>

WEST GOSHEN TOWNSHIP
COMBINING STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2005

	Police Retirement Insurance Fund	Non-Uniformed Insurance Fund	Police Pension Fund	Non-Uniformed Pension Fund	Sewer Pension Fund	Totals 2005	2004
ASSETS							
Cash and cash equivalents	\$468,271	\$453,541	\$ 10,854	\$ 23,883	\$ 15,747	\$ 972,296	\$ 852,679
Accrued receivables	2,571	2,383	-	-	-	4,954	-
Insurance contracts, at contract value	-	-	1,052,869	576,954	490,979	2,120,802	2,670,340
Investments, at market value:							
Mutual funds	-	-	5,452,454	2,228,994	1,265,209	8,946,657	7,280,083
TOTAL ASSETS	<u>\$470,842</u>	<u>\$455,924</u>	<u>\$6,516,177</u>	<u>\$2,829,831</u>	<u>\$1,771,935</u>	<u>\$12,044,709</u>	<u>\$10,803,102</u>
LIABILITIES AND NET ASSETS							
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET ASSETS:							
ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$470,842</u>	<u>\$455,924</u>	<u>\$6,516,177</u>	<u>\$2,829,831</u>	<u>\$1,771,935</u>	<u>\$12,044,709</u>	<u>\$10,803,102</u>

WEST GOSHEN TOWNSHIP
COMBINING STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Police Retirement Insurance Fund	Non-Uniformed Insurance Fund	Police Pension Fund	Non-Uniformed Pension Fund	Sewer Pension Fund	Totals
						2005
						2004
ADDITIONS						
Contributions:						
State aid	\$ -	\$ -	\$ 162,957	\$ 92,943	\$ 60,191	\$ 316,091
Employer contribution	38,530	66,182	221,741	126,471	81,905	534,829
Employee contribution	-	-	117,780	-	-	117,780
Total Contributions	38,530	66,182	502,478	219,414	142,096	968,700
Investment income:						
Net appreciation in fair value	-	-	83,488	38,624	23,447	145,559
of investments	-	-	183,757	85,949	50,008	319,714
Realized gain on investments	11,418	10,268	177,591	82,605	53,487	335,369
Interest	11,418	10,268	444,836	207,178	126,942	800,642
Net Investment Income	49,948	76,450	947,314	426,592	269,038	1,769,342
TOTAL ADDITIONS						1,624,830
DEDUCTIONS						
Benefits paid	-	-	242,483	119,864	60,584	422,931
Administrative expenses	-	-	31,004	11,845	9,057	51,906
Other expenses	6,505	-	32,382	8,208	5,803	52,898
TOTAL DEDUCTIONS	6,505	-	305,869	139,917	75,444	527,735
CHANGE IN PLAN ASSETS	43,443	76,450	641,445	286,675	193,594	1,241,607
NET ASSETS, BEGINNING OF YEAR	427,399	379,474	5,874,732	2,543,156	1,578,341	10,803,102
NET ASSETS, END OF YEAR	\$ 470,842	\$ 455,924	\$ 6,516,177	\$ 2,829,831	\$ 1,771,935	\$ 12,044,709
						\$ 10,803,102

WEST GOSHEN TOWNSHIP
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005
ASSETS				
Cash and cash equivalents	\$ 66,479	\$ 166	\$ (76)	\$ 66,569
TOTAL ASSETS	<u>\$ 66,479</u>	<u>\$ 166</u>	<u>\$ (76)</u>	<u>\$ 66,569</u>
LIABILITIES				
Accounts payable	\$ 66,479	\$ 166	\$ (76)	\$ 66,569
TOTAL LIABILITIES	<u>\$ 66,479</u>	<u>\$ 166</u>	<u>\$ (76)</u>	<u>\$ 66,569</u>