

# **BOROUGH OF WEST CHESTER**

## **FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

*Year Ended December 31, 2019*



# **INTRODUCTORY SECTION**

**BOROUGH OF WEST CHESTER**  
**TABLE OF CONTENTS**  
**YEAR ENDED DECEMBER 31, 2019**

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	<b>Page</b>
<b>Introductory Section</b>	
Table of Contents	1
<b>Financial Section</b>	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
<b><i>Entity-Wide Financial Statements</i></b>	
Statement of Net Position	14
Statement of Activities	15
<b><i>Fund Financial Statements</i></b>	
<b><i>Governmental Funds</i></b>	
Balance Sheet	16
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
<b><i>Proprietary Funds</i></b>	
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Fund Net Position	21
Statement of Cash Flows	22

**BOROUGH OF WEST CHESTER**  
**TABLE OF CONTENTS**  
**YEAR ENDED DECEMBER 31, 2019**

---

	<b>Page</b>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Basic Financial Statements	26
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedules	
General Fund	62
<i>Police Pension Plan</i>	
Schedule of Changes in the Net Police Pension Plan Liability and Related Ratios	63
Schedule of Police Pension Plan Contributions	64
Schedule of Police Pension Plan Investment Returns	65
<i>Non-Uniformed Pension Plan</i>	
Schedule of Changes in the Net Non-Uniformed Pension Plan Liability and Related Ratios	66
Schedule of Non-Uniformed Pension Plan Contributions	67
Schedule of Non-Uniformed Pension Plan Investment Returns	68
Schedule of Changes in the Borough's Total OPEB Liability	69
<b>Supplementary Information</b>	
<i>Nonmajor Governmental Funds</i>	
Combining Balance Sheet	70
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	71
<i>Fiduciary Funds</i>	
Combining Statement of Fiduciary Net Position	72
Combining Schedule of Changes in Fiduciary Net Position	73

## **FINANCIAL SECTION**

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

To the Members of Council  
Borough of West Chester  
West Chester, Pennsylvania

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of West Chester as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough of West Chester's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

To the Members of Council  
Borough of West Chester  
West Chester, Pennsylvania

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of West Chester as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

For the year ended December 31, 2019, the Borough of West Chester adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note M to the financial statements, subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has resulted in economic uncertainties which have the potential to have a significant impact on all Borough of West Chester operations. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Prior-Year Comparative Information***

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2018, from which such summarized information was derived.

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

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

To the Members of Council  
Borough of West Chester  
West Chester, Pennsylvania

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of West Chester's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Maillie LLP*

West Chester, Pennsylvania  
October 17, 2020

# **BOROUGH OF WEST CHESTER**

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

**YEAR ENDED DECEMBER 31, 2019**

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The members of Council of the Borough of West Chester, West Chester, Pennsylvania are pleased to present to readers of the financial statements of the Borough of West Chester (the "Borough") this narrative overview and analysis of the financial activities of the Borough for the year ended December 31, 2019. We encourage readers to consider the information presented herein in conjunction with additional information furnished in the financial statements and notes to the financial statements.

### **FINANCIAL HIGHLIGHTS**

#### **Entity-Wide**

- The assets of the Borough exceeded its liabilities at the close of the year by \$26,918,815 (net position), an increase of \$535,096 from the previous year, which is partially due to a decrease in the Boroughs net pension liability.

#### **Fund Level**

- As of the close of the year, the Borough reported combined ending fund balances in governmental funds of \$3,330,760, a decrease of \$362,833 from the previous year. Of the current ending fund balances, \$58,649 and \$(2,331,664) are reported as nonspendable and unassigned, respectively, in the General Fund; \$8,553,545 as assigned in the Capital Operating Reserve Fund; \$(806,193) as unassigned in the Stormwater Fund; \$(3,996,039) as unassigned in the Equipment and Technology Fund; \$(5,067,103) as unassigned in the Capital Improvement Fund; \$1,630,308 and \$4,798,595 as restricted (for municipal building renovation and capital improvement projects) and assigned, respectively, in the Debt Service Fund; \$17,823, \$846,329, \$44,497, and \$(417,987) as nonspendable, restricted, assigned, and unassigned, respectively, in the non-major Governmental Funds such as Urban Development Action Grant Fund, Shade Tree Fund, Fire Fund, and Highway Aid Fund.

#### **Long-Term Debt**

- At the end of the current calendar year, the Borough had total bonded debt outstanding of \$24,553,000, a decrease of \$957,000 from the previous year. All of the bonded debt is backed by the full faith and credit of the Borough government. Governmental activities report \$10,333,255 of general obligation bonds and business-type activities report \$14,219,745 of parking revenue bonds.
- The Borough has a bonded debt rating of AA Stable from Standard and Poor's Investors Service for general obligation debt.
- Additional information on the Borough's long-term debt can be found in the notes to the financial statements.

#### **Capital Assets**

- As of December 31, 2019, the Borough has invested \$57,531,546 net of accumulated depreciation in a broad range of capital assets (see table on following page). Depreciation charges for the calendar year 2019 totaled \$3,995,245.

**BOROUGH OF WEST CHESTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,728,054	\$ 1,728,054	\$ 643,605	\$ 643,605	\$ 2,371,659	\$ 2,371,659
Buildings	10,241,810	10,192,044	19,468,572	19,971,096	29,710,382	30,163,140
Improvements other than buildings	1,248,266	1,348,473	407,408	505,845	1,655,674	1,854,318
Infrastructure	8,506,926	7,429,610	8,663,360	9,534,953	17,170,286	16,964,563
Construction in progress	-	-	-	-	-	-
Furniture and equipment	1,541,593	1,500,016	1,086,323	1,041,290	2,627,916	2,541,306
Vehicles	3,890,843	4,574,148	104,786	134,007	3,995,629	4,708,155
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 27,157,492</b>	<b>\$ 26,772,345</b>	<b>\$ 30,374,054</b>	<b>\$ 31,830,796</b>	<b>\$ 57,531,546</b>	<b>\$ 58,603,141</b>

Major capital asset events during 2019 for governmental and business activities included the following:

- Streetscape
- Storm Protection Infrastructure

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is an introduction to the Borough of West Chester's basic financial statements. The Borough's basic financial statements are comprised of three components: (1) entity-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

**Entity-Wide Financial Statements.** The entity-wide financial statements are designed to provide readers with a broad overview of the Borough of West Chester's finances, in a manner similar to a private-sector business.

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

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

Both of the entity-wide financial statements distinguish functions of the Borough that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

# BOROUGH OF WEST CHESTER

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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- *Governmental Activities* - Most of the Borough's basic services are reported in this category. Taxes and intergovernmental revenues generally support these services. Services provided include general government administration, public safety, public works-highways and streets and sanitation, and culture and recreation.
- *Business-Type Activities* - The Borough charges fees to customers to help it cover all or most of the cost of certain services it provides. The Borough provides sewer and parking services.

**Fund Financial Statements.** The fund financial statements provide detailed information about the major individual funds. A fund is a calendar and accounting entity with a self-balancing set of accounts that the Borough uses to keep track of specific sources of funding and spending for a particular purpose. In addition to the major funds, statements for non-major funds can be found as supplementary statements following the financial statement notes. All of the funds of the Borough can be divided into three categories: governmental, proprietary and fiduciary.

- *Governmental Funds* - Most of the Borough's basic services are reported in the 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 future spending. The governmental fund financial statements provide a detailed short-term view of the Borough's general government operations and the basic services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. Because this information does not encompass the additional long-term focus of the entity-wide statements, reconciliations are provided to reconcile between the Governmental Funds Balance Sheet and the Statement of Net Position and between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities. These funds are reported using modified accrual accounting, which primarily measures cash and other financial assets usable in the short term. Governmental funds include the general, special revenue (capital operating reserve, highway aid, UDAG, and shade tree) and capital improvement funds.
- *Proprietary Funds* - When the Borough charges for the services it provides, these services are generally reported in proprietary funds. Proprietary funds utilize accrual accounting, the same method used by private-sector businesses. Enterprise funds report activities that provide supplies and services to the general public - sewer and parking services.
- *Fiduciary Funds* - The Borough acts as a fiduciary to account for resources held for the benefit of Borough employees. The Pension Trust Funds account for the activities of the police and non-uniformed pension plans, which accumulate resources for pension benefit payments to qualified employees. These funds are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These funds are reported using accrual accounting. The entity-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent assets available to the Borough to finance its operations.

**BOROUGH OF WEST CHESTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements.

**Other Information.** Other Information includes combining financial statements for nonmajor governmental funds and fiduciary funds. The nonmajor governmental funds are added together by fund type and presented in single columns in the basic financial statements but are not reported individually, as with major funds, on the governmental fund financial statements.

**ENTITY-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the Borough's financial position. A year-to-year comparison of net position has been presented below.

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>						
Current and other assets	\$ 6,454,880	\$ 6,478,738	\$ 9,178,793	\$ 9,088,341	\$ 15,633,673	\$ 15,567,079
Capital and related assets	27,157,492	26,772,345	30,374,054	31,830,796	57,531,546	58,603,141
<b>TOTAL ASSETS</b>	<b>33,612,372</b>	<b>33,251,083</b>	<b>39,552,847</b>	<b>40,919,137</b>	<b>73,165,219</b>	<b>74,170,220</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	1,898,395	5,612,726	133,708	360,260	2,032,103	5,972,986
<b>LIABILITIES</b>						
Long-term liabilities	25,081,953	34,244,284	14,393,204	15,336,729	39,475,157	49,581,013
Other liabilities	3,086,184	2,655,774	1,008,644	964,992	4,094,828	3,620,766
<b>TOTAL LIABILITIES</b>	<b>28,168,137</b>	<b>36,900,058</b>	<b>15,401,848</b>	<b>16,301,721</b>	<b>43,569,985</b>	<b>53,201,779</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	4,474,195	478,068	234,327	79,640	4,708,522	557,708
<b>FUND BALANCES/NET POSITION</b>						
Net investment in capital assets	18,335,672	18,256,000	16,149,627	17,183,113	34,485,299	35,439,113
Restricted	2,476,637	3,132,875	-	-	2,476,637	3,132,875
Unrestricted	(17,943,874)	(19,903,192)	7,900,753	7,714,923	(10,043,121)	(12,188,269)
<b>TOTAL FUND BALANCES/NET POSITION</b>	<b>\$ 2,868,435</b>	<b>\$ 1,485,683</b>	<b>\$ 24,050,380</b>	<b>\$ 24,898,036</b>	<b>\$ 26,918,815</b>	<b>\$ 26,383,719</b>

The largest components of the Borough's current and other assets are cash and investments totaling \$12,306,694. Of the total long-term liabilities, bonds payable account for \$23,712,261.

**BOROUGH OF WEST CHESTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2019**

	Governmental Activities		Business- Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 6,742,006	\$ 6,156,676	\$ 10,388,615	\$ 10,837,317	\$ 17,130,621	\$ 16,993,993
Operating grants and contributions	1,451,606	1,053,423	4,575	2,655	1,456,181	1,056,078
General revenues						
Real estate taxes	5,261,060	4,895,597	-	-	5,261,060	4,895,597
Real estate transfer taxes	747,170	504,590	-	-	747,170	504,590
Earned income taxes	4,582,087	3,696,690	-	-	4,582,087	3,696,690
LST taxes	691,713	672,112	-	-	691,713	672,112
Business privilege taxes	144,073	145,932	-	-	144,073	145,932
Amusement device taxes	-	1,400	-	-	-	1,400
Franchise fees	321,958	379,100	-	-	321,958	379,100
Grants not subject to restriction	8,475	10,229	-	-	8,475	10,229
Gain (loss) on sale of assets	67,815	10,058	-	(444,863)	67,815	(434,805)
Investment income	345,775	268,012	10,560	6,014	356,335	274,026
Other revenues	181,891	320,621	805	1,096,919	182,696	1,417,540
Transfers	4,015,000	2,137,519	(4,015,000)	(2,137,519)	-	-
<b>TOTAL REVENUES</b>	<b>24,560,629</b>	<b>20,251,959</b>	<b>6,389,555</b>	<b>9,360,523</b>	<b>30,950,184</b>	<b>29,612,482</b>
<b>EXPENSES</b>						
Current						
General government	6,088,802	5,920,674	-	-	6,088,802	5,920,674
Public safety	8,315,591	6,343,184	-	-	8,315,591	6,343,184
Public works						
Highways and streets	6,480,188	5,155,050	-	-	6,480,188	5,155,050
Sanitation	711,001	1,224,623	-	-	711,001	1,224,623
Interest expense	349,664	391,813	-	-	349,664	391,813
Culture and recreation	1,232,631	1,463,932	-	-	1,232,631	1,463,932
Sewer	-	-	4,148,731	4,247,257	4,148,731	4,247,257
Parking	-	-	3,088,480	3,730,697	3,088,480	3,730,697
<b>TOTAL EXPENSES</b>	<b>23,177,877</b>	<b>20,499,276</b>	<b>7,237,211</b>	<b>7,977,954</b>	<b>30,415,088</b>	<b>28,477,230</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ 1,382,752</b>	<b>\$ (247,317)</b>	<b>\$ (847,656)</b>	<b>\$ 1,382,569</b>	<b>\$ 535,096</b>	<b>\$ 1,135,252</b>

The Borough's combined net position increased \$535,096 over the course of this calendar year's operations. The net position of the governmental activity operations increased by \$1,382,752. The changes in net position of the Borough's business-type activities decreased by \$847,656.

**BOROUGH OF WEST CHESTER**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2019

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**FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS**

**Governmental Funds**

***General Fund Budgetary Highlights***

The Borough adopted its calendar year 2019 budget in December 2018. The Borough's practice is to (a) amend budgeted revenue only for grants or new revenue streams; and (b) amend budgeted expenditures primarily throughout the year or to revise spending levels.

The budget did not have a tax increase for the 2019 year. There were slight adjustments to revenues such as violation-of-ordinance, police protection revenues, etc.

General Fund revenues and financing sources for 2019 were \$16,817,854. The Borough's largest source of revenue, mainly real estate and earned income taxes, were under budget by \$712,520 as collections slowed with the economy starting to lag. Licenses and permits were over budget by \$562,464 while fines and costs came in under budget by \$166,788. For the year 2019, the Borough realized a negative budget variance in total revenues of \$235,818.

General Fund expenditures and other financing uses were \$20,790,312 which was approximately \$652,207 under budget.

***Capital Operating Reserve Fund***

Current year activity was minimal.

***Capital Improvement Fund***

All capital projects are expended from this fund. The Borough buys large equipment and accomplishes various projects through this fund. Funding was derived from grant monies from the County and the State.

**Enterprise Funds**

***Sewer Funds***

The Borough of West Chester provides sewer service through two well-maintained sewer plants. Revenues were not sufficient to cover operating expenses and a planned transfer of \$1,640,000 to the General Fund resulted in a net loss for the year of \$1,038,038.

***Parking Funds***

Parking garage revenues were sufficient to cover the costs to operate the fund before a planned transfer of \$2,375,000 to the General Fund.

# **BOROUGH OF WEST CHESTER**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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

The Borough, incorporated in 1799, occupies an area of 1.8 square miles and is located in the southeastern section of Chester County (the "County"). The Borough is approximately 25 miles west of the City of Philadelphia, 15 miles north of Wilmington, Delaware, and 15 miles south of King of Prussia and Valley Forge. The Township of West Goshen surrounds the Borough on three sides and East Bradford Township borders the Borough on the southwest. West Chester serves as a major center for dining, entertainment and specialty retail in central Chester County.

The County, and therefore the Borough, are part of the Philadelphia Metropolitan Statistical Area (the "PMSA"), which is composed of the Counties of Bucks, Chester, Delaware, Montgomery and Philadelphia in Pennsylvania and Burlington, Camden, Gloucester and Salem Counties in New Jersey.

The Borough is the County seat and serves as a business and financing center for a portion of the County and a portion of neighboring Delaware County. Because it is the County seat and the site of West Chester University, many of its residents are employed in governmental or professional occupations. The Borough's major employers include: Chester County Hospital - 2,193 employees; PA System of Higher Education - 1,972 employees; Chester County Courthouse - 926 employees; PeopleShare Industrial LLC - 227 employees; PeopleShare Professional - 170 employees; Aramark Food & Support Services - 188 employees; YMCA of the Brandywine Valley - 185 employees; West Chester Area School District - 174 employees; Moody's Analytics - 171 employees; Borough of West Chester - 173 employees. The employee counts include part-time positions.

While the Borough is a built-out community with very little land left for new construction, the community has, for a number of years, been experiencing a renaissance of redevelopment and commercial revitalization. Re-development activity in West Chester in 2019 remained strong.

Downtown retail, restaurant and specialty stores remain the attraction in West Chester's central business district. There are over 50 eating establishments and over 16 specialty shops within the downtown central business district. An 80 room downtown boutique hotel opened in 2012 and continues to have considerable success. West Chester University has a major investment in the West Chester area through the implementation of its facilities improvement plan. Two new condominium and apartment complexes opened in 2015. Two condominium and apartment complexes opened in 2016 offering 86 and 60 new units respectively. A third complex opened in 2016 with 208 apartments to offer and is 100% occupied. Additionally, a 350 seat theater opened in 2016 adding a state of the art performing arts venue in the downtown area.

## **BOROUGH OF WEST CHESTER**

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

**YEAR ENDED DECEMBER 31, 2019**

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The Borough of West Chester tax revenues in 2019 continued to show marked improvement with earned income tax collections exceeding prior year by 4%. Real estate transfer tax revenue also remained strong. The largest portion of the tax exempt property is owned by the Chester County government followed by West Chester University, Chester County Hospital and West Chester Area School District. Those four owners represent over 50.7% of the total tax exempt assessed value.

The Borough had an initial certified taxable valuation of \$754,285,085 for 2019, which is up from \$746,330,495 in 2018, a 1.05% increase. Of the taxable properties in the Borough, 60.3% of the real estate tax is paid by residential properties, 38.7% by commercial properties, 0.6% by industrial properties and 0.4 % is classified as vacant.

The modest 1.05% increase in taxable assessed value is a positive development fostered by an improving economy. The percentage of taxes paid by commercial properties has increased while the percentage paid by residential properties has decreased. When adopting the General Fund budget for calendar year 2019, the Borough kept the real estate tax rate the same as in 2018. The millage rate for 2019 is 6.96. The Borough's 2019 General Fund budget as adopted reflects revenues and expenditures totaling \$21,844,937.

In 2019, the Borough continued the re-organization of its financial operations. This process is expected to be completed in 2020, and is intended to improve the Finance Department's productivity and efficiency through improvements in its systems of management and control in order to improve financial accountability and transparency. Specifically, all accounting and budgeting functions continue to be moved to a uniform financial software system. This is intended to improve reporting tools, module functionality, and data management, to name a few. In addition, the Finance Department continues to review all of its control procedures and will further implement best practices in these areas, as defined by the Government Finance Officers Association.

### **REQUEST FOR INFORMATION**

The financial report is designed to provide a general overview of the Borough of West Chester's finances to the citizens of the Borough of West Chester, West Chester, Pennsylvania and other users of such data. Requests for additional copies of this report, questions concerning any of the information in this report and requests for additional financial information should be addressed to Michael A. Perrone, Manager, 401 Gay Street, West Chester, PA 19380. Mr. Perrone also can be contacted via email at mperrone@west-chester.com. The Borough's website is www.west-chester.com.

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019**

	Primary Government		Totals	
	Governmental Activities	Business-Type Activities	2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 6,125,439	\$ 485,389	\$ 6,610,828	\$ 5,608,476
Investments	5,695,866	-	5,695,866	6,911,108
Accounts and other receivables, net	1,961,459	633,710	2,595,169	2,223,080
Taxes receivable	266,309	-	266,309	300,509
Prepaid expenses	76,472	78,292	154,764	128,222
Internal balances	(7,981,402)	7,981,402	-	-
Loans and notes receivable	44,958	-	44,958	55,322
<b>TOTAL CURRENT ASSETS</b>	<b>6,189,101</b>	<b>9,178,793</b>	<b>15,367,894</b>	<b>15,226,717</b>
<b>NONCURRENT ASSETS</b>				
Loans and notes receivable	266,289	-	266,289	340,362
Depreciable capital assets, net	25,429,438	29,730,449	55,159,887	56,231,482
Land	1,728,054	643,605	2,371,659	2,371,659
<b>TOTAL NONCURRENT ASSETS</b>	<b>27,423,781</b>	<b>30,374,054</b>	<b>57,797,835</b>	<b>58,943,503</b>
<b>TOTAL ASSETS</b>	<b>33,612,882</b>	<b>39,552,847</b>	<b>73,165,729</b>	<b>74,170,220</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - OPEB	24,695	-	24,695	-
Deferred outflows of resources - pension activity	1,873,700	133,708	2,007,408	5,972,986
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,898,395</b>	<b>133,708</b>	<b>2,032,103</b>	<b>5,972,986</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 35,511,277</b>	<b>\$ 39,686,555</b>	<b>\$ 75,197,832</b>	<b>\$ 80,143,206</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and other liabilities	\$ 2,004,315	\$ 320,888	\$ 2,325,203	\$ 1,847,778
Accrued liabilities	582,508	198,792	781,300	697,102
Unearned revenue	-	-	-	55,548
Developer escrow	79,982	-	79,982	59,982
Current portion of long-term debt, net	419,889	488,964	908,853	960,356
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,086,694</b>	<b>1,008,644</b>	<b>4,095,338</b>	<b>3,620,766</b>
<b>NONCURRENT LIABILITIES</b>				
Total OPEB liability	5,565,703	-	5,565,703	5,841,295
Compensated absences	1,139,313	143,956	1,283,269	1,056,119
Long-term portion of long-term debt, net	9,976,404	13,735,857	23,712,261	24,621,268
Net pension liability	8,400,533	513,391	8,913,924	18,062,331
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>25,081,953</b>	<b>14,393,204</b>	<b>39,475,157</b>	<b>49,581,013</b>
<b>TOTAL LIABILITIES</b>	<b>28,168,647</b>	<b>15,401,848</b>	<b>43,570,495</b>	<b>53,201,779</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - OPEB	419,524	-	419,524	-
Deferred inflows of resources - pension activity	4,054,671	234,327	4,288,998	557,708
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>4,474,195</b>	<b>234,327</b>	<b>4,708,522</b>	<b>557,708</b>
<b>NET POSITION</b>				
Net investment in capital assets	18,335,672	16,149,627	34,485,299	35,439,113
Restricted	2,476,637	-	2,476,637	3,132,875
Unrestricted	(17,943,874)	7,900,753	(10,043,121)	(12,188,269)
<b>TOTAL NET POSITION</b>	<b>2,868,435</b>	<b>24,050,380</b>	<b>26,918,815</b>	<b>26,383,719</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 35,511,277</b>	<b>\$ 39,686,555</b>	<b>\$ 75,197,832</b>	<b>\$ 80,143,206</b>

See accompanying notes to the basic financial statements.

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 6,088,802	\$ 486,832	\$ 652,229	\$ -
Public safety	8,315,591	3,744,695	121,693	-
Public works				
Highways and streets	6,480,188	2,047,900	677,684	-
Sanitation	711,001	33,122	-	-
Culture and recreation	1,232,631	429,457	-	-
Interest expense	349,664	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>23,177,877</u>	<u>6,742,006</u>	<u>1,451,606</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer	4,148,731	4,742,059	4,575	-
Parking	3,088,480	5,646,556	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>7,237,211</u>	<u>10,388,615</u>	<u>4,575</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 30,415,088</u>	<u>\$ 17,130,621</u>	<u>\$ 1,456,181</u>	<u>\$ -</u>

**GENERAL REVENUES**

Taxes

- Real estate taxes
- Real estate transfer taxes
- Earned income taxes
- Local services tax
- Business privilege taxes
- Amusement device taxes

Franchise fees

Grants and contributions not restricted to specific programs

Investment income

Gain on sale of assets

Other revenues

**TRANSFERS**

**TOTAL GENERAL REVENUES AND TRANSFERS**

**CHANGE IN NET POSITION**

**NET POSITION AT BEGINNING OF YEAR**

**NET POSITION AT END OF YEAR**

*See accompanying notes to the basic financial statements.*

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Totals	
		2019	2018
\$ (4,949,741)	\$ -	\$ (4,949,741)	\$ (5,304,051)
(4,449,203)	-	(4,449,203)	(2,804,264)
(3,754,604)	-	(3,754,604)	(2,528,341)
(677,879)	-	(677,879)	(1,180,609)
(803,174)	-	(803,174)	(1,080,099)
(349,664)	-	(349,664)	(391,813)
<u>(14,984,265)</u>	<u>-</u>	<u>(14,984,265)</u>	<u>(13,289,177)</u>
-	597,903	597,903	727,294
-	2,558,076	2,558,076	1,689,861
<u>-</u>	<u>3,155,979</u>	<u>3,155,979</u>	<u>2,417,155</u>
<u>(14,984,265)</u>	<u>3,155,979</u>	<u>(11,828,286)</u>	<u>(10,872,022)</u>
5,261,060	-	5,261,060	4,895,597
747,170	-	747,170	504,590
4,582,087	-	4,582,087	3,696,690
691,713	-	691,713	672,112
144,073	-	144,073	145,932
-	-	-	1,400
321,958	-	321,958	379,100
8,475	-	8,475	10,229
345,775	10,560	356,335	274,026
-	-	-	10,058
249,706	805	250,511	1,417,540
4,015,000	(4,015,000)	-	-
<u>16,367,017</u>	<u>(4,003,635)</u>	<u>12,363,382</u>	<u>12,007,274</u>
1,382,752	(847,656)	535,096	1,135,252
<u>1,485,683</u>	<u>24,898,036</u>	<u>26,383,719</u>	<u>25,248,467</u>
<u>\$ 2,868,435</u>	<u>\$ 24,050,380</u>	<u>\$ 26,918,815</u>	<u>\$ 26,383,719</u>

**BOROUGH OF WEST CHESTER**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	Major Funds			
	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Equipment and Technology Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 849,838	\$ 2,575,398	\$ 349,199	\$ -
Restricted cash	-	-	-	-
Investments	-	5,695,866	-	-
Accounts receivable	805,946	-	1,111,540	-
Interest receivable	-	37,573	-	-
Taxes receivable	266,309	-	-	-
Note receivable	199,150	108,040	-	-
Prepaid expenses	58,649	-	-	-
Due from other funds	-	244,708	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,179,892</b>	<b>\$ 8,661,585</b>	<b>\$ 1,460,739</b>	<b>\$ -</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 1,158,841	\$ -	\$ 291,144	\$ 152,630
Accrued liabilities	351,817	-	-	-
Developer escrow	79,982	-	-	-
Due to other funds	2,471,992	-	1,975,788	3,843,409
<b>TOTAL LIABILITIES</b>	<b>4,062,632</b>	<b>-</b>	<b>2,266,932</b>	<b>3,996,039</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues				
Property taxes	191,125	-	-	-
Note receivable	199,150	108,040	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>390,275</b>	<b>108,040</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Nonspendable - prepaid expenses	58,649	-	-	-
Restricted	-	-	-	-
Assigned	-	8,553,545	-	-
Unassigned	(2,331,664)	-	(806,193)	(3,996,039)
<b>TOTAL FUND BALANCES</b>	<b>(2,273,015)</b>	<b>8,553,545</b>	<b>(806,193)</b>	<b>(3,996,039)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 2,179,892</b>	<b>\$ 8,661,585</b>	<b>\$ 1,460,739</b>	<b>\$ -</b>

*See accompanying notes to the basic financial statements.*

Capital Improvement Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals	
			2019	2018
\$ 264,471	\$ -	\$ 456,225	\$ 4,495,131	\$ 2,984,816
-	1,630,308	-	1,630,308	2,346,331
-	-	-	5,695,866	6,911,108
-	-	2,100	1,919,586	863,365
-	-	4,300	41,873	48,949
-	-	-	266,309	300,509
-	-	4,057	311,247	395,684
-	-	17,823	76,472	49,930
-	4,798,595	498,195	5,541,498	4,733,609
<u>\$ 264,471</u>	<u>\$ 6,428,903</u>	<u>\$ 982,700</u>	<u>\$ 19,978,290</u>	<u>\$ 18,634,301</u>
\$ 446,886	\$ -	\$ 132,795	\$ 2,182,296	\$ 1,838,632
-	-	-	351,817	232,841
-	-	-	79,982	59,982
4,884,688	-	347,023	13,522,900	12,155,563
<u>5,331,574</u>	<u>-</u>	<u>479,818</u>	<u>16,136,995</u>	<u>14,287,018</u>
-	-	-	191,125	258,006
-	-	12,220	319,410	395,684
-	-	12,220	510,535	653,690
-	-	17,823	76,472	49,930
-	1,630,308	846,329	2,476,637	3,132,875
-	4,798,595	44,497	13,396,637	11,769,534
(5,067,103)	-	(417,987)	(12,618,986)	(11,258,746)
<u>(5,067,103)</u>	<u>6,428,903</u>	<u>490,662</u>	<u>3,330,760</u>	<u>3,693,593</u>
<u>\$ 264,471</u>	<u>\$ 6,428,903</u>	<u>\$ 982,700</u>	<u>\$ 19,978,290</u>	<u>\$ 18,634,301</u>

# BOROUGH OF WEST CHESTER

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES YEAR ENDED DECEMBER 31, 2019

---

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 3,330,760

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Capital assets net of accumulated depreciation as detailed in the footnotes are included in the statement of net position.

27,157,492

Deferred inflows and outflows of resources related to OPEB and pension activities are not financial resources and therefore not reported in the Governmental Funds.

(2,575,800)

Some of the Borough's revenues used in governmental activities 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.

Property taxes

\$ 191,125

Loans and notes receivable

319,410

510,535

Long-term liabilities applicable to governmental activities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Compensated absences

(1,139,313)

Postemployment benefits

(5,565,703)

Net pension liability

(8,400,533)

Accrued interest on long-term debt

(52,710)

Long-term debt, net

(10,396,293)

(25,554,552)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 2,868,435

*See accompanying notes to the basic financial statements.*

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Major Funds			
	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Equipment and Technology Fund
<b>REVENUES</b>				
Taxes	\$ 11,426,103	\$ -	\$ -	\$ -
Licenses and permits	1,910,464	-	-	-
Fines, forfeits and costs	488,212	-	-	-
Interest and rents	14,257	-	6,241	-
Intergovernmental revenues	702,073	-	216,184	-
Charges for services/fees	1,670,586	-	-	-
Net investment income	-	264,239	-	-
Program revenue/other	606,159	42,962	1,398,456	-
TOTAL REVENUES	<u>16,817,854</u>	<u>307,201</u>	<u>1,620,881</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current				
General government	3,294,286	16,571	-	-
Public safety	7,642,165	-	-	-
Public works				
Highways and streets	4,662,053	-	934,710	-
Sanitation	633,049	-	-	-
Community development	-	-	-	-
Culture and recreation	496,678	-	-	-
Insurance, employee benefits, payroll taxes	3,224,518	-	-	-
Refunds of prior year revenues	88,306	-	-	-
Capital outlays	16,426	-	-	383,412
Debt service				
Principal	464,518	-	-	-
Interest and other charges	268,313	-	-	-
TOTAL EXPENDITURES	<u>20,790,312</u>	<u>16,571</u>	<u>934,710</u>	<u>383,412</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,972,458)</u>	<u>290,630</u>	<u>686,171</u>	<u>(383,412)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital asset	-	-	-	-
Transfers in	4,638,456	600,000	-	-
Transfers out	(703,500)	-	(595,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,934,956</u>	<u>600,000</u>	<u>(595,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(37,502)	890,630	91,171	(383,412)
FUND BALANCES AT BEGINNING OF YEAR	<u>(2,235,513)</u>	<u>7,662,915</u>	<u>(897,364)</u>	<u>(3,612,627)</u>
FUND BALANCES AT END OF YEAR	<u>\$ (2,273,015)</u>	<u>\$ 8,553,545</u>	<u>\$ (806,193)</u>	<u>\$ (3,996,039)</u>

*See accompanying notes to the basic financial statements.*

Capital Improvement Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals	
			2019	2018
\$ -	\$ -	\$ -	\$ 11,426,103	\$ 9,916,321
-	-	-	1,910,464	1,159,363
-	-	-	488,212	639,084
11,632	37,360	3,648	73,138	253,854
-	-	583,193	1,501,450	1,223,801
-	-	764,365	2,434,951	2,256,203
-	-	-	264,239	-
-	-	418,200	2,465,777	2,894,184
<u>11,632</u>	<u>37,360</u>	<u>1,769,406</u>	<u>20,564,334</u>	<u>18,342,810</u>
-	560	-	3,311,417	3,936,117
-	-	619,052	8,261,217	7,074,532
-	-	404,691	6,001,454	5,973,730
-	-	-	633,049	601,007
-	-	-	-	-
-	-	609,846	1,106,524	1,293,233
-	-	-	3,224,518	3,324,955
-	-	3,314	91,620	10,701
1,171,779	7,920	-	1,579,537	5,398,023
-	-	-	464,518	493,000
-	-	-	268,313	242,260
<u>1,171,779</u>	<u>8,480</u>	<u>1,636,903</u>	<u>24,942,167</u>	<u>28,347,558</u>
<u>(1,160,147)</u>	<u>28,880</u>	<u>132,503</u>	<u>(4,377,833)</u>	<u>(10,004,748)</u>
-	-	-	-	10,058
-	-	83,500	5,321,956	4,224,725
-	(8,456)	-	(1,306,956)	(2,087,206)
-	(8,456)	83,500	4,015,000	2,147,577
(1,160,147)	20,424	216,003	(362,833)	(7,857,171)
<u>(3,906,956)</u>	<u>6,408,479</u>	<u>274,659</u>	<u>3,693,593</u>	<u>11,550,764</u>
\$ <u>(5,067,103)</u>	\$ <u>6,428,903</u>	\$ <u>490,662</u>	\$ <u>3,330,760</u>	\$ <u>3,693,593</u>

# BOROUGH OF WEST CHESTER

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2019

---

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (362,833)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

385,147

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The following are the net changes in these noncurrent resources:

Property taxes

\$ (66,073)

Notes receivable

(77,082)

(143,155)

The issuance of long-term debt (e.g. bonds, leases, notes) provides current resources to Governmental Funds, while repayment of the principal of long-term debt consumes current financial resources of Governmental Funds. These transactions, however, have no effect on net position.

Bond principal repayment

464,518

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues.

Compensated absences

(232,497)

Postemployment benefits

(119,237)

Pension plan expense

1,386,484

Accrued interest on long-term debt

4,325

1,039,075

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,382,752

*See accompanying notes to the basic financial statements.*

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2019**

	Business-Type Activities		Totals	
	Enterprise Funds			
	Sewer Fund	Parking Fund	2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 210,900	\$ 274,489	\$ 485,389	\$ 277,329
Accounts receivable, net	448,264	185,446	633,710	1,310,766
Prepaid expenses	1,654	76,638	78,292	78,292
Due from other funds	3,230,712	4,750,690	7,981,402	7,421,954
TOTAL CURRENT ASSETS	<u>3,891,530</u>	<u>5,287,263</u>	<u>9,178,793</u>	<u>9,088,341</u>
<b>NONCURRENT ASSETS</b>				
Land	140,780	502,825	643,605	643,605
Capital assets, net	9,778,221	19,952,228	29,730,449	31,187,191
TOTAL NONCURRENT ASSETS	<u>9,919,001</u>	<u>20,455,053</u>	<u>30,374,054</u>	<u>31,830,796</u>
TOTAL ASSETS	13,810,531	25,742,316	39,552,847	40,919,137
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pension activities	79,916	53,792	133,708	360,260
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,890,447</u>	<u>\$ 25,796,108</u>	<u>\$ 39,686,555</u>	<u>\$ 41,279,397</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 114,889	\$ 205,999	\$ 320,888	\$ 221,312
Accrued liabilities	66,934	131,858	198,792	196,925
Bonds and notes payable, net	-	488,964	488,964	491,207
Unearned revenue	-	-	-	55,548
TOTAL CURRENT LIABILITIES	<u>181,823</u>	<u>826,821</u>	<u>1,008,644</u>	<u>964,992</u>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences	117,621	26,335	143,956	149,303
Bonds and notes payable, net	-	13,735,857	13,735,857	14,227,741
Net pension liability	306,847	206,544	513,391	959,685
TOTAL NONCURRENT LIABILITIES	<u>424,468</u>	<u>13,968,736</u>	<u>14,393,204</u>	<u>15,336,729</u>
TOTAL LIABILITIES	<u>606,291</u>	<u>14,795,557</u>	<u>15,401,848</u>	<u>16,301,721</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pension activities	140,054	94,273	234,327	79,640
<b>NET POSITION</b>				
Net investment in capital assets	9,919,001	6,230,232	16,149,233	17,111,848
Unrestricted	3,225,101	4,676,046	7,901,147	7,786,188
TOTAL NET POSITION	<u>13,144,102</u>	<u>10,906,278</u>	<u>24,050,380</u>	<u>24,898,036</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 13,890,447</u>	<u>\$ 25,796,108</u>	<u>\$ 39,686,555</u>	<u>\$ 41,279,397</u>

See accompanying notes to the basic financial statements.

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Business-Type Activities		Totals	
	Enterprise Funds		2019	2018
	Sewer Fund	Parking Fund		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,742,059	\$ 5,590,820	\$ 10,332,879	\$ 10,828,530
Other revenue	-	56,541	56,541	12,174
<b>TOTAL OPERATING REVENUES</b>	<u>4,742,059</u>	<u>5,647,361</u>	<u>10,389,420</u>	<u>10,840,704</u>
<b>OPERATING EXPENSES</b>				
Administration	315,070	603,568	918,638	1,036,502
Salaries and wages	894,027	637,968	1,531,995	1,612,571
Employee benefits	468,617	289,063	757,680	904,862
Materials and supplies	323,193	-	323,193	283,931
Utilities	227,142	56,065	283,207	392,535
Fuel	39,398	1,670	41,068	49,063
Sludge removal	602,885	-	602,885	498,092
Repairs and maintenance	207,107	223,800	430,907	492,151
Other	86,588	115,000	201,588	206,801
Depreciation	984,704	701,719	1,686,423	1,852,651
<b>TOTAL OPERATING EXPENSES</b>	<u>4,148,731</u>	<u>2,628,853</u>	<u>6,777,584</u>	<u>7,329,159</u>
<b>OPERATING INCOME</b>	<u>593,328</u>	<u>3,018,508</u>	<u>3,611,836</u>	<u>3,511,545</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	4,059	6,501	10,560	13,272
Interest expense	-	(459,627)	(459,627)	(659,440)
Loss on disposal of capital assets	-	-	-	(444,863)
Intergovernmental revenues	4,575	-	4,575	2,655
Reimbursements on construction project costs	-	-	-	1,096,919
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>8,634</u>	<u>(453,126)</u>	<u>(444,492)</u>	<u>8,543</u>
<b>INCOME BEFORE TRANSFERS</b>	<u>601,962</u>	<u>2,565,382</u>	<u>3,167,344</u>	<u>3,520,088</u>
<b>TRANSFERS</b>				
Transfers in	-	-	-	114,516
Transfers out	(1,640,000)	(2,375,000)	(4,015,000)	(2,252,035)
<b>TOTAL TRANSFERS</b>	<u>(1,640,000)</u>	<u>(2,375,000)</u>	<u>(4,015,000)</u>	<u>(2,137,519)</u>
<b>CHANGE IN NET POSITION</b>	<u>(1,038,038)</u>	<u>190,382</u>	<u>(847,656)</u>	<u>1,382,569</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>14,182,140</u>	<u>10,715,896</u>	<u>24,898,036</u>	<u>23,515,467</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 13,144,102</u>	<u>\$ 10,906,278</u>	<u>\$ 24,050,380</u>	<u>\$ 24,898,036</u>

See accompanying notes to the basic financial statements.

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Business-Type Activities		Totals	
	Enterprise Funds		2019	2018
	Sewer Fund	Parking Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 5,073,383	\$ 5,372,750	\$ 10,446,133	\$ 8,852,872
Payments to suppliers for goods and services	(1,875,176)	(826,734)	(2,701,910)	(3,191,340)
Payments to employees for services	(1,403,637)	(949,226)	(2,352,863)	(2,511,211)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,794,570</u>	<u>3,596,790</u>	<u>5,391,360</u>	<u>3,150,321</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	-	-	114,516
Transfers out	(1,640,000)	(2,375,000)	(4,015,000)	(2,252,035)
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(1,640,000)</u>	<u>(2,375,000)</u>	<u>(4,015,000)</u>	<u>(2,137,519)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Reimbursements on construction project costs	-	-	-	1,096,919
Purchases of capital assets	(42,780)	(186,901)	(229,681)	(1,022,481)
Capital grants	4,575	-	4,575	2,655
Principal paid on capital debt	-	(494,127)	(494,127)	(1,277,408)
Interest paid on capital debt	-	(459,627)	(459,627)	(659,440)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(38,205)</u>	<u>(1,140,655)</u>	<u>(1,178,860)</u>	<u>(1,859,755)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	4,059	6,501	10,560	13,272
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	120,424	87,636	208,060	(833,681)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>90,476</u>	<u>186,853</u>	<u>277,329</u>	<u>1,111,010</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 210,900</u>	<u>\$ 274,489</u>	<u>\$ 485,389</u>	<u>\$ 277,329</u>

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Business-Type Activities		Totals	
	Enterprise Funds		2019	2018
	Sewer Fund	Parking Fund		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 593,328	\$ 3,018,508	\$ 3,611,836	\$ 3,511,545
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	984,704	701,719	1,686,423	1,852,651
Pension expense	(38,884)	(26,171)	(65,055)	57,885
(Increase) decrease in				
Accounts receivable	210,685	466,371	677,056	(360,860)
Prepaid expenses	-	-	-	(76,638)
Due from other funds	125,866	(685,314)	(559,448)	(1,690,571)
Increase (decrease) in				
Accounts payable	(73,793)	173,369	99,576	(155,627)
Accrued liabilities	(2,109)	3,976	1,867	(51,663)
Unearned revenue	-	(55,548)	(55,548)	55,548
Compensated absences	(5,227)	(120)	(5,347)	8,051
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,794,570</u>	<u>\$ 3,596,790</u>	<u>\$ 5,391,360</u>	<u>\$ 3,150,321</u>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2019**

	Pension Trust Funds	
	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,451,537	\$ 2,353,198
Investments, at fair value	53,822,530	42,461,298
Member contributions receivable	18,618	29,784
Interest receivable	136,428	48,453
TOTAL ASSETS	\$ 55,429,113	\$ 44,892,733
LIABILITIES AND NET POSITION		
LIABILITIES		
Refund of member contributions payable	\$ 4,067	\$ 345
NET POSITION		
Restricted for pensions	55,425,046	44,892,388
TOTAL LIABILITIES AND NET POSITION	\$ 55,429,113	\$ 44,892,733

*See accompanying notes to the basic financial statements.*

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF CHANGES IN FIDUCIARY**  
**NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Pension Trust Funds	
	2019	2018
ADDITIONS		
Contributions		
State aid	\$ 911,449	\$ 815,084
Employer	2,691,498	1,731,724
Employee	357,663	254,441
TOTAL CONTRIBUTIONS	<u>3,960,610</u>	<u>2,801,249</u>
Investment income		
Investment earnings	1,549,194	1,282,931
Realized gain (loss) on investments	2,071	(124,515)
Net (depreciation) appreciation in fair value of investments	7,448,129	(3,573,532)
Investment expense	(173,361)	(191,167)
NET INVESTMENT INCOME	<u>8,826,033</u>	<u>(2,606,283)</u>
TOTAL ADDITIONS	<u>12,786,643</u>	<u>194,966</u>
DEDUCTIONS		
Benefits	2,244,191	2,021,218
Refund of member contributions	3,722	-
Administrative expenses	6,072	23,451
TOTAL DEDUCTIONS	<u>2,253,985</u>	<u>2,044,669</u>
CHANGE IN NET POSITION	10,532,658	(1,849,703)
NET POSITION AT BEGINNING OF YEAR	<u>44,892,388</u>	<u>46,742,091</u>
NET POSITION AT END OF YEAR	<u>\$ 55,425,046</u>	<u>\$ 44,892,388</u>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

The accounting and reporting policies of the Borough of West Chester conform, in all material respects, to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles, which are set forth primarily in the GASB's Codification of Governmental Accounting and Financial Reporting Standard (GASB Codification). The Borough has adopted all issued and effective GASB Statements that are applicable to the government. The following summarizes the Borough's significant accounting policies.

**Reporting Entity**

Financial accountability is defined in GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 61. The Municipality 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 Municipality. The Municipality also may be financially accountable if an organization is fiscally dependent on the Municipality regardless of whether the organization has separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Fiduciary component units are legally separate entities; however, they place a financial burden on the Municipality and the Municipality can impose its will on them.

The Borough is governed by a 7-member Council. The accompanying financial statements present the government and its fiduciary component units, entities for which the government is considered to be financially accountable. Fiduciary component units are, in substance, legally separate entities and are appropriately presented as fiduciary funds, not included in the government-wide financial statements.

***Fiduciary Component Unit*** - The Pension Trust Funds are single employer defined benefit pension plans that provide pensions for all full-time employees and all regular, full-time sworn police officers. Although the plans are separate legal entities, they are reported as if they are part of the government as they are governed by boards comprised of members appointed by the Borough Council and the Borough is responsible for funding the plans. The plans are reported as fiduciary funds and do not issue separate financial statements.

**Entity-Wide and Fund Financial Statements**

The entity-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Borough (the primary government). For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customer who purchase, use, or directly benefit from goods, services, or privileges provided by a function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental Funds, Proprietary Funds and Fiduciary Funds, even though the Fiduciary Funds are excluded from the entity-wide financial statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. All remaining Governmental Funds are aggregated and reported as nonmajor funds.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**Entity-Wide, Proprietary and Fiduciary Funds Financial Statements**

The entity-wide, Proprietary and Fiduciary Funds financial statements are reported using the economic resources measurement focus. The entity-wide, Proprietary and Fiduciary Funds statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items (nonexchange transactions) are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

**Governmental Funds Financial Statements**

Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For Governmental-Fund Types, the Borough considers all revenues to be available if they are collected within 60 days after fiscal year-end. Revenues considered susceptible to accrual include property taxes, income taxes, franchise tax, licenses, investment income and grants associated with the current fiscal year. Only the portion of the special assessments receivable due within the current fiscal year is considered to be susceptible to accrual and recognized as revenues in the current fiscal year. All other revenue items are considered measurable and available only when cash is received by the Borough.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in Governmental Funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Borough reports the following major Governmental Funds:

**General Fund** - The General Fund is the primary operating fund of the Borough.

**Capital Operating Reserve Fund** - The Capital Operating Reserve Fund is a Capital Projects Fund and has been designated to fund certain capital projects. The initial proceeds received in this fund were from the sale of the West Chester Area Municipal Authority in 1998.

**Stormwater Fund** - The Stormwater Fund is a special revenue fund used to account for revenues and expenditures related to stormwater runoff and stream protection.

**Equipment and Technology Fund** - The Equipment and Technology Fund is a Capital Projects Fund and accounts for the acquisition and disposal of capital equipment.

**Capital Improvement Fund** - The Capital Improvement Fund is a capital projects fund that is used to account for capital related improvements and projects.

**Debt Service Fund** - The Debt Service Fund is a Debt Service Fund and is used to account for financial resources to be used for the retirement of the Borough's general debt.

**Nonmajor Governmental Funds** - In addition to the above major Governmental Funds, the Borough includes the Urban Development Action Grant Fund, Shade Tree Fund, Fire Fund, Parks & Recreation Fund, and the Highway Aid Fund, (all Special Revenue Funds) in its financial statements.

The Borough reports the following major Enterprise Funds:

**Sewer Fund** - The Sewer Fund accounts for the sewage and wastewater service operations and is intended to be self-supporting through user charges. The Sewer Fund operates sewage collection and treatment systems.

**Parking Fund** - The Parking Fund accounts for parking services operations and is intended to be self-supporting through user charges.

The Borough also reports the following fund types:

**Pension Trust Funds** - The Pension Trust Funds account for the activities of the Police and Non-Uniformed Pension Plans, which accumulate resources for pension benefit payments to qualified Borough employees and their beneficiaries.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

With limited exceptions, the effects of interfund activity have been eliminated from the entity-wide financial statements. Exceptions include charges by one government function to another where services have been provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Sewer and Parking Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use in certain programs, it is the Borough's policy to apply cost-reimbursement grant resources first to those programs, followed by general revenues, as they are needed.

**Capital Assets**

Capital assets, including property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements. Capital assets may be purchased or constructed and are recorded at cost or estimated historical cost. Capital assets are defined by the Borough as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Estimated historic costs are based either on similar assets of the same era or on deflated current values. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets of the Borough and its components are depreciated using the straight-line method over the estimated useful lives of the related assets. Unless an asset's life has been adjusted based on actual experience, the Borough generally uses the following estimated useful lives:

	<u>Years</u>
Infrastructure	30
Improvements other than buildings	10-15
Furniture and equipment	5-10
Buildings	60
Vehicles	10

**Allowance for Doubtful Accounts**

An allowance for doubtful accounts has been established for sewer accounts receivable based on aging receivables and historical information. This allowance amounts to \$253,875 at December 31, 2019.

No allowance has been established for Parking Fund receivables based on aging receivables and historical information. All outstanding receivables are due in 30 days.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

**Budgetary Accounting and Control**

The Borough follows these procedures in establishing the budgetary data reflected in the financial statements:

- During August, Borough department heads are required to submit operating budgets to the Director of Finance for the fiscal year commencing the following January 1. The operating budgets submitted include proposed expenditures along with written justification for operating expenditures.
- The budgets are subject to a detailed review by a finance committee, which is established by Borough Council. This review process, which continues through November, includes meetings with department heads, comparison with prior years' spending patterns and forecasting of future needs.
- During November, the Borough makes available to the public its proposed operating budget. The operating budget includes proposed expenditures and the means for financing them.
- Prior to December 31, the Borough holds a public meeting at which the budget is legally adopted through passage of an ordinance. All budget revisions require the approval of Borough Council.
- Formal budgetary integration is employed as a management control device during the year. Budgets are adopted on a cash basis.
- Budgets lapse at year-end.

**Compensated Absences**

Borough employees accrue eight hours of sick pay for each month worked. At retirement, employees are eligible to use up to a maximum of 36 days (288 hours based on eight-hour days, 360 hours based on ten-hour days, 270 hours based on five- to seven-hour days) accumulated but not used in the last 36 months of employment toward early retirement or as a lump-sum payment at retirement. Also, uniformed employees with 12 or more years of service may elect to bank excess vacation toward retirement up to 168 hours and in lieu of payment of overtime dollars up to 160 hours.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Fund Equity**

Fund balances are classified as follows (if applicable) depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- ***Nonspendable*** - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- ***Restricted*** - Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- ***Committed*** - Amounts that can be used only for specific purposes determined by formal action of the members of Council. The Council is the highest level of decision-making authority for the Borough of West Chester. Commitments may be established, modified, or rescinded only through resolutions approved by Council.
- ***Assigned*** - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Council has designated the Borough Manager the authority to assign amounts for specific purposes.
- ***Unassigned*** - All other spendable amounts.

As of December 31, 2019, fund balances are composed of the following:

	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Equipment and Technology Fund	Capital Improvement Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ 58,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,823	\$ 76,472
Restricted								
Highway aid	-	-	-	-	-	-	846,329	846,329
Capital projects	-	-	-	-	-	1,630,308	-	1,630,308
Assigned								
Capital projects	-	8,553,545	-	-	-	-	-	8,553,545
Culture and recreation	-	-	-	-	-	-	17,209	17,209
Debt service	-	-	-	-	-	4,798,595	-	4,798,595
Economic development	-	-	-	-	-	-	27,288	27,288
Unassigned	(2,331,664)	-	(806,193)	(3,996,039)	(5,067,103)	-	(417,987)	(12,618,986)
<b>TOTAL FUND BALANCES</b>	<b>\$ (2,273,015)</b>	<b>\$ 8,553,545</b>	<b>\$ (806,193)</b>	<b>\$ (3,996,039)</b>	<b>\$ (5,067,103)</b>	<b>\$ 6,428,903</b>	<b>\$ 490,662</b>	<b>\$ 3,330,760</b>

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Borough considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Borough considers amounts to have been spent first out of committed funds, then assigned funds and, finally, unassigned funds, as needed, unless Council has provided otherwise in its commitment or assignment actions.

**Due to/from Other Funds**

These transactions are recorded in the fund financial statements and are the year-end outstanding balance (current portion) of a variety of transactions between funds to finance operations, service debt and otherwise meet obligations as they become due.

**Internal Balances**

Internal balances are the residual balances outstanding between governmental activities and business-type activities, as reported in the entity-wide statements.

**Interfund Transactions**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Borough considers all highly liquid debt investments with an original maturity of three months or less, and with no withdrawal restrictions, to be cash equivalents.

**Investments**

Statutes authorize the Borough to invest in obligations of the U.S. Treasury, agencies and instrumentalities, deposits in savings accounts or time deposits, or share amounts of institutions insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or the National Credit Union Share Insurance Fund. The Borough also is authorized to invest in obligations of the United States of America or any of its instrumentalities or agencies 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. Additionally, the Borough may invest in shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for Borough funds. Investments are stated at fair value.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2018 was in excess of the minimum requirements just described.

The Borough has adopted GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Borough has three items that qualify for reporting in this category. The first, the deferred charge on refunding, is reported in the government-wide statement of net position and is the result of the difference in the carrying amount of the refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the shorter of the refunded or refunding debt. In addition, the deferred outflow of resources related to pensions and OPEB are reported in the government-wide statement of net position and are deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Borough has three items that qualify for reporting in this category. Accordingly, the item, *unavailable revenues*, which arises only under a modified accrual bases of accounting, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes and notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available. In addition, the deferred inflow of resources related to pensions and OPEB are reported in the government-wide statement of net position and are deferred and recognized as an inflow of resources in the period that the amounts become available.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

**Long-Term Liabilities**

In the entity-wide financial statements and the Proprietary Fund Types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or Proprietary Fund Type statement of net position. Long-term debt is shown net of bond premiums/discounts and deferred losses on refunding.

In the fund financial statements, Governmental Fund Types, the face amount of debt issued, is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Use of Estimates in the Preparation of Financial Statements**

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

**Comparative Data, Reclassifications**

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

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. Summarized comparative information should be read in conjunction with the Borough's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**NOTE B - DEPOSITS AND INVESTMENTS**

The Borough maintains various cash and investment accounts, including sinking and other accounts required by contractual obligation. A central disbursement account is utilized to liquidate obligations applicable to several funds.

**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 Borough does not have a policy for custodial credit risk on deposits. The Borough 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 in 2000, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

At December 31, 2019, the carrying amount of the Borough's deposits was \$6,610,828, and the bank balance was \$7,417,405. Of the bank balance, \$1,041,344 was covered by federal depository insurance, \$3,808,224 was uninsured and the collateral held by the depository's agent not in the Borough's name and the remaining balance of \$2,567,837 was uninsured. As of December 31, 2019, \$2,567,837 of the Borough's deposits was 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, 2019, PLGIT was rated as AAAM by Standard & Poor's, a nationally recognized statistical rating agency.

**Restricted Cash** - As of December 31, 2019, the Borough's Debt Service Fund held \$1,630,308 in cash obtained from the issuance of general obligation bonds issued in 2016. These funds are restricted for building renovations, the purchase of four fire trucks, and the initial phase of a stormwater management project.

**Investments**

As of December 31, 2019, the Borough held the following investments:

	Fair Value	Maturities		
		0-5 Years	5-10 Years	More Than 10 Years
<b>Governmental Funds</b>				
U.S. Treasury notes	\$ 5,306,404	\$ 5,306,404	\$ -	\$ -
GNMA	389,179	227,937	-	161,242
Federal Home Loan Mortgage Corporation (FHLMC)	283	283	-	-
	<u>\$ 5,695,866</u>	<u>\$ 5,534,624</u>	<u>\$ -</u>	<u>\$ 161,242</u>
<b>Fiduciary Funds</b>				
Mutual Funds - Equities	\$ 6,270,350	\$ 6,270,350	\$ -	\$ -
Mutual Funds - Int'l Equities	8,269,324	8,269,324	-	-
Mutual Funds - Corp. Bonds	15,026,820	15,026,820	-	-
Mutual Funds - Specialty Funds	21,981,141	21,981,141	-	-
Fixed Income	1,379,372	1,379,372	-	-
Equity Exchange Traded Funds	895,523	895,523	-	-
	<u>\$ 53,822,530</u>	<u>\$ 53,822,530</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in GNMA and FHLMC are securities of agencies of the U.S. Government that have an implied but not explicit guarantee.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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

**Interest Rate Risk** - The Borough's investment policy limits investment maturities to no more than five years from the date of purchase. At December 31, 2019, 0.3% of the Borough's investments had maturity dates of more than five years.

**Credit Risk** - The Borough's investment policy does not limit its investment choices to those with certain credit ratings. As of December 31, 2019, U.S. Government agencies were rated as AAA by a nationally recognized statistical rating organization.

**Concentration Risk** - The Borough's investment policy limits any individual issue to no more than 25% of the portfolio except under unusual circumstances. At December 31, 2019, the Borough's investments in U.S. Treasury Notes exceeded 25% of the total portfolio.

**Fair Value Measurement**

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. As of December 31, 2019, all of the Borough's investments were considered Level 1.

**NOTE C - EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2019, expenditures over appropriations were as follows:

	<u>General Fund</u>
General government	\$ 21,288
Highways and streets	1,347,104
Capital outlays	2,176
Debt service - principal	69,903

The excess expenditures were covered through expenditures under budget in other areas.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE D - INTERNAL BALANCES**

The Borough reports internal balances between the governmental activities and the business-type activities. The total of all balances agrees with the sum of interfund balances presented in the statement of net position.

Receivable Fund	Payable Fund	Amount
General Fund	Fire Fund	\$ 15,186
General Fund	Parks and Recreation Fund	115,595
General Fund	Capital Improvement Fund	885,300
General Fund	Stormwater Fund	656,182
General Fund	Equipment and Technology Fund	3,843,409
Fire Fund	Parks and Recreation Fund	10,000
Capital Improvement Fund	Parks and Recreation Fund	57,228
Capital Improvement Fund	Parking Fund	160,341
Capital Improvement Fund	Stormwater Fund	99,702
UDAG Fund	General Fund	28,999
Shade Tree Fund	General Fund	17,830
Highway Aid Fund	General Fund	451,366
Stormwater Fund	Parks and Recreation Fund	382
Capital Operating Reserve Fund	General Fund	244,709
Debt Service Fund	General Fund	186,995
Debt Service Fund	Capital Improvement Fund	4,299,935
Debt Service Fund	Stormwater Fund	1,217,229
Sewer Fund	General Fund	3,277,292
Sewer Fund	Capital Improvement Fund	16,724
Sewer Fund	Stormwater Fund	2,458
Parking Fund	General Fund	3,737,955
Parking Fund	Fire Fund	50,750
Parking Fund	Parks and Recreation Fund	121,005
Parking Fund	Sewer Fund	52,098
Parking Fund	Stormwater Fund	599
Parking Fund	Debt Service Fund	905,565
		\$ 20,454,834

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE D - INTERNAL BALANCES (Continued)**

Interfund transfers from the Sewer and Parking Funds consist of operating transfers to subsidize operating expenditures of the Borough. Other fund transfers are to facilitate capital spending both current and in the future.

Interfund transfers for the year ended December 31, 2019, are as follows:

	Transfers In	Transfers Out
	<u>          </u>	<u>          </u>
General Fund	\$ 4,638,456	\$ 703,500
Stormwater Fund	-	595,000
Debt Service Fund	-	8,456
Fire Fund	2,000	-
Parks and Recreation Fund	81,500	-
Capital Improvement Fund	-	-
Capital Operating Reserve Fund	600,000	-
Sewer Fund	-	1,640,000
Parking Fund	-	2,375,000
	<u>          </u>	<u>          </u>
	<u>\$ 5,321,956</u>	<u>\$ 5,321,956</u>

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE E - CAPITAL ASSETS**

**Primary Government**

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 1,728,054	\$ -	\$ -	\$ 1,728,054
Construction in progress	-	-	-	-
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>1,728,054</b>	<b>-</b>	<b>-</b>	<b>1,728,054</b>
Capital assets being depreciated				
Buildings	13,530,328	346,137	-	13,876,465
Improvements other than buildings	2,036,771	1,163	-	2,037,934
Infrastructure	28,409,029	1,742,936	-	30,151,965
Furniture and equipment	4,202,292	355,791	-	4,558,083
Vehicles	11,376,054	247,942	-	11,623,996
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>59,554,474</b>	<b>2,693,969</b>	<b>-</b>	<b>62,248,443</b>
Accumulated depreciation				
Buildings	(3,338,284)	(296,371)	-	(3,634,655)
Improvements other than buildings	(688,298)	(101,370)	-	(789,668)
Infrastructure	(20,979,419)	(665,620)	-	(21,645,039)
Furniture and equipment	(2,702,276)	(314,214)	-	(3,016,490)
Vehicles	(6,801,906)	(931,247)	-	(7,733,153)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(34,510,183)</b>	<b>(2,308,822)</b>	<b>-</b>	<b>(36,819,005)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>25,044,291</b>	<b>385,147</b>	<b>-</b>	<b>25,429,438</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net, FORWARD</b>				
	<b>\$ 26,772,345</b>	<b>\$ 385,147</b>	<b>\$ -</b>	<b>\$ 27,157,492</b>

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net, FORWARDED	\$ 26,772,345	\$ 385,147	\$ -	\$ 27,157,492
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	643,605	-	-	643,605
Construction in progress	-	-	-	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	643,605	-	-	643,605
Capital assets being depreciated				
Buildings	25,532,770	-	-	25,532,770
Improvements other than buildings	550,562	11,675	-	562,237
Infrastructure	34,747,097	-	-	34,747,097
Furniture and equipment	2,557,834	218,006	-	2,775,840
Vehicles	409,939	-	-	409,939
TOTAL CAPITAL ASSETS BEING DEPRECIATED	63,798,202	229,681	-	64,027,883
Accumulated depreciation				
Buildings	(5,561,674)	(502,524)	-	(6,064,198)
Improvements other than buildings	(44,717)	(110,112)	-	(154,829)
Infrastructure	(25,212,144)	(871,593)	-	(26,083,737)
Furniture and equipment	(1,516,544)	(172,973)	-	(1,689,517)
Vehicles	(275,932)	(29,221)	-	(305,153)
TOTAL ACCUMULATED DEPRECIATION	(32,611,011)	(1,686,423)	-	(34,297,434)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	31,187,191	(1,456,742)	-	29,730,449
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	31,830,796	(1,456,742)	-	30,374,054
CAPITAL ASSETS, net	\$ 58,603,141	\$ (1,071,595)	\$ -	\$ 57,531,546

Depreciation was charged to the following activities:

GOVERNMENTAL ACTIVITIES	
General government	\$ 423,123
Public safety	805,870
Public works	1,032,415
Culture and recreation	47,414
	<u>\$ 2,308,822</u>
BUSINESS-TYPE ACTIVITIES	
Sewer	\$ 984,704
Parking	701,719
	<u>\$ 1,686,423</u>

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE F - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended December 31, 2019:

	Maturity Date	Balance January 1, 2019	Additions
<b>GOVERNMENTAL ACTIVITIES</b>			
General obligation bonds and notes			
GON Series 2000	2020	\$ 176,000	\$ -
GOB Series 2012C	2023	820,000	-
GOB Series 2013	2024	290,000	-
GON Series 2014	2034	631,812	-
GOB Series 2016	2045	8,879,961	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES		<u>10,797,773</u>	<u>-</u>
Deferred amounts			
Issuance discount		(3,713)	-
Issuance premium		71,689	-
Deferred amount on refunding		(3,073)	-
TOTAL DEFERRED AMOUNTS		<u>64,903</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE		10,862,676	-
Compensated absences		906,816	232,497
Net pension liability		17,102,646	
Postemployment benefits		5,841,295	(5,841,295)
TOTAL GOVERNMENTAL ACTIVITIES LONG- TERM LIABILITIES		<u>34,713,433</u>	<u>(5,608,798)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
General obligation bonds and notes			
GOB Series 2013	2027	2,395,000	-
GON Series 2014	2034	257,188	-
GOB Series 2016	2045	10,995,039	-
GOB Series 2016A	2040	1,065,000	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES		<u>14,712,227</u>	<u>-</u>
Deferred amounts			
Issuance premium		65,167	-
Deferred amount on refunding		(58,446)	-
TOTAL DEFERRED AMOUNTS		<u>6,721</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE		14,718,948	-
Compensated absences		149,303	-
Net pension liability		959,685	
TOTAL BUSINESS-TYPE ACTIVITIES LONG- TERM LIABILITIES		<u>15,827,936</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES		<u>\$ 50,541,369</u>	<u>\$ (5,608,798)</u>

<u>Reductions</u>	<u>Balance December 31, 2019</u>	<u>Due Within One Year</u>
\$ (87,000)	\$ 89,000	\$ 89,000
(105,000)	715,000	105,000
(45,000)	245,000	45,000
(85,284)	546,528	29,139
<u>(142,234)</u>	<u>8,737,727</u>	<u>149,700</u>
(464,518)	10,333,255	417,839
743	(2,970)	(743)
(3,618)	68,071	3,618
1,010	(2,063)	(825)
<u>(1,865)</u>	<u>63,038</u>	<u>2,050</u>
(466,383)	10,396,293	419,889
-	1,139,313	-
(8,702,113)	8,400,533	-
<u>5,565,703</u>	<u>5,565,703</u>	<u>-</u>
(3,602,793)	25,501,842	419,889
(245,000)	2,150,000	250,000
(34,716)	222,472	11,861
(172,766)	10,822,273	185,300
<u>(40,000)</u>	<u>1,025,000</u>	<u>40,000</u>
(492,482)	14,219,745	487,161
(6,362)	58,805	6,362
4,717	(53,729)	(4,559)
<u>(1,645)</u>	<u>5,076</u>	<u>1,803</u>
(494,127)	14,224,821	488,964
(5,347)	143,956	-
<u>(446,294)</u>	<u>513,391</u>	<u>-</u>
(945,768)	14,882,168	488,964
<u>\$ (4,548,561)</u>	<u>\$ 40,384,010</u>	<u>\$ 908,853</u>

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE F - LONG-TERM LIABILITIES (Continued)**

**Long-Term Debt**

The following is a summary of long-term obligations of the Borough at face value for the year ended December 31, 2019:

	Governmental Activities	Business-Type Activities	Totals
OUTSTANDING AT JANUARY 1	\$ 10,862,676	\$ 14,718,948	\$ 25,581,624
Reductions	<u>(466,383)</u>	<u>(494,127)</u>	<u>(960,510)</u>
OUTSTANDING AT DECEMBER 31	<u>\$ 10,396,293</u>	<u>\$ 14,224,821</u>	<u>\$ 24,621,114</u>
DUE WITHIN ONE YEAR	<u>\$ 419,889</u>	<u>\$ 488,964</u>	<u>\$ 908,853</u>

The following is a reconciliation between the above schedule and the statement of net position at December 31, 2019.

**GOVERNMENTAL ACTIVITIES**

Outstanding debt at face value	\$ 10,333,255
Unamortized premium	68,071
Unamortized discount	(2,970)
Unamortized loss on refunding	<u>(2,063)</u>

**OUTSTANDING DEBT NET OF DEFERRALS** \$ 10,396,293

Per statement of net position

Current portion	\$ 419,889
Long-term portion	<u>9,976,404</u>

**TOTAL PER STATEMENT OF NET POSITION** \$ 10,396,293

**BUSINESS-TYPE ACTIVITIES**

Outstanding debt at face value	\$ 14,219,745
Unamortized premium	58,805
Unamortized loss on refunding	<u>(53,729)</u>

**OUTSTANDING DEBT NET OF DEFERRALS** \$ 14,224,821

Per statement of net position

Current portion	\$ 488,964
Long-term portion	<u>13,735,857</u>

**TOTAL PER STATEMENT OF NET POSITION** \$ 14,224,821

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE F - LONG-TERM LIABILITIES (Continued)**

**General Obligation Bonds and Notes**

The General Obligation Note, Series of 2000, matures in annual principal amounts ranging from \$39,000 in 2002, with a final principal payment of \$47,000 due in 2020. The note bears interest at variable rates. The General Obligation Note, Series of 2000, was issued to fund the acquisition of two pumper fire engines and for the construction of storm water improvements.

The General Obligation Bond, Series C of 2012, was issued in the amount of \$1,230,000. The proceeds were used to fund the purchase of two Borough fire trucks. The bonds mature in annual principal amounts ranging from \$5,000 in 2014, with a final principal payment of \$410,000 in 2023. The bonds bear interest at rates ranging from .8% to 2.35%.

The General Obligation Bond, Series of 2013, was issued in the amount of \$545,000. The proceeds were used to currently refund the General Obligation Note, Series of 2004. This resulted in a difference in the cash flow requirements of the old debt and the new debt of \$92,832 and an economic gain from refunding of \$84,997. The bonds mature in annual principal amounts ranging from \$35,000 in 2013 to \$50,000 in 2024. The bonds bear interest at rates ranging from 0.350% to 2.25%.

The General Obligation Note, Series of 2014, was issued in the amount of \$950,206. The proceeds were used to finance the Energy Conservation Project. The note matures in annual principal amounts ranging from \$76,045 in 2015 to \$44,063 in 2034. The note bears interest at a fixed interest rate of 2.95% through 2024. After the fixed rate term, the note bears a variable interest rate not to exceed 9.0% until maturity.

The General Obligation Bond, Series of 2016, was issued in the amount of \$9,335,000. The proceeds are to be used for renovations to the municipal building, the purchase of four fire trucks, and the first phase of a stormwater management project. The bonds mature in annual principal amounts ranging from \$175,000 in 2016 to \$105,000 in 2045. The bonds bear interest at rates ranging from 2.00% to 4.00%.

The General Obligation Bond, Series A of 2016, was issued in the amount of \$1,140,000. The proceeds are to be used to construct parking facilities on the campus of West Chester University and to pay the costs and expenses related to the issuance of the Series of 2016 bonds. The bonds mature in annual principal amounts ranging from \$35,000 in 2017 to \$65,000 in 2040. The bonds bear interest at rates ranging from 2.00% to 3.00%.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE F - LONG-TERM LIABILITIES (Continued)**

**Parking Revenue Bonds and Notes**

In May 2013, the Borough issued debt in the amount of \$3,745,000 to currently refund the Guaranteed Parking Revenue Note, Series of 1999, and to pay the costs and expenses related to the issuance of the bonds. This resulted in a difference in the cash flow requirements of the old debt and the new debt of \$676,959 and an economic gain from refunding of \$575,397. The bonds mature in annual principal amounts ranging from \$200,000 in 2013, with a final payment of \$290,000 due in 2027. This issue bears interest at annual rates ranging from 0.350% to 2.50%.

In January 2014, the Borough issued debt in the amount of \$386,794 to provide funds to finance the Parking System Project. The note matures in annual principal amounts ranging from \$30,955 in 2015 to \$17,937 in 2034. The note bears interest at a fixed interest rate of 2.95% through 2024. After the fixed rate term, the note bears a variable interest rate not to exceed 9.0% until maturity.

In January 2016, the Borough issued debt in the amount of \$11,555,000 to currently refund the General Obligation Bonds, Series of 2010, and to pay the costs and expenses related to the issuance of the bonds. This resulted in a difference in the cash flow requirements of the old debt and the new debt of \$973,343 and an economic gain from refunding of \$66,323. The bonds mature in annual principal amounts ranging from \$220,000 in 2016, with a final payment of \$865,000 due in 2040. This issue bears interest at annual rates ranging from 2.00% to 4.00%.

In prior years, certain bonds were defeased in substance by placing an amount in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the Borough's financial statements.

As of December 31, 2019, the Borough has defeased debt outstanding of \$12,750,000.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE F - LONG-TERM LIABILITIES (Continued)**

**Debt Maturities**

Scheduled repayments of interest and principal maturities as of December 31, 2019, are as follows:

Year Ending December 31,	Government Activities		Business-Type Activities		Totals	
	Principal Maturities	Interest Maturities	Principal Maturities	Interest Maturities	Principal Maturities	Interest Maturities
2020	\$ 417,839	\$ 323,940	\$ 487,161	\$ 541,871	\$ 905,000	\$ 865,811
2021	432,494	316,192	495,506	518,859	928,000	835,051
2022	438,205	308,213	500,795	495,319	939,000	803,533
2023	452,321	300,213	522,679	471,571	975,000	771,785
2024	342,584	291,594	644,416	446,620	987,000	738,213
2025 to 2029	2,001,491	1,286,175	3,402,509	1,781,828	5,404,000	3,068,003
2030 to 2034	2,899,781	910,214	3,665,219	1,181,833	6,565,000	2,092,047
2035 to 2039	2,701,296	394,600	3,628,704	519,867	6,330,000	914,468
2040 to 2044	603,267	48,691	811,733	61,246	1,415,000	109,938
2045	43,977	1,784	61,023	2,207	105,000	3,991
	<u>\$ 10,333,255</u>	<u>\$ 4,181,616</u>	<u>\$ 14,219,745</u>	<u>\$ 6,021,221</u>	<u>\$ 24,553,000</u>	<u>\$ 10,202,840</u>

**Compensated Absences**

Compensated absences obligations of the Borough for the year ended December 31, 2019, are as follows:

	Governmental Activities	Business-Type Activities	Totals
OUTSTANDING AT JANUARY 1	\$ 906,816	\$ 149,303	\$ 1,056,119
(Deletions)/additions	<u>232,497</u>	<u>(5,347)</u>	<u>227,150</u>
OUTSTANDING AT DECEMBER 31	<u>\$ 1,139,313</u>	<u>\$ 143,956</u>	<u>\$ 1,283,269</u>

**NOTE G - TAXES**

For 2019, the following tax was levied on assessed value of real estate:

- 6.52 mills for general purposes
- 0.29 mills for debt purposes
- 0.15 mills for library purposes

The taxable assessed valuation of property as of December 31, 2019, is \$754,285,085.

Real estate bills: Mailed March 1. Discount period through April 30, face period through June 30, penalty period subsequent to June 30.

Lien date: December 31

Other taxes levied in 2019:

- Real estate transfer tax ..... 1% of sale price
- Earned income tax ..... 1% of net income
- Emergency municipal services tax ..... \$52 per household

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE H - LOANS AND NOTES RECEIVABLE**

**Governmental Funds**

In November 2005, the Borough entered into a promissory note with the West Chester Library. The Borough loaned \$550,000 to the Library for a period of 20 years in order to facilitate its capital improvement plans. The note payments are due in monthly installments of \$3,630, including principal and interest at a rate of 5%. This loan was made from funds in the Capital Operating Reserve Fund. In December 2010, the Borough entered into a promissory note with an individual in order to facilitate the rehabilitation of a property within the Borough. The UDAG Fund provided the funds for the note. The note payments are due in monthly installments of \$1,020, including principal and interest at the rate of 3%. In August 2017, the Borough entered into a promissory note with a local business to provide \$200,000 of financing. No principal or interest payments are due for the first five years. After that, principal and interest payments are due monthly based on a 20-year amortization schedule at 3.0% interest. In October 2017, the Borough entered into a promissory note with a local business to provide \$41,500 of financing. The borrower paid off the remaining balance of the promissory note in 2019. Future payments for all loans receivable are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 44,958	\$ 2,761	\$ 47,719
2021	42,142	1,520	43,662
2022	27,210	2,788	29,998
2023	7,505	5,805	13,310
2024	7,733	5,577	13,310
2025-2029	42,340	24,212	66,552
2030-2034	49,183	17,369	66,552
2035-2039	57,132	9,420	66,552
2040-2042	33,044	1,338	34,382
	<u>\$ 311,247</u>	<u>\$ 70,790</u>	<u>\$ 382,037</u>

**NOTE I - POLICE PENSION PLAN**

**Summary of Significant Accounting Policies**

**Method Used to Value Investments** - Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE I - POLICE PENSION PLAN (Continued)**

**Plan Description**

**Plan Administration** - The Borough administers the Police Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time sworn police officers.

Management of the plan is vested in the Borough Council of the Borough, which consists of seven members elected by the voters of the Borough. Borough Council has delegated the authority to manage certain plan assets to BB&T Wealth Management.

**Plan Membership** - At December 31, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	34
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>43</u>
	<u><u>79</u></u>

**Benefits Provided** - The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the amount payable to the member at the time of the member's death. The amount of monthly pension is equal to 50% of average monthly compensation, plus a service increment equal to \$25 per year of benefit service completed in excess of 25 years, up to a maximum of \$100. Average compensation is based upon the last 36 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. If an active member suffers a service-related disability, they are eligible for disability retirement. The disability retirement is payable monthly equal to 50% of the member's monthly salary over the last 60 months reduced by any Social Security disability benefits received by the member for the same injuries. If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had he been retired at the time of his death.

Benefit terms provide for an annual cost-of-living increase, based upon the increase in the Consumer Price Index for the preceding year, be granted to retired members equal to the lesser of 3% or the increase in the Consumer Price Index, with a maximum total cost-of-living increase of 30%. The maximum pension benefit after the cost-of-living increase is 75% of average monthly compensation used to compute the initial pension.

The benefit provisions of the plan are established by Borough ordinances.

**Contributions** - The Borough's police employees are required to contribute a percentage of their monthly salaries to the plan. The Borough is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Borough, which are used by the Borough in making its regular contributions to the plan.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE I - POLICE PENSION PLAN (Continued)**

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$2,137,162 to the plan for the year 2019. The Borough's actual contributions for the plan year 2019 were \$2,528,180.

Per the collective bargaining agreement, employees are required to contribute 3% of covered payroll. This contribution is governed by the plan's governing ordinances and collective bargaining agreements. Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the government's employees were recognized as revenues and expenditures during the year.

**Investments**

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by Borough Council by a majority vote of its members. It is the policy of Borough Council to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	33%
International equity	21%
REIT's	3%
Inflation hedge	3%
Fixed income	38%
Cash	2%
	<u>100%</u>

**Concentrations** - The plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds, or other pooled investments) in any one issuer that represents 5% or more of fiduciary net position.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE I - POLICE PENSION PLAN (Continued)**

**Rate of Return** - For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 20.41%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Borough**

The components of the net pension liability of the Borough at December 31, 2019, were as follows:

TOTAL PENSION LIABILITY	\$ 41,805,440
Plan fiduciary net position	<u>(36,190,946)</u>
 NET PENSION LIABILITY	 <u>\$ 5,614,494</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>86.57%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	5%, annual increase including inflation
Investment rate of return	7%, net of investment expenses

Mortality rates were based on the RP-2014 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled lives. Rates are projected to improve with 50% scale of AA.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE I - POLICE PENSION PLAN (Continued)**

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2019 (see the plan's investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equities	5.0% - 7.0%
Fixed income	1.0% - 3.0%
Cash equivalents	0.0% - 1.0%
REIT	4.0% - 6.0%

**Discount Rate** - The discount rate is based on the long-term expected rate of return on pension plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

**Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2018	\$ 40,993,830	\$ 29,099,143	\$ 11,894,687
Changes for the year:			
Service cost	759,380	-	759,380
Interest	2,782,303	-	2,782,303
Differences between expected and actual experience	(1,306,064)	-	(1,306,064)
Changes of assumptions	-	-	-
Contributions			
Employer	-	2,528,180	(2,528,180)
Member	-	244,947	(244,947)
Net investment income	-	5,857,213	(5,857,213)
Benefit payments	(1,424,009)	(1,424,009)	-
Administrative expense	-	(114,528)	114,528
Net changes	811,610	7,091,803	(6,280,193)
Balances at December 31, 2019	\$ 41,805,440	\$ 36,190,946	\$ 5,614,494

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE I - POLICE PENSION PLAN (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.0%, as well as what the Borough's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 10,826,004	\$ 5,614,494	\$ 1,282,769

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - For the year ended December 31, 2019, the Borough recognized pension expense of \$1,494,741 for the Police Pension Plan. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,799	\$ 1,089,230
Change of assumptions	1,141,293	-
Net difference between projected and actual earnings on pension plan investments	-	1,693,808
	<u>\$ 1,148,092</u>	<u>\$ 2,783,038</u>

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

<u>Year Ending December 31,</u>	
2020	\$ (190,152)
2021	(212,448)
2022	(126,449)
2023	(1,009,151)
2024	(96,746)
Thereafter	-

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE J - NON-UNIFORMED PENSION PLAN**

**Summary of Significant Accounting Policies**

**Method Used to Value Investments** - Non-Uniformed Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value.

**Plan Description**

**Plan Administration** - The Borough administers the Non-Uniformed Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time non-uniform Borough employees hired prior to January 1, 2013.

Management of the plan is vested in the Borough Council of the Borough, which consists of seven members elected by the voters of the Borough. Borough Council has delegated the authority to manage certain plan assets to BB&T Wealth Management.

**Plan Membership** - At December 31, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	50
Inactive plan members entitled to but not yet receiving benefits	40
Active plan members	<u>55</u>
	<u>145</u>

**Benefits Provided** - The plan provides retirement, disability and death benefits. A member is eligible for normal retirement after attainment of age 65 and completion of five years of vesting service. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child. The amount of monthly pension is equal to 2.0% of average monthly compensation, multiplied by years of credited service. Average compensation is based upon compensation averaged over the highest consecutive 60-month period during the final ten years of service. If a member continues working after his normal retirement date, his pension does not start until he actually retires. After the completion of 15 years of service, they are eligible for disability retirement. The disability retirement is equal to the accrued benefit at date of disability. If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse of at least two years, equal to 50% of the monthly benefit the member would have been receiving had he been retired at the time of his death. If the beneficiary is not an eligible spouse, the benefit will be paid until the earlier of the death of the beneficiary or ten years.

The benefit provisions of the plan are established by Borough ordinances.

**Contributions** - The Borough's participating employees are required to contribute a percentage of their monthly salaries to the plan. The Borough is required to contribute the remaining amounts necessary to fund the plan using the actuarial basis specified by state statute. The state also provides funds (distribution of foreign casualty insurance premium taxes) to the Borough, which are used by the Borough in making its regular contributions to the plan.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE J - NON-UNIFORMED PENSION PLAN (Continued)**

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$835,209 to the plan for the year 2019. The Borough's actual contributions for the plan year 2019 were \$1,074,767.

Employees are required to contribute 2.75% of covered payroll. This contribution is governed by the plan's governing ordinances and collective bargaining agreements. Administrative costs, which may include, but are not limited to, investment management fees and actuarial services are charged to the plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the government's employees were recognized as revenues and expenditures during the year.

**Investments**

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by Borough Council by a majority vote of its members. It is the policy of Borough Council to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	33%
International equity	21%
REIT's	3%
Inflation hedge	3%
Fixed income	38%
Cash	2%
	<u>100%</u>

**Concentrations** - The plan had no investments (other than U.S. Government and U.S. Government guaranteed obligations, mutual funds, or other pooled investments) in any one issuer that represents 5% or more of fiduciary net position.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE J - NON-UNIFORMED PENSION PLAN (Continued)**

**Rate of Return** - For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 20.21%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Borough**

The components of the net pension liability of the Borough at December 31, 2019, were as follows:

TOTAL PENSION LIABILITY	\$ 22,533,530
Plan fiduciary net position	<u>(19,234,100)</u>
 NET PENSION LIABILITY	 \$ <u>3,299,430</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>85.4%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.5%, annual increase including inflation
Investment rate of return	7%, net of investment expenses

Mortality rates were based on the RP-2014 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled lives. Rates are projected to improve with 50% scale of AA.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE J - NON-UNIFORMED PENSION PLAN (Continued)**

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2019 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	5.0% - 7.0%
Fixed income	1.0% - 3.0%
Cash equivalents	0.0% - 1.0%
REIT	4.0% - 6.0%

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

**Changes in the Net Pension Liability**

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at December 31, 2018	\$ 21,960,889	\$ 15,793,245	\$ 6,167,644
Changes for the year:			
Service cost	258,765	-	258,765
Interest	1,501,562	-	1,501,562
Differences between expected and actual experience	(363,782)	-	(363,782)
Changes of assumptions	-	-	-
Contributions			
Employer	-	1,074,767	(1,074,767)
Member	-	112,716	(112,716)
Net investment income	-	3,142,181	(3,142,181)
Benefit payments	(823,904)	(823,904)	-
Administrative expense	-	(64,905)	64,905
Net changes	<u>572,641</u>	<u>3,440,855</u>	<u>(2,868,214)</u>
Balances at December 31, 2019	<u>\$ 22,533,530</u>	<u>\$ 19,234,100</u>	<u>\$ 3,299,430</u>

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE J - NON-UNIFORMED PENSION PLAN (Continued)**

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.0%, as well as what the Borough's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net pension liability	\$ 6,243,850	\$ 3,299,430	\$ 836,082

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – For the year ended December 31, 2019, the Borough recognized pension expense of \$656,665 for the Non-Uniformed Pension Plan. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Difference between expected and actual experience	\$ -	\$ 616,704
Change of assumptions	859,316	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>889,256</u>
	<u>\$ 859,316</u>	<u>\$ 1,505,960</u>

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

Year Ending <u>December 31,</u>	
2020	\$ (110,898)
2021	(83,644)
2022	5,240
2023	(457,342)
2024	-
Thereafter	-

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

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**NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Plan Description**

**Plan Administration** - The Borough's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance and life insurance benefits to eligible retirees. Spouses and other dependents are not covered under the plan. The Borough Council assigns the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

**Benefits Provided**

**Eligibility for Benefits:**

*Police Officers*

Police officers become eligible when they retire under the terms of the Police Pension Plan. Normal retirement is age 50 and completion of 25 years of service. Early retirement is available upon completion of 20 years of service. Officers are also eligible if they become disabled in the line of duty.

*General Employees*

General employees become eligible when they retire at the earlier of age 55 and ten years of service or age 65 and five years of service. General employees are also eligible if they become totally and permanently disabled after completion of 15 years of service.

**Benefits Payable upon Retirement:**

*Police Officers*

Hospital and Major Medical coverage for the officer until the officer either qualifies for Medicare or attains coverage through other employment. The officer shall be permitted to purchase medical, dental, prescription and/or vision coverage for his or her spouse and dependents by paying the full premiums.

For the surviving spouse of an officer killed in service, the spouse will receive medical benefits until the spouse is eligible for Medicare at no cost to the spouse. Children shall receive medical benefits until age 26.

Additionally, officers providing 90 days advance notice and retiring with an effective date between January 1 and July 1 shall receive a payment in each of the first five calendar years following retirement into a Health Reimbursement Account in accordance with the following schedule:

- \$6,000 for retiring between 1,464 and 1,829 days prior to the officer's superannuation date,

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

- \$5,400 for retiring between 1,098 and 1,463 days prior to the officer's superannuation date,
- \$5,000 for retiring between 732 and 1,097 days prior to the officer's superannuation date,
- \$4,600 for retiring between 366 and 731 days prior to the officer's superannuation date,
- \$3,600 for retiring between 1 and 365 days prior to the officer's superannuation date,
- \$3,000 for retiring on or within 180 days following the officer's superannuation date

Money in the Health Reimbursement Account may be used to pay eligible health care expenses for the officer and/or his or her dependents.

Police employees are also provided a \$3,000 life insurance policy with double indemnity for accidental death.

*General Employees*

Retirees shall have the option to buy hospitalization and medical insurance by paying the full premiums to the Borough.

General employees are also provided with a \$1,000 life insurance policy.

**Employees Covered by Benefit Terms** - At December 31, 2019, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	48
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	136
	184

**Total OPEB Liability**

The Borough's total OPEB liability of \$5,565,703 was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Actuarial Assumptions and Other Inputs** - The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Discount rate	3.75%
Healthcare cost trend rates	5.6%

The discount rate was based on the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

RP-2014 Combined Healthy Mortality Table with 50% of Blue Collar Adjustment and rates set forward 5 years for disabled lives.

**Changes in the Total OPEB Liability of the Borough**

	<u>Total OPEB Liability</u>
BALANCES AT DECEMBER 31, 2018	\$ 5,841,295
Changes for the year	
Service cost	228,624
Interest	205,906
Changes of benefit terms	-
Differences between expected and actual experience	(478,612)
Changes of assumptions	28,173
Benefit payments	(259,683)
Other changes	-
NET CHANGES	<u>(275,592)</u>
BALANCES AT DECEMBER 31, 2019	<u>\$ 5,565,703</u>

The discount rate was 3.75% in 2019 and 2018.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate** - The following represents the total OPEB liability of the Borough, as well as what the Borough's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.75%) or 1-percentage point higher (4.75%) than the current discount rate:

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Total OPEB liability	\$ <u>6,034,661</u>	\$ <u>5,565,703</u>	\$ <u>5,143,261</u>

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** - The following represents the total OPEB liability of the Borough, as well as what the Borough's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease (4.6%)	Current Healthcare Cost Trend Rate (5.6%)	1% Increase (6.6%)
Total OPEB liability	\$ <u>5,056,604</u>	\$ <u>5,565,703</u>	\$ <u>6,151,049</u>

**OPEB Expense and Deferred Outflows of Resource and Deferred Inflows of Resources Related to OPEB** – For the year ended December 31, 2019, the Borough recognized OPEB expense of \$392,341. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ <u>24,695</u>	\$ <u>419,524</u>

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

<u>Year Ending December 31,</u>	
2020	\$ (55,610)
2021	(55,610)
2022	(55,610)
2023	(55,610)
2024	(55,610)
Thereafter	<u>(116,779)</u>
	<u>\$ (394,829)</u>

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**NOTE L - CONTINGENT LIABILITIES**

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

The Borough participates in state and county assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough 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 M - SUBSEQUENT EVENT**

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in job losses. These job losses have the potential to have an impact on all aspects of the borough's operations including tax collections. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State tax revenues have decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. Overall, decreased funding could result in the Borough having to curtail or eliminate some non-essential services and furlough employees.

Due to the pandemic, the financial markets have experienced market volatility since the beginning of the year. Decreases in the value of investments held by the Plans may have an impact on the pension liabilities and related deferred inflows and outflows related to the pension plans. At this point, the extent to which COVID-19 will impact our financial condition or results of operations is uncertain and cannot be reasonably estimated at this time.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BOROUGH OF WEST CHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 12,138,623	\$ 12,138,623	\$ 11,426,103	\$ (712,520)
Licenses and permits	1,348,000	1,348,000	1,910,464	562,464
Fines, forfeits and costs	655,000	655,000	488,212	(166,788)
Interest, dividends and rents	500	500	14,257	13,757
Intergovernmental revenues	797,200	797,200	702,073	(95,127)
Charges for services/fees	1,630,349	1,630,349	1,670,586	40,237
Miscellaneous revenue/other	484,000	484,000	606,159	122,159
<b>TOTAL REVENUES</b>	<u>17,053,672</u>	<u>17,053,672</u>	<u>16,817,854</u>	<u>(235,818)</u>
<b>EXPENDITURES</b>				
Current				
General government	3,272,998	3,272,998	3,294,286	(21,288)
Public safety	9,165,429	9,165,429	7,642,165	1,523,264
Public works				
Highways and streets	3,314,949	3,314,949	4,662,053	(1,347,104)
Sanitation	699,856	699,856	633,049	66,807
Culture and recreation	540,447	540,447	496,678	43,769
Insurance, employee benefits, payroll taxes	3,649,159	3,649,159	3,224,518	424,641
Capital outlays	14,250	14,250	16,426	(2,176)
Refunds of prior year revenues	95,107	95,107	88,306	6,801
Debt service				
Principal	394,615	394,615	464,518	(69,903)
Interest and other charges	295,709	295,709	268,313	27,396
<b>TOTAL EXPENDITURES</b>	<u>21,442,519</u>	<u>21,442,519</u>	<u>20,790,312</u>	<u>652,207</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	<u>(4,388,847)</u>	<u>(4,388,847)</u>	<u>(3,972,458)</u>	<u>416,389</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,203,418	3,203,418	4,638,456	1,435,038
Transfers out	(402,420)	(402,420)	(703,500)	(301,080)
Appropriated fund balance	1,587,849	1,587,849	-	(1,587,849)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>4,388,847</u>	<u>4,388,847</u>	<u>3,934,956</u>	<u>(453,891)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(37,502)</u>	<u>\$ (37,502)</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>			<u>(2,235,513)</u>	
<b>FUND BALANCE AT END OF YEAR</b>			<u>\$ (2,273,015)</u>	

**BOROUGH OF WEST CHESTER**  
**SCHEDULE OF CHANGES IN THE NET POLICE PENSION**  
**PLAN LIABILITY AND RELATED RATIOS**  
**LAST SIX FISCAL YEARS**

	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 759,380	\$ 748,989	\$ 783,845	\$ 752,065	\$ 732,709	\$ 678,819
Interest	2,782,303	2,725,338	2,580,018	2,411,340	2,259,662	2,123,006
Differences between expected and actual experience	-	-	15,670	-	(129,301)	-
Changes of assumptions	(1,306,064)	-	2,629,935	-	-	-
Benefit payments	(1,424,009)	(1,307,713)	(1,200,099)	(1,070,035)	(911,547)	(897,375)
NET CHANGE IN TOTAL PENSION LIABILITY	811,610	2,166,614	4,809,369	2,093,370	1,951,523	1,904,450
Total pension liability, beginning	40,993,830	38,827,216	34,017,847	31,924,477	29,972,954	28,068,504
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b>\$ 41,805,440</b>	<b>\$ 40,993,830</b>	<b>\$ 38,827,216</b>	<b>\$ 34,017,847</b>	<b>\$ 31,924,477</b>	<b>\$ 29,972,954</b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions						
Employer	\$ 2,528,180	\$ 1,723,834	\$ 1,702,757	\$ 1,688,516	\$ 1,635,104	\$ 1,371,024
Member	244,947	141,488	188,719	145,885	186,753	141,359
Net investment income	5,857,213	(1,569,741)	3,936,983	1,432,651	142,345	1,042,254
Benefit payments, including refunds of member contributions	(1,424,009)	(1,307,713)	(1,200,099)	(1,070,035)	(911,547)	(897,375)
Administrative expense	(114,528)	(133,222)	(83,015)	(14,847)	(2,250)	(2,010)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	7,091,803	(1,145,354)	4,545,345	2,182,170	1,050,405	1,655,252
Plan fiduciary net position, beginning	29,099,143	30,244,497	25,699,152	23,516,982	22,466,577	20,811,325
<b>PLAN FIDUCIARY NET POSITION, ENDING (b)</b>	<b>\$ 36,190,946</b>	<b>\$ 29,099,143</b>	<b>\$ 30,244,497</b>	<b>\$ 25,699,152</b>	<b>\$ 23,516,982</b>	<b>\$ 22,466,577</b>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<b>\$ 5,614,494</b>	<b>\$ 11,894,687</b>	<b>\$ 8,582,719</b>	<b>\$ 8,318,695</b>	<b>\$ 8,407,495</b>	<b>\$ 7,506,377</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b>87%</b>	<b>71%</b>	<b>78%</b>	<b>76%</b>	<b>74%</b>	<b>75%</b>
<b>COVERED PAYROLL</b>	<b>\$ 4,862,472</b>	<b>\$ 4,680,828</b>	<b>\$ 4,515,741</b>	<b>\$ 4,788,889</b>	<b>\$ 4,641,455</b>	<b>\$ 4,694,659</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>115.5%</b>	<b>254.1%</b>	<b>190.1%</b>	<b>173.7%</b>	<b>181.1%</b>	<b>159.9%</b>

NOTE: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is only available for 2014 through 2019.

**BOROUGH OF WEST CHESTER**  
**SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS**  
**LAST SIX FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 2,137,162	\$ 1,673,834	\$ 1,692,101	\$ 1,693,324	\$ 1,635,104	\$ 1,371,024
CONTRIBUTIONS IN RELATION TO THE TO THE DETERMINED CONTRIBUTION ACTUARIALLY	<u>2,528,180</u>	<u>1,723,834</u>	<u>1,697,948</u>	<u>1,693,324</u>	<u>1,635,104</u>	<u>1,371,024</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (391,018)</u>	<u>\$ (50,000)</u>	<u>\$ (5,847)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 4,862,472</u>	<u>\$ 4,680,828</u>	<u>\$ 4,515,741</u>	<u>\$ 4,788,889</u>	<u>\$ 4,641,455</u>	<u>\$ 4,694,659</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>52.0%</u>	<u>36.8%</u>	<u>37.6%</u>	<u>35.4%</u>	<u>35.2%</u>	<u>29.2%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2017 January 1, 2015 January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	9 years	11 years	13 years
Asset valuation method	4-year smoothing	4-year smoothing	4-year smoothing
Inflation	2.75%	3%	3%
Salary increases	5% including inflation	5% including inflation	5% including inflation
Investment rate of return	7.0%, net of investment expenses	7.5%, net of investment expenses	7.5%, net of investment expenses
Retirement age	Age 52 and completion of 27 years of service, or age 64 and completion of 25 years of service, if earlier	Age 52 and completion of 27 years of service, or age 64 and completion of 25 years of service, if earlier	Age 52 and completion of 27 years of service, or age 64 and completion of 25 years of service, if earlier
Mortality	Assumed life expectancies are based on the RP-2014 with 50% blue collar adjustment	Assumed life expectancies are based on the RP-2000 combined healthy with blue collar adjustment	Assumed life expectancies are based on the RP-2000 combined healthy with blue collar adjustment

NOTE: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is only available for 2014 through 2019.

**BOROUGH OF WEST CHESTER**  
**SCHEDULE OF POLICE PENSION PLAN**  
**INVESTMENT RETURNS**  
**LAST SIX FISCAL YEARS**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>20.41%</u>	<u>-5.26%</u>	<u>15.61%</u>	<u>6.65%</u>	<u>0.90%</u>	<u>5.41%</u>

NOTE: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is only available for 2014 through 2019.

**BOROUGH OF WEST CHESTER**  
**SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**LAST SIX FISCAL YEARS**

	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 258,765	\$ 310,924	\$ 302,539	\$ 303,806	\$ 305,258	\$ 366,334
Interest	1,501,562	1,460,427	1,389,969	1,320,111	1,252,809	1,213,215
Differences between expected and actual experience	(363,782)	-	(634,987)	-	(360,948)	-
Changes of assumptions	-	-	1,933,463	-	-	-
Benefit payments	(823,904)	(713,505)	(675,808)	(655,587)	(662,809)	(597,595)
NET CHANGE IN TOTAL PENSION LIABILITY	572,641	1,057,846	2,315,176	968,330	534,310	981,954
Total pension liability, beginning	21,960,889	20,903,043	18,587,867	17,619,537	17,085,227	16,103,273
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<b>\$ 22,533,530</b>	<b>\$ 21,960,889</b>	<b>\$ 20,903,043</b>	<b>\$ 18,587,867</b>	<b>\$ 17,619,537</b>	<b>\$ 17,085,227</b>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions						
Employer	\$ 1,074,767	\$ 822,974	\$ 916,611	\$ 891,062	\$ 940,085	\$ 952,607
Member	112,716	112,953	108,443	100,381	86,703	98,581
Net investment income	3,142,181	(845,375)	2,137,290	776,943	90,312	559,636
Benefit payments, including refunds of member contributions	(823,904)	(713,505)	(675,808)	(655,587)	(662,809)	(597,595)
Administrative expense	(64,905)	(81,396)	(49,820)	(12,533)	(2,700)	(5,010)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	3,440,855	(704,349)	2,436,716	1,100,266	451,591	1,008,219
Plan fiduciary net position, beginning	15,793,245	16,497,594	14,060,878	12,960,612	12,509,021	11,500,802
<b>PLAN FIDUCIARY NET POSITON, ENDING (b)</b>	<b>\$ 19,234,100</b>	<b>\$ 15,793,245</b>	<b>\$ 16,497,594</b>	<b>\$ 14,060,878</b>	<b>\$ 12,960,612</b>	<b>\$ 12,509,021</b>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<b>\$ 3,299,430</b>	<b>\$ 6,167,644</b>	<b>\$ 4,405,449</b>	<b>\$ 4,526,989</b>	<b>\$ 4,658,925</b>	<b>\$ 4,576,206</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b>85%</b>	<b>72%</b>	<b>79%</b>	<b>76%</b>	<b>74%</b>	<b>73%</b>
<b>COVERED PAYROLL</b>	<b>\$ 3,478,896</b>	<b>\$ 3,504,428</b>	<b>\$ 3,911,268</b>	<b>\$ 3,952,818</b>	<b>\$ 3,999,805</b>	<b>\$ 4,210,452</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>94.8%</b>	<b>176.0%</b>	<b>112.6%</b>	<b>114.5%</b>	<b>116.5%</b>	<b>108.7%</b>

NOTE: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is only available for 2014 through 2019.

**BOROUGH OF WEST CHESTER**  
**SCHEDULE OF NON-UNIFORMED PENSION PLAN**  
**CONTRIBUTIONS**  
**LAST SIX FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 835,209	\$ 741,719	\$ 784,660	\$ 898,845	\$ 913,361	\$ 952,607
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>1,074,767</u>	<u>822,974</u>	<u>908,827</u>	<u>898,845</u>	<u>940,085</u>	<u>952,607</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (239,558)</u>	<u>\$ (81,255)</u>	<u>\$ (124,167)</u>	<u>\$ -</u>	<u>\$ (26,724)</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 3,478,896</u>	<u>\$ 3,504,428</u>	<u>\$ 3,911,268</u>	<u>\$ 3,952,818</u>	<u>\$ 3,999,805</u>	<u>\$ 4,210,452</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>30.9%</u>	<u>23.5%</u>	<u>23.2%</u>	<u>22.7%</u>	<u>23.5%</u>	<u>22.6%</u>

**NOTES TO SCHEDULE**

Valuation date: January 1, 2017 January 1, 2015 January 1, 2013

Actuarially determined contribution rates are calculated by September 30 of each year for the upcoming calendar year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	10 years	11 years	11 years
Asset valuation method	4-year smoothing	4-year smoothing	4-year smoothing
Inflation	2.75%	3%	3%
Salary increases	4.5% including inflation	5% including inflation	5% including inflation
Investment rate of return	7.0%	7.5%	7.5%
Retirement age	Normal retirement age, or attained age, if eligible to retire	Normal retirement age, or attained age, if eligible to retire	Normal retirement age, or attained age, if eligible to retire
Mortality	Assumed life expectancies are based on the RP-2014 with 50% blue collar adjustment	Assumed life expectancies are based on the RP-2000 combined healthy with blue collar adjustment	Assumed life expectancies are based on the RP-2000 combined healthy with blue collar adjustment

NOTE: For the January 1, 2017 actuarial valuation, assumption changes were made to the following: the inflation rate was lowered to 2.75%, salary increases were lowered to 4.5%, the investment rate of return was lowered to 7.0%, and the mortality tables were updated to RP-2014.

NOTE: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is only available for 2014 through 2019.

**BOROUGH OF WEST CHESTER**  
**SCHEDULE OF NON-UNIFORMED PENSION PLAN**  
**INVESTMENT RETURNS**  
**LAST SIX FISCAL YEARS**

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>20.21%</u>	<u>-5.18%</u>	<u>15.55%</u>	<u>6.60%</u>	<u>1.02%</u>	<u>5.32%</u>

NOTE: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is only available for only 2014 through 2019.

**BOROUGH OF WEST CHESTER**  
**SCHEDULE OF CHANGES IN THE BOROUGH'S**  
**TOTAL OPEB PLAN LIABILITY**  
**LAST TWO FISCAL YEARS**

	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 228,624	\$ 204,877
Interest	205,906	215,130
Changes of benefit terms	-	-
Differences between expected and actual experience	(478,612)	-
Changes of assumptions	28,173	-
Benefit payments	<u>(259,683)</u>	<u>(219,244)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(275,592)	200,763
 TOTAL OPEB LIABILITY, BEGINNING	 <u>5,841,295</u>	 <u>5,640,532</u>
 TOTAL OPEB LIABILITY, ENDING (a)	 <u>\$ 5,565,703</u>	 <u>\$ 5,841,295</u>

**NOTE TO SCHEDULE**

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

## **SUPPLEMENTARY INFORMATION SECTION**

**BOROUGH OF WEST CHESTER**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019**

	Urban Development Action Grant Fund	Shade Tree Fund	Fire Fund	Parks and Recreation Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,152	\$ -	\$ 521	\$ 54,258
Accounts receivable	-	-	2,100	-
Interest receivable	4,300	-	-	-
Prepaid expenses	-	-	17,823	-
Note receivable	4,057	-	-	-
Due from other funds	28,999	17,830	-	-
	<u>28,999</u>	<u>17,830</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 39,508</u>	<u>\$ 17,830</u>	<u>\$ 20,444</u>	<u>\$ 54,258</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ -	\$ 621	\$ 105,556	\$ 22,287
Due to other funds	-	-	42,236	304,787
TOTAL LIABILITIES	<u>-</u>	<u>621</u>	<u>147,792</u>	<u>327,074</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue				
Note receivable	12,220	-	-	-
	<u>12,220</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	17,823	-
Restricted	-	-	-	-
Assigned	27,288	17,209	-	-
Unassigned	-	-	(145,171)	(272,816)
TOTAL FUND BALANCE	<u>27,288</u>	<u>17,209</u>	<u>(127,348)</u>	<u>(272,816)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 39,508</u>	<u>\$ 17,830</u>	<u>\$ 20,444</u>	<u>\$ 54,258</u>

Highway Aid Fund	Totals	
	2019	2018
\$ 399,294	\$ 456,225	\$ 446,557
-	2,100	8,750
-	4,300	4,300
-	17,823	17,823
-	4,057	12,049
<u>451,366</u>	<u>498,195</u>	<u>489,647</u>
<u>\$ 850,660</u>	<u>\$ 982,700</u>	<u>\$ 979,126</u>
\$ 4,331	\$ 132,795	\$ 321,736
-	347,023	370,682
<u>4,331</u>	<u>479,818</u>	<u>692,418</u>
-	12,220	12,049
-	17,823	17,823
846,329	846,329	786,544
-	44,497	44,471
-	(417,987)	(574,179)
<u>846,329</u>	<u>490,662</u>	<u>274,659</u>
<u>\$ 850,660</u>	<u>\$ 982,700</u>	<u>\$ 979,126</u>

**BOROUGH OF WEST CHESTER**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	Urban Development Action Grant Fund	Shade Tree Fund	Fire Fund	Parks and Recreation Fund
<b>REVENUES</b>				
Intergovernmental revenues	\$ -	\$ -	\$ 121,693	\$ -
Charges for services	-	-	764,365	-
Interest and rents	47	-	29	596
Program revenue/other	-	-	-	418,200
<b>TOTAL REVENUES</b>	<u>47</u>	<u>-</u>	<u>886,087</u>	<u>418,796</u>
<b>EXPENDITURES</b>				
Streets and highways	-	-	-	-
Public safety	-	-	619,052	-
Community development	-	-	-	-
Culture and recreation	-	21	-	609,825
Capital outlay	-	-	-	-
Refund of prior year revenues	-	-	-	3,314
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>21</u>	<u>619,052</u>	<u>613,139</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>47</u>	<u>(21)</u>	<u>267,035</u>	<u>(194,343)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	2,000	81,500
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>81,500</u>
<b>NET CHANGE IN FUND BALANCES</b>	47	(21)	269,035	(112,843)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>27,241</u>	<u>17,230</u>	<u>(396,383)</u>	<u>(159,973)</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 27,288</u>	<u>\$ 17,209</u>	<u>\$ (127,348)</u>	<u>\$ (272,816)</u>

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Highway Aid Fund	Totals	
	2019	2018
\$ 461,500	\$ 583,193	\$ 561,908
-	764,365	660,800
2,976	3,648	1,091
-	418,200	390,797
<u>464,476</u>	<u>1,769,406</u>	<u>1,614,596</u>
404,691	404,691	330,448
-	619,052	836,983
-	-	-
-	609,846	648,518
-	-	-
-	3,314	7,832
<u>404,691</u>	<u>1,636,903</u>	<u>1,823,781</u>
<u>59,785</u>	<u>132,503</u>	<u>(209,185)</u>
-	83,500	320,000
<u>-</u>	<u>-</u>	<u>(114,516)</u>
<u>-</u>	<u>83,500</u>	<u>205,484</u>
59,785	216,003	(3,701)
<u>786,544</u>	<u>274,659</u>	<u>278,360</u>
<u>\$ 846,329</u>	<u>\$ 490,662</u>	<u>\$ 274,659</u>

**BOROUGH OF WEST CHESTER**  
**COMBINING STATEMENT OF FIDUCIARY**  
**NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2019**

	Police Pension Fund	Non-Uniformed Pension Fund	Totals	
			2019	2018
<b>ASSETS</b>				
Cash and cash equivalents	\$ 974,936	\$ 476,601	\$ 1,451,537	\$ 2,353,198
Investments, at fair value	35,122,043	18,700,487	53,822,530	42,461,298
Member contributions receivable	8,569	10,049	18,618	29,784
Interest receivable	89,465	46,963	136,428	48,453
<b>TOTAL ASSETS</b>	<b>\$ 36,195,013</b>	<b>\$ 19,234,100</b>	<b>\$ 55,429,113</b>	<b>\$ 44,892,733</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Refund of member contributions payable	\$ 4,067	\$ -	\$ 4,067	\$ 345
<b>NET POSITION</b>				
Restricted for pensions	36,190,946	19,234,100	55,425,046	44,892,388
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 36,195,013</b>	<b>\$ 19,234,100</b>	<b>\$ 55,429,113</b>	<b>\$ 44,892,733</b>

**BOROUGH OF WEST CHESTER****COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****YEAR ENDED DECEMBER 31, 2019**

	Police Pension Fund	Non-Uniformed Pension Fund	Totals	
			2019	2018
<b>ADDITIONS</b>				
Contributions				
State aid	\$ 628,900	\$ 282,549	\$ 911,449	\$ 815,084
Employer contributions	1,899,280	792,218	2,691,498	1,731,724
Employee contributions	244,947	112,716	357,663	254,441
<b>TOTAL CONTRIBUTIONS</b>	<u>2,773,127</u>	<u>1,187,483</u>	<u>3,960,610</u>	<u>2,801,249</u>
Investment income				
Interest and dividends	1,021,080	528,114	1,549,194	1,282,931
Realized gain (loss) on investments	(724)	2,795	2,071	(124,515)
Unrealized gain (loss) on investments	4,836,857	2,611,272	7,448,129	(3,573,532)
Investment expense	(110,342)	(63,019)	(173,361)	(191,167)
<b>NET INVESTMENT INCOME</b>	<u>5,746,871</u>	<u>3,079,162</u>	<u>8,826,033</u>	<u>(2,606,283)</u>
<b>TOTAL ADDITIONS</b>	<u>8,519,998</u>	<u>4,266,645</u>	<u>12,786,643</u>	<u>194,966</u>
<b>DEDUCTIONS</b>				
Benefits paid	1,420,287	823,904	2,244,191	2,021,218
Refund of member contributions	3,722	-	3,722	-
Administrative expenses	4,186	1,886	6,072	23,451
<b>TOTAL DEDUCTIONS</b>	<u>1,428,195</u>	<u>825,790</u>	<u>2,253,985</u>	<u>2,044,669</u>
<b>CHANGE IN NET POSITION</b>	7,091,803	3,440,855	10,532,658	(1,849,703)
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>29,099,143</u>	<u>15,793,245</u>	<u>44,892,388</u>	<u>46,742,091</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 36,190,946</u>	<u>\$ 19,234,100</u>	<u>\$ 55,425,046</u>	<u>\$ 44,892,388</u>