

BOROUGH OF WEST CHESTER

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2020



INTRODUCTORY SECTION

BOROUGH OF WEST CHESTER
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	3
Management's Discussion and Analysis (Unaudited)	6
Basic Financial Statements	
<i>Entity-Wide Financial Statements</i>	
Statement of Net Position	14
Statement of Activities	15
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
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
<i>Proprietary Funds</i>	
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, 2020

	Page
<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
Required Supplementary Information	
Budgetary Comparison Schedule	
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 Plan Liability	69
Supplementary Information	
<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, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Other Matters

Prior-Year Comparative Information

We have previously audited the Borough of West Chester's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been 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.

Maille LLP

West Chester, Pennsylvania
July 12, 2021

BOROUGH OF WEST CHESTER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

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, 2020. 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 \$29,982,619 (net position), an increase of \$3,216,210 from the previous year.

Fund Level

- As of the close of the year, the Borough reported combined ending fund balances in governmental funds of \$2,085,138, a decrease of \$1,122,283 from the previous year. Of the current ending fund balances, \$18,094 and \$(7,553,602) are reported as nonspendable and unassigned, respectively, in the General Fund; \$8,854,350 as assigned in the Capital Operating Reserve Fund; \$(678,993) as unassigned in the Stormwater Fund; \$1,103,003 and \$(471,167) as restricted (for capital improvement projects) and unassigned, respectively, in the Debt Service Fund; \$1,248,939, \$52,611, and \$(488,097) as restricted, assigned, and unassigned, respectively, in the non-major Governmental Funds such as Urban Development Action Grant Fund, Shade Tree Fund, Fire Fund, Capital Improvement Fund, Equipment and Technology Fund and Highway Aid Fund.

Long-Term Debt

- At the end of the current calendar year, the Borough had total bonded debt outstanding of \$23,648,000, a decrease of \$905,000 from the previous year. All of the bonded debt is backed by the full faith and credit of the Borough government. Governmental activities report \$9,913,945 of general obligation bonds and business-type activities report \$13,734,055 of parking revenue bonds.
- The Borough has a bonded debt rating of AA negative 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, 2020, the Borough has invested \$56,597,179 net of accumulated depreciation in a broad range of capital assets (see table on following page). Depreciation charges for the calendar year 2020 totaled \$4,161,397.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,728,054	\$ 1,728,054	\$ 643,605	\$ 643,605	\$ 2,371,659	\$ 2,371,659
Buildings	9,938,728	10,241,810	18,995,506	19,468,572	28,934,234	29,710,382
Improvements other than buildings	1,842,583	1,248,266	296,128	407,408	2,138,711	1,655,674
Infrastructure	7,878,790	8,506,926	7,791,767	8,663,360	15,670,557	17,170,286
Furniture and equipment	1,405,512	1,541,593	1,427,816	1,086,323	2,833,328	2,627,916
Vehicles	4,571,237	3,890,843	77,453	104,786	4,648,690	3,995,629
TOTAL CAPITAL ASSETS	\$ 27,364,904	\$ 27,157,492	\$ 29,232,275	\$ 30,374,054	\$ 56,597,179	\$ 57,531,546

Major capital asset events during 2020 for governmental and business activities included the following:

- 2 Fire Engines
- Storm Protection Infrastructure
- Wastewater Treatment Plant Equipment
- Park Improvements

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, 2020

- *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, 2020

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	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 5,107,460	\$ 6,455,390	\$ 9,781,109	\$ 9,178,793	\$ 14,888,569	\$ 15,634,183
Capital and related assets	27,364,904	27,157,492	29,232,275	30,374,054	56,597,179	57,531,546
TOTAL ASSETS	32,472,364	33,612,882	39,013,384	39,552,847	71,485,748	73,165,729
DEFERRED OUTFLOWS OF RESOURCES						
	1,093,408	1,898,395	77,996	133,708	1,171,404	2,032,103
LIABILITIES						
Long-term liabilities	17,742,621	25,081,953	13,407,401	14,393,204	31,150,022	39,475,157
Other liabilities	2,914,793	3,086,694	992,950	1,008,644	3,907,743	4,095,338
TOTAL LIABILITIES	20,657,414	28,168,647	14,400,351	15,401,848	35,057,765	43,570,495
DEFERRED INFLOWS OF RESOURCES						
	7,233,848	4,474,195	382,920	234,327	7,616,768	4,708,522
FUND BALANCES/NET POSITION						
Net investment in capital assets	18,492,974	18,335,672	15,494,947	16,149,627	33,987,921	34,485,299
Restricted	1,248,939	2,476,637	-	-	1,248,939	2,476,637
Unrestricted	(14,067,403)	(17,943,874)	8,813,162	7,900,753	(5,254,241)	(10,043,121)
TOTAL FUND BALANCES/NET POSITION	\$ 5,674,510	\$ 2,868,435	\$ 24,308,109	\$ 24,050,380	\$ 29,982,619	\$ 26,918,815

The largest components of the Borough's current and other assets are cash and investments totaling \$11,947,498. Of the total long-term liabilities, bonds payable account for \$22,780,038.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues						
Charges for services	\$ 5,144,903	\$ 6,742,006	\$ 8,480,993	\$ 10,388,615	\$ 13,625,896	\$ 17,130,621
Operating grants and contributions	699,001	1,451,606	5,080	4,575	704,081	1,456,181
Capital grants and contributions	216,080	-	-	-	216,080	-
General revenues						
Real estate taxes	5,226,835	5,261,060	-	-	5,226,835	5,261,060
Real estate transfer taxes	587,864	747,170	-	-	587,864	747,170
Earned income taxes	5,094,335	4,582,087	-	-	5,094,335	4,582,087
LST taxes	625,927	691,713	-	-	625,927	691,713
Business privilege taxes	153,153	144,073	-	-	153,153	144,073
Amusement device taxes	5,600	-	-	-	5,600	-
Franchise fees	326,069	321,958	-	-	326,069	321,958
Grants not subject to restriction	11,164	8,475	-	-	11,164	8,475
Gain (loss) on sale of assets	-	67,815	-	-	-	67,815
Investment income	299,350	345,775	2,489	10,560	301,839	356,335
Other revenues	169,712	181,891	623,187	805	792,899	182,696
Transfers	2,542,453	4,015,000	(2,542,453)	(4,015,000)	-	-
TOTAL REVENUES	21,102,446	24,560,629	6,569,296	6,389,555	27,671,742	30,950,184
EXPENSES						
Current						
General government	4,818,721	6,088,802	-	-	4,818,721	6,088,802
Public safety	7,019,566	8,315,591	-	-	7,019,566	8,315,591
Public works						
Highways and streets	4,100,470	6,480,188	-	-	4,100,470	6,480,188
Sanitation	980,832	711,001	-	-	980,832	711,001
Interest expense	340,206	349,664	-	-	340,206	349,664
Culture and recreation	913,238	1,232,631	-	-	913,238	1,232,631
Sewer	-	-	3,831,941	4,148,731	3,831,941	4,148,731
Parking	-	-	2,450,558	3,088,480	2,450,558	3,088,480
TOTAL EXPENSES	18,173,033	23,177,877	6,282,499	7,237,211	24,455,532	30,415,088
INCREASE (DECREASE) IN NET POSITION	\$ 2,929,413	\$ 1,382,752	\$ 286,797	\$ (847,656)	\$ 3,216,210	\$ 535,096

The Borough's combined net position increased \$3,216,210 over the course of this calendar year's operations. The net position of the governmental activity operations increased by \$2,929,413. The changes in net position of the Borough's business-type activities decreased by \$286,797.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2020

FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

Governmental Funds

General Fund Budgetary Highlights

The Borough adopted its calendar year 2020 budget in December 2019. 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 2020 year. There were slight adjustments to revenues such as violation-of-ordinance, police protection revenues, etc.

General Fund budgeted revenues and financing sources for 2020 were \$14,220,717. The Borough's largest source of revenue, mainly real estate and earned income taxes, were over budget by \$1,448,714 as collections increased. Licenses and permits were under budget by \$159,048 and fines and costs came in under budget by \$108,542. For the year 2020, the Borough realized a positive budget variance in total revenues of \$1,327,091.

General Fund budgeted expenditures and other financing uses were \$14,220,717 which was approximately \$1,596,120 over budget.

Capital Operating Reserve Fund

Current year activity was minimal.

Capital Improvement Fund

The purpose of this fund is to finance capital projects. 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 sufficient to cover operating expenses and a planned transfer of \$1,430,000 to the General Fund resulted in a net loss for the year of \$117,924.

Parking Funds

Parking garage revenues were sufficient to cover the costs to operate the fund before a planned transfer of \$1,400,453 to the General Fund.

BOROUGH OF WEST CHESTER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2020

ECONOMIC FACTORS

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 - 2,410 employees; PA System of Higher Education - 1,972 employees; Chester County Courthouse - 931 employees; PeopleShare Industrial LLC - 310 employees; PeopleShare Professional - 184 employees; Moody's Analytics - 181 employees; Aramark Food & Support Services - 171 employees; YMCA of the Brandywine Valley - 170 employees; West Chester Area School District - 171 employees; Barclay Friends - 163 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 2020 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, 2020

The Borough of West Chester tax revenues in 2020 continued to show improvement with earned income tax collections exceeding prior year by 2.98%. Real estate transfer tax revenue also remained strong. There are 163 tax-exempt properties within the Borough with a certified taxable valuation of \$395,609,360. 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.

The Borough had an initial certified taxable valuation of \$760,203,305 for 2020, which is up from \$754,285,085 in 2019, a .78% increase. Of the taxable properties in the Borough, 61.53% of the real estate tax is paid by residential properties, 37.49% by commercial properties, 0.59% by industrial properties and 0.39 % is classified as vacant.

The modest .78% increase in taxable assessed value is a positive development fostered by an improving economy. The percentage of taxes paid by commercial properties has decreased while the percentage paid by residential properties has increased. When adopting the General Fund budget for calendar year 2020, the Borough kept the real estate tax rate the same as in 2019. The millage rate for 2020 is 6.96. The Borough's 2020 General Fund budget as adopted reflects revenues and expenditures totaling \$18,364,977.

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, 2020

	Primary Government		Totals	
	Governmental	Business-Type	2020	2019
	Activities	Activities		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 3,187,877	\$ 361,809	\$ 3,549,686	\$ 6,610,828
Investments	8,397,812	-	8,397,812	5,695,866
Accounts and other receivables, net	1,365,214	878,377	2,243,591	2,595,169
Taxes receivable	374,454	-	374,454	266,309
Prepaid expenses	18,094	1,770	19,864	154,764
Internal balances	(8,539,153)	8,539,153	-	-
Loans and notes receivable	42,142	-	42,142	44,958
TOTAL CURRENT ASSETS	4,846,440	9,781,109	14,627,549	15,367,894
NONCURRENT ASSETS				
Loans and notes receivable	261,020	-	261,020	266,289
Depreciable capital assets, net	25,636,850	28,588,670	54,225,520	55,159,887
Land	1,728,054	643,605	2,371,659	2,371,659
TOTAL NONCURRENT ASSETS	27,625,924	29,232,275	56,858,199	57,797,835
TOTAL ASSETS	32,472,364	39,013,384	71,485,748	73,165,729
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - OPEB	21,217	-	21,217	24,695
Deferred outflows of resources - pension activity	1,072,191	77,996	1,150,187	2,007,408
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,093,408	77,996	1,171,404	2,032,103
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 33,565,772	\$ 39,091,380	\$ 72,657,152	\$ 75,197,832
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and other liabilities	\$ 81,823	\$ 158,101	\$ 239,924	\$ 2,325,203
Accrued liabilities	2,313,236	337,378	2,650,614	781,300
Unearned revenue	-	-	-	-
Developer escrow	84,982	-	84,982	79,982
Current portion of long-term debt, net	434,752	497,471	932,223	908,853
TOTAL CURRENT LIABILITIES	2,914,793	992,950	3,907,743	4,095,338
NONCURRENT LIABILITIES				
Total OPEB liability	5,772,355	-	5,772,355	5,565,703
Compensated absences	832,853	24,445	857,298	1,283,269
Long-term portion of long-term debt, net	9,540,181	13,239,857	22,780,038	23,712,261
Net pension liability	1,597,232	143,099	1,740,331	8,913,924
TOTAL NONCURRENT LIABILITIES	17,742,621	13,407,401	31,150,022	39,475,157
TOTAL LIABILITIES	20,657,414	14,400,351	35,057,765	43,570,495
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - OPEB	360,436	-	360,436	419,524
Deferred inflows of resources - pension activity	6,873,412	382,920	7,256,332	4,288,998
TOTAL DEFERRED INFLOWS OF RESOURCES	7,233,848	382,920	7,616,768	4,708,522
NET POSITION				
Net investment in capital assets	18,492,974	15,494,947	33,987,921	34,485,299
Restricted	1,248,939	-	1,248,939	2,476,637
Unrestricted	(14,067,403)	8,813,162	(5,254,241)	(10,043,121)
TOTAL NET POSITION	5,674,510	24,308,109	29,982,619	26,918,815
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 33,565,772	\$ 39,091,380	\$ 72,657,152	\$ 75,197,832

See accompanying notes to the basic financial statements.

This Page Intentionally Left Blank

BOROUGH OF WEST CHESTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 4,818,721	\$ 228,357	\$ 127,033	\$ 216,080
Public safety	7,019,566	3,398,344	122,562	-
Public works				
Highways and streets	4,100,470	1,452,940	449,206	-
Sanitation	980,832	34,803	-	-
Culture and recreation	913,238	30,459	200	-
Interest expense	340,206	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>18,173,033</u>	<u>5,144,903</u>	<u>699,001</u>	<u>216,080</u>
BUSINESS-TYPE ACTIVITIES				
Sewer	3,831,941	4,887,530	5,080	-
Parking	2,450,558	3,593,463	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>6,282,499</u>	<u>8,480,993</u>	<u>5,080</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 24,455,532</u>	<u>\$ 13,625,896</u>	<u>\$ 704,081</u>	<u>\$ 216,080</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, RESTATED*

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	
		2020	2019
\$ (4,247,251)	\$ -	\$ (4,247,251)	\$ (4,949,741)
(3,498,660)	-	(3,498,660)	(4,449,203)
(2,198,324)	-	(2,198,324)	(3,754,604)
(946,029)	-	(946,029)	(677,879)
(882,579)	-	(882,579)	(803,174)
(340,206)	-	(340,206)	(349,664)
<u>(12,113,049)</u>	<u>-</u>	<u>(12,113,049)</u>	<u>(14,984,265)</u>
-	1,060,669	1,060,669	597,903
-	1,142,905	1,142,905	2,558,076
<u>-</u>	<u>2,203,574</u>	<u>2,203,574</u>	<u>3,155,979</u>
<u>(12,113,049)</u>	<u>2,203,574</u>	<u>(9,909,475)</u>	<u>(11,828,286)</u>
5,226,835	-	5,226,835	5,261,060
587,864	-	587,864	747,170
5,094,335	-	5,094,335	4,582,087
625,927	-	625,927	691,713
153,153	-	153,153	144,073
5,600	-	5,600	-
326,069	-	326,069	321,958
11,164	-	11,164	8,475
299,350	2,489	301,839	356,335
-	-	-	-
169,712	623,187	792,899	250,511
2,542,453	(2,542,453)	-	-
<u>15,042,462</u>	<u>(1,916,777)</u>	<u>13,125,685</u>	<u>12,363,382</u>
2,929,413	286,797	3,216,210	535,096
<u>2,745,097</u> *	<u>24,021,312</u> *	<u>26,766,409</u>	<u>26,383,719</u>
<u>\$ 5,674,510</u>	<u>\$ 24,308,109</u>	<u>\$ 29,982,619</u>	<u>\$ 26,918,815</u>

BOROUGH OF WEST CHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Major Funds			
	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Debt Service Fund
ASSETS				
Cash and cash equivalents	\$ 702,469	\$ 147,608	\$ 349,958	\$ -
Restricted cash	-	-	-	1,103,003
Investments	-	8,397,812	-	-
Accounts receivable	280,918	-	1,044,086	-
Interest receivable	19,500	20,559	-	-
Taxes receivable	374,454	-	-	-
Note receivable	200,000	67,162	-	-
Prepaid expenses	18,094	-	-	-
Due from other funds	-	288,371	-	498,660
TOTAL ASSETS	\$ 1,595,435	\$ 8,921,512	\$ 1,394,044	\$ 1,601,663
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and other liabilities	\$ 2,396	\$ -	\$ 79,185	\$ -
Accrued liabilities	915,714	-	164,249	969,827
Developer escrow	84,982	-	-	-
Due to other funds	7,602,109	-	1,829,603	-
TOTAL LIABILITIES	8,605,201	-	2,073,037	969,827
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Property taxes	325,742	-	-	-
Note receivable	200,000	67,162	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	525,742	67,162	-	-
FUND BALANCES				
Nonspendable - prepaid expenses	18,094	-	-	-
Restricted	-	-	-	1,103,003
Assigned	-	8,854,350	-	-
Unassigned	(7,553,602)	-	(678,993)	(471,167)
TOTAL FUND BALANCES	(7,535,508)	8,854,350	(678,993)	631,836
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,595,435	\$ 8,921,512	\$ 1,394,044	\$ 1,601,663

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Totals	
	2020	2019
\$ 884,839	\$ 2,084,874	\$ 4,495,131
-	1,103,003	1,630,308
-	8,397,812	5,695,866
-	1,325,004	1,919,586
151	40,210	41,873
-	374,454	266,309
36,000	303,162	311,247
-	18,094	76,472
<u>517,956</u>	<u>1,304,987</u>	<u>5,541,498</u>
<u>\$ 1,438,946</u>	<u>\$ 14,951,600</u>	<u>\$ 19,978,290</u>
\$ 242	\$ 81,823	\$ 2,182,296
212,823	2,262,613	351,817
-	84,982	79,982
<u>412,428</u>	<u>9,844,140</u>	<u>13,522,900</u>
<u>625,493</u>	<u>12,273,558</u>	<u>16,136,995</u>
-	325,742	191,125
<u>36,000</u>	<u>303,162</u>	<u>319,410</u>
<u>36,000</u>	<u>628,904</u>	<u>510,535</u>
-	18,094	76,472
1,248,939	2,351,942	2,476,637
16,611	8,870,961	13,396,637
<u>(488,097)</u>	<u>(9,191,859)</u>	<u>(12,618,986)</u>
<u>777,453</u>	<u>2,049,138</u>	<u>3,330,760</u>
<u>\$ 1,438,946</u>	<u>\$ 14,951,600</u>	<u>\$ 19,978,290</u>

BOROUGH OF WEST CHESTER

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES YEAR ENDED DECEMBER 31, 2020

TOTAL GOVERNMENTAL FUNDS BALANCES		\$	2,049,138
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.			
			27,364,904
Deferred inflows and outflows of resources related to OPEB and pension activities are not financial resources and therefore not reported in the Governmental Funds.			
			(6,140,440)
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	\$	325,742	
Loans and notes receivable		<u>303,162</u>	
			628,904
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		(832,853)	
Postemployment benefits		(5,772,355)	
Net pension liability		(1,597,232)	
Accrued interest on long-term debt		(50,623)	
Long-term debt, net		<u>(9,974,933)</u>	
			<u>(18,227,996)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$	<u><u>5,674,510</u></u>

See accompanying notes to the basic financial statements.

This Page Intentionally Left Blank

BOROUGH OF WEST CHESTER
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	Major Funds		
	General Fund	Capital Operating Reserve Fund	Stormwater Fund
REVENUES			
Taxes	\$ 11,693,714	\$ -	\$ -
Licenses and permits	1,083,052	-	-
Fines, forfeits and costs	295,458	-	-
Interest and rents	5,217	-	508
Intergovernmental revenues	395,328	-	-
Charges for services/fees	1,826,609	-	-
Net investment income	-	279,397	-
Program revenue/other	248,430	38,095	1,355,962
TOTAL REVENUES	<u>15,547,808</u>	<u>317,492</u>	<u>1,356,470</u>
EXPENDITURES			
Current			
General government	2,759,859	16,687	-
Public safety	7,441,210	-	-
Public works			
Highways and streets	2,479,593	-	1,094,270
Sanitation	522,191	-	-
Community development	-	-	-
Culture and recreation	528,638	-	-
Insurance, employee benefits, payroll taxes	3,897,912	-	-
Refunds of prior year revenues	123,892	-	-
Capital outlays	5,045	-	-
Debt service			
Principal	419,310	-	-
Interest and other charges	261,517	-	-
TOTAL EXPENDITURES	<u>18,439,167</u>	<u>16,687</u>	<u>1,094,270</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,891,359)</u>	<u>300,805</u>	<u>262,200</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	3,412,463	-	-
Transfers out	(790,133)	-	(135,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,622,330</u>	<u>-</u>	<u>(135,000)</u>
NET CHANGE IN FUND BALANCES	(269,029)	300,805	127,200
FUND BALANCES AT BEGINNING OF YEAR, RESTATED*	<u>(7,266,479) *</u>	<u>8,553,545</u>	<u>(806,193)</u>
FUND BALANCES AT END OF YEAR	<u>\$ (7,535,508)</u>	<u>\$ 8,854,350</u>	<u>\$ (678,993)</u>

See accompanying notes to the basic financial statements.

Debt Service Fund	Nonmajor Governmental Funds	Totals	
		2020	2019
\$ -	\$ -	\$ 11,693,714	\$ 11,426,103
-	-	1,083,052	1,910,464
-	-	295,458	488,212
8,695	2,913	17,333	73,138
-	571,768	967,096	1,501,450
-	764,968	2,591,577	2,434,951
-	-	279,397	264,239
-	57,386	1,699,873	2,465,777
<u>8,695</u>	<u>1,397,035</u>	<u>18,627,500</u>	<u>20,564,334</u>
-	-	2,776,546	3,311,417
-	883,799	8,325,009	8,261,217
-	47,609	3,621,472	6,001,454
-	-	522,191	633,049
-	36,000	36,000	-
-	302,127	830,765	1,106,524
-	-	3,897,912	3,224,518
-	2,750	126,642	91,620
1,505,827	-	1,510,872	1,579,537
-	-	419,310	464,518
-	-	261,517	268,313
<u>1,505,827</u>	<u>1,272,285</u>	<u>22,328,236</u>	<u>24,942,167</u>
<u>(1,497,132)</u>	<u>124,750</u>	<u>(3,700,736)</u>	<u>(4,377,833)</u>
-	502,133	3,914,596	5,321,956
-	(447,010)	(1,372,143)	(1,306,956)
-	55,123	2,542,453	4,015,000
(1,497,132)	179,873	(1,158,283)	(362,833)
<u>2,128,968 *</u>	<u>597,580</u>	<u>3,207,421</u>	<u>3,693,593</u>
<u>\$ 631,836</u>	<u>\$ 777,453</u>	<u>\$ 2,049,138</u>	<u>\$ 3,330,760</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, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,158,283)

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.

207,412

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

\$ (115,075)

Notes receivable

233,444

118,369

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

419,310

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

306,460

Postemployment benefits

(151,042)

Pension plan expense

3,183,051

Accrued interest on long-term debt

4,136

3,342,605

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 2,929,413

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Business-Type Activities		Totals	
	Enterprise Funds		2020	2019
	Sewer Fund	Parking Fund		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 80,679	\$ 281,130	\$ 361,809	\$ 485,389
Accounts receivable, net	551,237	327,140	878,377	633,710
Prepaid expenses	1,550	220	1,770	78,292
Due from other funds	3,785,116	4,754,037	8,539,153	7,981,402
TOTAL CURRENT ASSETS	<u>4,418,582</u>	<u>5,362,527</u>	<u>9,781,109</u>	<u>9,178,793</u>
NONCURRENT ASSETS				
Land	140,780	502,825	643,605	643,605
Capital assets, net	9,143,883	19,444,787	28,588,670	29,730,449
TOTAL NONCURRENT ASSETS	<u>9,284,663</u>	<u>19,947,612</u>	<u>29,232,275</u>	<u>30,374,054</u>
TOTAL ASSETS	13,703,245	25,310,139	39,013,384	39,552,847
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension activities	46,618	31,378	77,996	133,708
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,749,863</u>	<u>\$ 25,341,517</u>	<u>\$ 39,091,380</u>	<u>\$ 39,686,555</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 151,479	\$ 6,622	\$ 158,101	\$ 320,888
Accrued liabilities	278,048	59,330	337,378	198,792
Bonds and notes payable, net	-	497,471	497,471	488,964
TOTAL CURRENT LIABILITIES	<u>429,527</u>	<u>563,423</u>	<u>992,950</u>	<u>1,008,644</u>
NONCURRENT LIABILITIES				
Compensated absences	8,832	15,613	24,445	143,956
Bonds and notes payable, net	-	13,239,857	13,239,857	13,735,857
Net pension liability	85,528	57,571	143,099	513,391
TOTAL NONCURRENT LIABILITIES	<u>94,360</u>	<u>13,313,041</u>	<u>13,407,401</u>	<u>14,393,204</u>
TOTAL LIABILITIES	<u>523,887</u>	<u>13,876,464</u>	<u>14,400,351</u>	<u>15,401,848</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension activities	228,866	154,054	382,920	234,327
NET POSITION				
Net investment in capital assets	9,284,663	6,210,284	15,494,947	16,149,233
Unrestricted	3,712,447	5,100,715	8,813,162	7,901,147
TOTAL NET POSITION	<u>12,997,110</u>	<u>11,310,999</u>	<u>24,308,109</u>	<u>24,050,380</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 13,749,863</u>	<u>\$ 25,341,517</u>	<u>\$ 39,091,380</u>	<u>\$ 39,686,555</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, 2020

	Business-Type Activities		Totals	
	Enterprise Funds		2020	2019
	Sewer Fund	Parking Fund		
OPERATING REVENUES				
Charges for services	\$ 4,887,530	\$ 3,593,463	\$ 8,480,993	\$ 10,332,879
Other revenue	-	624,022	624,022	56,541
TOTAL OPERATING REVENUES	<u>4,887,530</u>	<u>4,217,485</u>	<u>9,105,015</u>	<u>10,389,420</u>
OPERATING EXPENSES				
Administration	232,312	352,407	584,719	918,638
Salaries and wages	742,445	474,596	1,217,041	1,531,995
Employee benefits	443,882	251,785	695,667	757,680
Materials and supplies	243,533	-	243,533	323,193
Utilities	199,498	51,620	251,118	283,207
Fuel	37,853	-	37,853	41,068
Sludge removal	576,153	-	576,153	602,885
Repairs and maintenance	236,575	151,572	388,147	430,907
Other	121,571	-	121,571	201,588
Depreciation	998,119	721,906	1,720,025	1,686,423
TOTAL OPERATING EXPENSES	<u>3,831,941</u>	<u>2,003,886</u>	<u>5,835,827</u>	<u>6,777,584</u>
OPERATING INCOME	<u>1,055,589</u>	<u>2,213,599</u>	<u>3,269,188</u>	<u>3,611,836</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	1,407	1,082	2,489	10,560
Interest expense	-	(447,507)	(447,507)	(459,627)
Intergovernmental revenues	5,080	-	5,080	4,575
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>6,487</u>	<u>(446,425)</u>	<u>(439,938)</u>	<u>(444,492)</u>
INCOME BEFORE TRANSFERS	<u>1,062,076</u>	<u>1,767,174</u>	<u>2,829,250</u>	<u>3,167,344</u>
TRANSFERS				
Transfers in	250,000	38,000	288,000	-
Transfers out	(1,430,000)	(1,400,453)	(2,830,453)	(4,015,000)
TOTAL TRANSFERS	<u>(1,180,000)</u>	<u>(1,362,453)</u>	<u>(2,542,453)</u>	<u>(4,015,000)</u>
CHANGE IN NET POSITION	(117,924)	404,721	286,797	(847,656)
NET POSITION AT BEGINNING OF YEAR, RESTATED*	<u>13,115,034</u> *	<u>10,906,278</u>	<u>24,021,312</u>	<u>24,898,036</u>
NET POSITION AT END OF YEAR	<u>\$ 12,997,110</u>	<u>\$ 11,310,999</u>	<u>\$ 24,308,109</u>	<u>\$ 24,050,380</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Business-Type Activities		Totals	
	Enterprise Funds		2020	2019
	Sewer Fund	Parking Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 4,121,364	\$ 4,061,722	\$ 8,183,086	\$ 10,446,133
Payments to suppliers for goods and services	(1,610,801)	(678,558)	(2,289,359)	(2,701,910)
Payments to employees for services	(1,103,490)	(865,687)	(1,969,177)	(2,352,863)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,407,073</u>	<u>2,517,477</u>	<u>3,924,550</u>	<u>5,391,360</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	250,000	38,000	288,000	-
Transfers out	(1,430,000)	(1,400,453)	(2,830,453)	(4,015,000)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,180,000)</u>	<u>(1,362,453)</u>	<u>(2,542,453)</u>	<u>(4,015,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(363,781)	(214,465)	(578,246)	(229,681)
Capital grants	5,080	-	5,080	4,575
Principal paid on capital debt	-	(487,493)	(487,493)	(494,127)
Interest paid on capital debt	-	(447,507)	(447,507)	(459,627)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(358,701)</u>	<u>(1,149,465)</u>	<u>(1,508,166)</u>	<u>(1,178,860)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>1,407</u>	<u>1,082</u>	<u>2,489</u>	<u>10,560</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(130,221)	6,641	(123,580)	208,060
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>210,900</u>	<u>274,489</u>	<u>485,389</u>	<u>277,329</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 80,679</u>	<u>\$ 281,130</u>	<u>\$ 361,809</u>	<u>\$ 485,389</u>

BOROUGH OF WEST CHESTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Business-Type Activities		Totals	
	Enterprise Funds		2020	2019
	Sewer Fund	Parking Fund		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 1,055,589	\$ 2,213,599	\$ 3,269,188	\$ 3,611,836
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	998,119	721,906	1,720,025	1,686,423
Pension expense	(99,209)	(66,778)	(165,987)	(65,055)
(Increase) decrease in				
Accounts receivable	(102,973)	(141,694)	(244,667)	677,056
Prepaid expenses	104	76,418	76,522	-
Due from other funds	(554,404)	(3,347)	(557,751)	(559,448)
Increase (decrease) in				
Accounts payable	36,590	(199,377)	(162,787)	99,576
Accrued liabilities	182,046	(72,528)	109,518	1,867
Unearned revenue	-	-	-	(55,548)
Compensated absences	(108,789)	(10,722)	(119,511)	(5,347)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,407,073</u>	<u>\$ 2,517,477</u>	<u>\$ 3,924,550</u>	<u>\$ 5,391,360</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Pension Trust Funds	
	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,841,766	\$ 1,451,537
Investments, at fair value	63,781,721	53,822,530
Member contributions receivable	409,936	18,618
Interest receivable	<u>26,939</u>	<u>136,428</u>
TOTAL ASSETS	<u>\$ 66,060,362</u>	<u>\$ 55,429,113</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Refund of member contributions payable	\$ 22,895	\$ 4,067
Member contribution payable	<u>392,538</u>	<u>-</u>
TOTAL LIABILITIES	415,433	4,067
NET POSITION		
Restricted for pensions	<u>65,644,929</u>	<u>55,425,046</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 66,060,362</u>	<u>\$ 55,429,113</u>

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, 2020

	Pension Trust Funds	
	2020	2019
ADDITIONS		
Contributions		
State aid	\$ 861,671	\$ 911,449
Employer	2,705,278	2,691,498
Employee	351,094	357,663
TOTAL CONTRIBUTIONS	<u>3,918,043</u>	<u>3,960,610</u>
Investment income		
Investment earnings	1,551,823	1,549,194
Realized gain (loss) on investments	2,987,097	2,071
Net (depreciation) appreciation in fair value of investments	4,460,952	7,448,129
Investment expense	(194,226)	(173,361)
NET INVESTMENT INCOME	<u>8,805,646</u>	<u>8,826,033</u>
TOTAL ADDITIONS	<u>12,723,689</u>	<u>12,786,643</u>
DEDUCTIONS		
Benefits	2,474,427	2,244,191
Refund of member contributions	8,545	3,722
Administrative expenses	20,834	6,072
TOTAL DEDUCTIONS	<u>2,503,806</u>	<u>2,253,985</u>
CHANGE IN NET POSITION	10,219,883	10,532,658
NET POSITION AT BEGINNING OF YEAR	<u>55,425,046</u>	<u>44,892,388</u>
NET POSITION AT END OF YEAR	<u>\$ 65,644,929</u>	<u>\$ 55,425,046</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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, 2020

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.

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, Capital Improvement Fund, Equipment and Technology 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, 2020

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 \$248,875 at December 31, 2020.

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, 2020

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

All Borough employees accrue eight hours of sick time per month. At retirement, both Uniform and Non-Uniform union employees are eligible for a lump-sum payment of 288 sick hours accumulated but not used within the last 36 months of employment. 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, 2020

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, 2020, fund balances are composed of the following:

	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ 18,094	\$ -	\$ -	\$ -	\$ -	\$ 18,094
Restricted						
Highway aid	-	-	-	-	1,248,939	1,248,939
Capital projects	-	-	-	1,103,003	-	1,103,003
Assigned						
Capital projects	-	8,854,350	-	-	-	8,854,350
Culture and recreation	-	-	-	-	17,209	17,209
Economic development	-	-	-	-	35,402	35,402
Unassigned	<u>(7,553,602)</u>	<u>-</u>	<u>(678,993)</u>	<u>(471,167)</u>	<u>(488,097)</u>	<u>(9,191,859)</u>
TOTAL FUND BALANCES	\$ <u>(7,535,508)</u>	\$ <u>8,854,350</u>	\$ <u>(678,993)</u>	\$ <u>631,836</u>	\$ <u>813,453</u>	\$ <u>2,085,138</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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 102% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2020 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, 2020

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, 2019, 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, 2020

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2020, the carrying amount of the Borough's deposits was \$5,391,452, and the bank balance was \$5,586,378. Of the bank balance, \$1,178,947 was covered by federal depository insurance, \$2,580,059 was uninsured and the collateral held by the depository's agent not in the Borough's name and the remaining balance of \$1,827,372 was uninsured. As of December 31, 2020, \$1,827,372 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, 2020, PLGIT was rated as AAAM by Standard & Poor's, a nationally recognized statistical rating agency.

Restricted Cash - As of December 31, 2020, the Borough's Debt Service Fund held \$1,103,003 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, 2020, the Borough held the following investments:

	Fair Value	Maturities		
		0-5 Years	5-10 Years	More Than 10 Years
Governmental Funds				
U.S. Treasury notes	\$ 5,244,791	\$ 5,306,404	\$ -	\$ -
GNMA	702,188	-	-	702,188
Federal Home Loan Mortgage Corporation (FHLMC)	2,450,833	2,450,833	-	-
	<u>\$ 8,397,812</u>	<u>\$ 7,757,237</u>	<u>\$ -</u>	<u>\$ 702,188</u>
	Fair Value	Maturities		
		0-5 Years	5-10 Years	More Than 10 Years
Fiduciary Funds				
Mutual Funds - Equities	\$ 7,148,976	\$ 7,148,976	\$ -	\$ -
Mutual Funds - Int'l Equities	6,461,149	6,461,149	-	-
Mutual Funds - Corp. Bonds	19,627,375	19,627,375	-	-
Mutual Funds - Specialty Funds	395,292	395,292	-	-
Fixed Income	2,658,990	2,658,990	-	-
Equity Exchange Traded Funds	27,489,939	27,489,939	-	-
	<u>\$ 63,781,721</u>	<u>\$ 63,781,721</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, 2020

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, 2020, 8% 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, 2020, 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, 2020, 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, 2020, all of the Borough's investments were considered Level 1.

NOTE C - EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2020, expenditures over appropriations were as follows:

	<u>General Fund</u>
General government	\$ 440,477
Public safety	274,312
Highway and street	41,439
Culture and recreation	49,738
Refunds of prior year revenues	18,892
Debt service - principal	18,375

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 balance sheet for governmental funds and the statement of net position for proprietary funds.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 7,602,109
Capital Operating Reserve Fund	288,371	-
Stormwater Fund	-	1,829,603
Debt Service Fund	498,660	-
UDAG Fund	-	2,920
Shade Tree Fund	17,830	-
Fire Fund	49,975	-
Parks and Recreation Fund	-	390,977
Capital Improvement Fund	-	18,531
Highway Aid Fund	450,151	-
Sewer Fund	3,785,116	-
Parking Fund	<u>4,754,037</u>	<u>-</u>
	<u>\$ 9,844,140</u>	<u>\$ 9,844,140</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020, are as follows:

	Transfers In	Transfers Out
	<u> </u>	<u> </u>
General Fund	\$ 3,412,463	\$ 790,133
Stormwater Fund	-	135,000
Fire Fund	357,133	350,000
Parks and Recreation Fund	145,000	-
Capital Improvement Fund	-	97,010
Sewer Fund	250,000	1,430,000
Parking Fund	38,000	1,400,453
	<u> </u>	<u> </u>
	<u>\$ 4,202,596</u>	<u>\$ 4,202,596</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE E - CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,728,054	\$ -	\$ -	\$ 1,728,054
Construction in progress	-	-	-	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1,728,054	-	-	1,728,054
Capital assets being depreciated				
Buildings	13,876,465	-	-	13,876,465
Improvements other than buildings	2,037,934	705,127	-	2,743,061
Infrastructure	30,151,965	203,846	-	30,355,811
Furniture and equipment	4,558,083	103,128	-	4,661,211
Vehicles	11,623,996	1,636,683	-	13,260,679
TOTAL CAPITAL ASSETS BEING DEPRECIATED	62,248,443	2,648,784	-	64,897,227
Accumulated depreciation				
Buildings	(3,634,655)	(303,082)	-	(3,937,737)
Improvements other than buildings	(789,668)	(110,810)	-	(900,478)
Infrastructure	(21,645,039)	(831,982)	-	(22,477,021)
Furniture and equipment	(3,016,490)	(239,209)	-	(3,255,699)
Vehicles	(7,733,153)	(956,289)	-	(8,689,442)
TOTAL ACCUMULATED DEPRECIATION	(36,819,005)	(2,441,372)	-	(39,260,377)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	25,429,438	207,412	-	25,636,850
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net, FORWARD				
	\$ 27,157,492	\$ 207,412	\$ -	\$ 27,364,904

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE E - CAPITAL ASSETS (Continued)

	Balance January 1, 2020	Increases	Decreases	Balance December 31, 2020
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net, FORWARDED	\$ 27,157,492	\$ 207,412	\$ -	\$ 27,364,904
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	30,475	-	25,563,245
Improvements other than buildings	562,237	-	-	562,237
Infrastructure	34,747,097	-	-	34,747,097
Furniture and equipment	2,775,840	547,771	-	3,323,611
Vehicles	409,939	-	-	409,939
TOTAL CAPITAL ASSETS BEING DEPRECIATED	64,027,883	578,246	-	64,606,129
Accumulated depreciation				
Buildings	(6,064,198)	(503,540)	-	(6,567,738)
Improvements other than buildings	(154,829)	(111,280)	-	(266,109)
Infrastructure	(26,083,737)	(871,594)	-	(26,955,331)
Furniture and equipment	(1,689,517)	(206,278)	-	(1,895,795)
Vehicles	(305,153)	(27,333)	-	(332,486)
TOTAL ACCUMULATED DEPRECIATION	(34,297,434)	(1,720,025)	-	(36,017,459)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	29,730,449	(1,141,779)	-	28,588,670
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	30,374,054	(1,141,779)	-	29,232,275
CAPITAL ASSETS, net	\$ 57,531,546	\$ (934,367)	\$ -	\$ 56,597,179

Depreciation was charged to the following activities:

GOVERNMENTAL ACTIVITIES	
General government	\$ 423,498
Public safety	751,278
Public works	1,220,934
Culture and recreation	45,662
	<u>\$ 2,441,372</u>
BUSINESS-TYPE ACTIVITIES	
Sewer	\$ 998,119
Parking	721,906
	<u>\$ 1,720,025</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE F - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2020:

	Maturity Date	Balance January 1, 2020	Additions
GOVERNMENTAL ACTIVITIES			
General obligation bonds and notes			
GON Series 2000	2020	\$ 89,000	\$ -
GOB Series 2012C	2023	715,000	-
GOB Series 2013	2024	245,000	-
GON Series 2014	2034	546,528	-
GOB Series 2016	2045	8,737,727	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES		<u>10,333,255</u>	<u>-</u>
Deferred amounts			
Issuance discount		(2,970)	-
Issuance premium		68,071	-
Deferred amount on refunding		(2,063)	-
TOTAL DEFERRED AMOUNTS		<u>63,038</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE		10,396,293	-
Compensated absences		1,139,313	-
Net pension liability		8,400,533	-
Postemployment benefits		5,565,703	206,652
TOTAL GOVERNMENTAL ACTIVITIES LONG- TERM LIABILITIES		<u>25,501,842</u>	<u>206,652</u>
BUSINESS-TYPE ACTIVITIES			
General obligation bonds and notes			
GOB Series 2013	2027	2,150,000	-
GON Series 2014	2034	222,472	-
GOB Series 2016	2045	10,822,273	-
GOB Series 2016A	2040	1,025,000	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES		<u>14,219,745</u>	<u>-</u>
Deferred amounts			
Issuance premium		58,805	-
Deferred amount on refunding		(53,729)	-
TOTAL DEFERRED AMOUNTS		<u>5,076</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE		14,224,821	-
Compensated absences		143,956	-
Net pension liability		513,391	-
TOTAL BUSINESS-TYPE ACTIVITIES LONG- TERM LIABILITIES		<u>14,882,168</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES		<u>\$ 40,384,010</u>	<u>\$ 206,652</u>

Reductions	Balance December 31, 2020	Due Within One Year
\$ (89,000)	\$ -	\$ -
(105,000)	610,000	200,000
(45,000)	200,000	50,000
(29,139)	517,389	30,560
<u>(151,171)</u>	<u>8,586,556</u>	<u>151,934</u>
<u>(419,310)</u>	<u>9,913,945</u>	<u>432,494</u>
742	(2,228)	(743)
(3,620)	64,451	3,618
828	(1,235)	(617)
<u>(2,050)</u>	<u>60,988</u>	<u>2,258</u>
(421,360)	9,974,933	434,752
(306,460)	832,853	-
(6,803,301)	1,597,232	-
-	5,772,355	-
<u>(7,531,121)</u>	<u>18,177,373</u>	<u>434,752</u>
(250,000)	1,900,000	255,000
(11,861)	210,611	12,440
(183,829)	10,638,444	188,066
<u>(40,000)</u>	<u>985,000</u>	<u>40,000</u>
<u>(485,690)</u>	<u>13,734,055</u>	<u>495,506</u>
(6,362)	52,443	6,362
4,559	(49,170)	(4,397)
<u>(1,803)</u>	<u>3,273</u>	<u>1,965</u>
(487,493)	13,737,328	497,471
(119,511)	24,445	-
<u>(370,292)</u>	<u>143,099</u>	<u>-</u>
<u>(977,296)</u>	<u>13,904,872</u>	<u>497,471</u>
<u>\$ (8,508,417)</u>	<u>\$ 32,082,245</u>	<u>\$ 932,223</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020:

	Governmental Activities	Business-Type Activities	Totals
OUTSTANDING AT JANUARY 1	\$ 10,396,293	\$ 14,224,821	\$ 24,621,114
Reductions	<u>(421,360)</u>	<u>(487,493)</u>	<u>(908,853)</u>
OUTSTANDING AT DECEMBER 31	<u>\$ 9,974,933</u>	<u>\$ 13,737,328</u>	<u>\$ 23,712,261</u>
DUE WITHIN ONE YEAR	<u>\$ 434,752</u>	<u>\$ 497,471</u>	<u>\$ 932,223</u>

The following is a reconciliation between the above schedule and the statement of net position at December 31, 2020.

GOVERNMENTAL ACTIVITIES		
Outstanding debt at face value		\$ 9,913,945
Unamortized premium		64,451
Unamortized discount		(2,228)
Unamortized loss on refunding		<u>(1,235)</u>
OUTSTANDING DEBT NET OF DEFERRALS		<u>\$ 9,974,933</u>
Per statement of net position		
Current portion		\$ 434,752
Long-term portion		<u>9,540,181</u>
TOTAL PER STATEMENT OF NET POSITION		<u>\$ 9,974,933</u>
BUSINESS-TYPE ACTIVITIES		
Outstanding debt at face value		\$ 13,734,055
Unamortized premium		52,443
Unamortized loss on refunding		<u>(49,170)</u>
OUTSTANDING DEBT NET OF DEFERRALS		<u>\$ 13,737,328</u>
Per statement of net position		
Current portion		\$ 497,471
Long-term portion		<u>13,239,857</u>
TOTAL PER STATEMENT OF NET POSITION		<u>\$ 13,737,328</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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, 2020, the Borough has defeased debt outstanding of \$12,750,000.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE F - LONG-TERM LIABILITIES (Continued)

Debt Maturities

Scheduled repayments of interest and principal maturities as of December 31, 2020, 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
2021	\$ 432,494	\$ 316,192	\$ 495,506	\$ 441,359	\$ 928,000	\$ 757,551
2022	438,205	308,213	500,795	427,569	939,000	735,782
2023	452,321	300,213	522,679	413,671	975,000	713,884
2024	342,584	291,594	644,416	398,670	987,000	690,264
2025	317,873	279,116	640,127	378,561	958,000	657,677
2026-2030	2,226,140	1,225,179	3,400,860	1,598,046	5,627,000	2,823,225
2031-2035	2,982,870	814,422	3,801,130	1,061,299	6,784,000	1,875,721
2036-2040	2,502,441	296,766	3,382,559	390,066	5,885,000	686,832
2041-2045	219,017	25,981	345,983	32,159	565,000	58,140
	<u>\$ 9,913,945</u>	<u>\$ 3,857,676</u>	<u>\$ 13,734,055</u>	<u>\$ 5,141,400</u>	<u>\$ 23,648,000</u>	<u>\$ 8,999,076</u>

Compensated Absences

Compensated absences obligations of the Borough for the year ended December 31, 2020, are as follows:

	Governmental Activities	Business-Type Activities	Totals
OUTSTANDING AT JANUARY 1	\$ 1,139,313	\$ 143,956	\$ 1,283,269
(Deletions)/additions	<u>(306,460)</u>	<u>(119,511)</u>	<u>(425,971)</u>
OUTSTANDING AT DECEMBER 31	<u>\$ 832,853</u>	<u>\$ 24,445</u>	<u>\$ 857,298</u>

NOTE G - TAXES

For 2020, 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, 2020, is \$760,203,305.

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 2020:

- Real estate transfer tax 1% of sale price
- Earned income tax 1.25% of net income
- Emergency municipal services tax \$52 per household

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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%. The borrower paid off the remaining balance of the promissory note in 2020. 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 July 2020, the Borough entered into a promissory note for \$36,000 with the West Chester Business Improvement District Authority to help fund costs related to the creation of an open-air market during the COVID-19 pandemic. The note payments are due in monthly installments of \$873, including principal and interest at the rate of 1%. Future payments for all loans receivable are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2021	\$ 42,142	\$ 1,520	\$ 43,662
2022	33,147	2,957	36,104
2023	17,714	6,069	23,783
2024	18,043	5,737	23,780
2025	18,383	5,399	23,782
2025-2029	43,628	22,924	66,552
2030-2034	50,680	15,874	66,554
2035-2039	58,869	7,682	66,551
2040-2042	20,556	517	21,073
	<u>\$ 303,162</u>	<u>\$ 68,679</u>	<u>\$ 371,841</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, 2020

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, 2020, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	37
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>37</u>
	<u><u>76</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, 2020

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 \$1,916,209 to the plan for the year 2020. The Borough's actual contributions for the plan year 2020 were \$2,489,123.

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, 2020:

<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, 2020

NOTE I - POLICE PENSION PLAN (Continued)

Rate of Return - For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 16.42%. 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, 2020, were as follows:

TOTAL PENSION LIABILITY	\$ 43,854,824
Plan fiduciary net position	<u>(43,034,151)</u>
 NET PENSION LIABILITY	 \$ <u><u>820,673</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u><u>98.13%</u></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, 2020

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, 2020 (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 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

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at December 31, 2019	\$ 41,805,440	\$ 36,190,946	\$ 5,614,494
Changes for the year:			
Service cost	767,879	-	767,879
Interest	2,923,630	-	2,923,630
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions			
Employer	-	2,489,123	(2,489,123)
Member	-	240,903	(240,903)
Net investment income	-	5,889,410	(5,889,410)
Benefit payments	(1,642,125)	(1,642,125)	-
Administrative expense	-	(134,106)	134,106
Net changes	<u>2,049,384</u>	<u>6,843,205</u>	<u>(4,793,821)</u>
Balances at December 31, 2020	<u>\$ 43,854,824</u>	<u>\$ 43,034,151</u>	<u>\$ 820,673</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	\$ 6,149,442	\$ 820,673	\$ (3,612,635)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2020, the Borough recognized pension expense of \$206,846 for the Police Pension Plan. At December 31, 2020, 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	\$ 3,842	\$ 826,507
Change of assumptions	645,079	-
Net difference between projected and actual earnings on pension plan investments	-	3,968,902
	<u>\$ 648,921</u>	<u>\$ 4,795,409</u>

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

<u>Year Ending December 31,</u>	
2021	\$ (887,872)
2022	(801,873)
2023	(1,684,575)
2024	(772,168)
2025	-
Thereafter	-
	<u>\$ (4,146,488)</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020, 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	41
Active plan members	<u>53</u>
	<u>144</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, 2020

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 \$749,902 to the plan for the year 2020. The Borough's actual contributions for the plan year 2020 were \$1,077,827.

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, 2020:

<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, 2020

NOTE J - NON-UNIFORMED PENSION PLAN (Continued)

Rate of Return - For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 16.34%. 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, 2020, were as follows:

TOTAL PENSION LIABILITY	\$ 23,530,436
Plan fiduciary net position	<u>(22,610,778)</u>
 NET PENSION LIABILITY	 \$ <u>919,658</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>96.1%</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, 2020

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, 2020 (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

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a)-(b)</u>
Balances at December 31, 2019	\$ 22,533,530	\$ 19,234,100	\$ 3,299,430
Changes for the year:			
Service cost	270,409	-	270,409
Interest	1,567,344	-	1,567,344
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions			
Employer	-	1,077,826	(1,077,826)
Member	-	110,191	(110,191)
Net investment income	-	3,110,462	(3,110,462)
Benefit payments	(840,847)	(840,847)	-
Administrative expense	-	(80,954)	80,954
Net changes	<u>996,906</u>	<u>3,376,678</u>	<u>(2,379,772)</u>
Balances at December 31, 2020	\$ <u>23,530,436</u>	\$ <u>22,610,778</u>	\$ <u>919,658</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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%)
Net pension liability	\$ <u>3,913,221</u>	\$ <u>919,658</u>	\$ <u>(1,589,183)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2020, the Borough recognized pension expense of \$11,066 for the Non-Uniformed Pension Plan. At December 31, 2020, 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	\$ -	\$ 370,243
Change of assumptions	501,267	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>2,090,680</u>
	\$ <u>501,267</u>	\$ <u>2,460,923</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 December 31,	
2021	\$ (439,621)
2022	(350,737)
2023	(813,319)
2024	(355,979)
2025	-
Thereafter	<u>-</u>
	\$ <u>(1,959,656)</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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, 2020, 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 \$5,772,355 was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2019.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2019	\$ 5,565,703
Changes for the year	
Service cost	234,911
Interest	213,040
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(241,299)
Other changes	-
NET CHANGES	<u>206,652</u>
BALANCES AT DECEMBER 31, 2020	<u>\$ 5,772,355</u>

The discount rate was 3.75% in 2020 and 2019.

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:

	<u>1% Decrease (2.75%)</u>	<u>Current Discount Rate (3.75%)</u>	<u>1% Increase (4.75%)</u>
Total OPEB liability	\$ <u>6,250,075</u>	\$ <u>5,772,355</u>	\$ <u>5,342,418</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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>5,206,253</u>	\$ <u>5,772,355</u>	\$ <u>6,428,261</u>

OPEB Expense and Deferred Outflows of Resource and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2020, the Borough recognized OPEB expense of \$392,341. At December 31, 2020, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 360,436
Change of assumptions	<u>21,217</u>	<u>-</u>
	\$ <u>21,217</u>	\$ <u>360,436</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>	
2021	\$ (55,610)
2022	(55,610)
2023	(55,610)
2024	(55,610)
2025	(55,610)
Thereafter	<u>(61,169)</u>
	\$ <u>(339,219)</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 - PRIOR PERIOD ADJUSTMENT

During the year, the Borough became aware of an adjustment needed to correct interfund and accrued liabilities balances. As a result of the adjustment, the beginning fund balances have been impacted for the following funds:

General Fund

The beginning fund balance of the General Fund decreased from \$(2,273,015) to \$(7,266,479), the balance of due from other funds decreased \$4,870,126 and the balance of accrued liabilities increased \$123,338.

Equipment and Technology Fund

The beginning fund balance of the Equipment and Technology Fund increased from \$(3,996,039) to \$(18,831) and the balance of due to other funds decreased \$3,977,208.

Debt Service

The beginning fund balance of the Debt Service Fund decreased from \$6,428,903 to \$2,128,968 and the balance of due from other funds decreased \$4,299,935.

Capital Improvement Fund

The beginning fund balance of the Capital Improvement Fund increased from \$(5,067,103) to \$125,749 and the balance of due to other funds decreased \$5,192,852.

Sewer Fund

The beginning fund balance of the Sewer Fund decreased from \$13,144,102 to \$13,115,034 and the balance of accrued liabilities increased \$29,068.

NOTE N - SUBSEQUENT EVENT

On January 6, 2021, the Borough executed an agreement for a Tax and Revenue Anticipation Note, Series of 2021 in the principal amount of \$2,500,000 with a maturity date of December 15, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF WEST CHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 11,050,000	\$ 10,245,000	\$ 11,693,714	\$ 1,448,714
Licenses and permits	1,315,061	1,242,100	1,083,052	(159,048)
Fines, forfeits and costs	659,000	404,000	295,458	(108,542)
Interest, dividends and rents	20,000	1,500	5,217	3,717
Intergovernmental revenues	1,073,000	379,700	395,328	15,628
Charges for services/fees	1,775,917	1,745,917	1,826,609	80,692
Miscellaneous revenue/other	285,360	202,500	248,430	45,930
TOTAL REVENUES	16,178,338	14,220,717	15,547,808	1,327,091
EXPENDITURES				
Current				
General government	3,000,587	2,319,382	2,759,859	(440,477)
Public safety	8,094,450	7,166,898	7,441,210	(274,312)
Public works				
Highways and streets	3,084,653	2,438,154	2,479,593	(41,439)
Sanitation	447,502	549,109	522,191	26,918
Culture and recreation	501,900	478,900	528,638	(49,738)
Insurance, employee benefits, payroll taxes	3,843,346	3,914,176	3,897,912	16,264
Capital outlays	14,250	14,250	5,045	9,205
Refunds of prior year revenues	105,000	105,000	123,892	(18,892)
Debt service				
Principal	400,935	400,935	419,310	(18,375)
Interest and other charges	295,586	295,586	261,517	34,069
TOTAL EXPENDITURES	19,788,209	17,682,390	18,439,167	(756,777)
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	(3,609,871)	(3,461,673)	(2,891,359)	570,314
OTHER FINANCING SOURCES (USES)				
Transfers in	3,199,543	2,466,766	3,412,463	945,697
Transfers out	(941,528)	(682,245)	(790,133)	(107,888)
Appropriated fund balance	1,351,856	1,677,152	-	(1,677,152)
TOTAL OTHER FINANCING SOURCES (USES)	3,609,871	3,461,673	2,622,330	(839,343)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	(269,029)	\$ (269,029)
FUND BALANCE AT BEGINNING OF YEAR, RESTATED*			(7,266,479) *	
FUND BALANCE AT END OF YEAR			\$ (7,535,508)	

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY							
Service cost	\$ 767,879	\$ 759,380	\$ 748,989	\$ 783,845	\$ 752,065	\$ 732,709	\$ 678,819
Interest	2,923,630	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	<u>(1,642,125)</u>	<u>(1,424,009)</u>	<u>(1,307,713)</u>	<u>(1,200,099)</u>	<u>(1,070,035)</u>	<u>(911,547)</u>	<u>(897,375)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	2,049,384	811,610	2,166,614	4,809,369	2,093,370	1,951,523	1,904,450
Total pension liability, beginning	<u>41,805,440</u>	<u>40,993,830</u>	<u>38,827,216</u>	<u>34,017,847</u>	<u>31,924,477</u>	<u>29,972,954</u>	<u>28,068,504</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 43,854,824</u>	<u>\$ 41,805,440</u>	<u>\$ 40,993,830</u>	<u>\$ 38,827,216</u>	<u>\$ 34,017,847</u>	<u>\$ 31,924,477</u>	<u>\$ 29,972,954</u>
PLAN FIDUCIARY NET POSITION							
Contributions							
Employer	\$ 2,489,123	\$ 2,528,180	\$ 1,723,834	\$ 1,702,757	\$ 1,688,516	\$ 1,635,104	\$ 1,371,024
Member	240,903	244,947	141,488	188,719	145,885	186,753	141,359
Net investment income	5,889,410	5,857,213	(1,569,741)	3,936,983	1,432,651	142,345	1,042,254
Benefit payments, including refunds of member contributions	<u>(1,642,125)</u>	<u>(1,424,009)</u>	<u>(1,307,713)</u>	<u>(1,200,099)</u>	<u>(1,070,035)</u>	<u>(911,547)</u>	<u>(897,375)</u>
Administrative expense	<u>(134,106)</u>	<u>(114,528)</u>	<u>(133,222)</u>	<u>(83,015)</u>	<u>(14,847)</u>	<u>(2,250)</u>	<u>(2,010)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	6,843,205	7,091,803	(1,145,354)	4,545,345	2,182,170	1,050,405	1,655,252
Plan fiduciary net position, beginning	<u>36,190,946</u>	<u>29,099,143</u>	<u>30,244,497</u>	<u>25,699,152</u>	<u>23,516,982</u>	<u>22,466,577</u>	<u>20,811,325</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 43,034,151</u>	<u>\$ 36,190,946</u>	<u>\$ 29,099,143</u>	<u>\$ 30,244,497</u>	<u>\$ 25,699,152</u>	<u>\$ 23,516,982</u>	<u>\$ 22,466,577</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 820,673</u>	<u>\$ 5,614,494</u>	<u>\$ 11,894,687</u>	<u>\$ 8,582,719</u>	<u>\$ 8,318,695</u>	<u>\$ 8,407,495</u>	<u>\$ 7,506,377</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>98%</u>	<u>87%</u>	<u>71%</u>	<u>78%</u>	<u>76%</u>	<u>74%</u>	<u>75%</u>
COVERED PAYROLL	<u>\$ 4,323,448</u>	<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>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>19.0%</u>	<u>115.5%</u>	<u>254.1%</u>	<u>190.1%</u>	<u>173.7%</u>	<u>181.1%</u>	<u>159.9%</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 2020.

This Page Intentionally Left Blank

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 1,916,209	\$ 2,137,162	\$ 1,673,834
CONTRIBUTIONS IN RELATION TO THE TO THE DETERMINED CONTRIBUTION ACTUARIALLY	<u>2,489,123</u>	<u>2,528,180</u>	<u>1,723,834</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (572,914)</u>	<u>\$ (391,018)</u>	<u>\$ (50,000)</u>
COVERED PAYROLL	<u>\$ 4,323,448</u>	<u>\$ 4,862,472</u>	<u>\$ 4,680,828</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>57.6%</u>	<u>52.0%</u>	<u>36.8%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2019 January 1, 2017

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
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	9 years	9 years
Asset valuation method	4-year smoothing	4-year smoothing
Inflation	2.75%	2.75%
Salary increases	5% including inflation	5% including inflation
Investment rate of return	7.0%, net of investment	7.0%, 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
Mortality	Assumed life expectancies are based on the RP-2014 with 50% blue collar adjustment	Assumed life expectancies are based on the RP-2014 with 50% 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 2020.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 1,692,101	\$ 1,693,324	\$ 1,635,104	\$ 1,371,024
<u>1,697,948</u>	<u>1,693,324</u>	<u>1,635,104</u>	<u>1,371,024</u>
\$ <u>(5,847)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>4,515,741</u>	\$ <u>4,788,889</u>	\$ <u>4,641,455</u>	\$ <u>4,694,659</u>
<u>37.6%</u>	<u>35.4%</u>	<u>35.2%</u>	<u>29.2%</u>

January 1, 2015

January 1, 2013

Entry age normal
Level dollar, closed
11 years
4-year smoothing
3%
5% including inflation
7.5%, net of investment expenses
Age 52 and completion of 27 years
of service, or age 64 and completion
of 25 years of service, if earlier

Assumed life expectancies are
based on the RP-2000 combined
healthy with blue collar adjustment

Entry age normal
Level dollar, closed
13 years
4-year smoothing
3%
5% including inflation
7.5%, net of investment expenses
Age 52 and completion of 27 years
of service, or age 64 and completion
of 25 years of service, if earlier

Assumed life expectancies are
based on the RP-2000 combined
healthy with blue collar adjustment

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>16.42%</u>	<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 2020.

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

	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY							
Service cost	\$ 270,409	\$ 258,765	\$ 310,924	\$ 302,539	\$ 303,806	\$ 305,258	\$ 366,334
Interest	1,567,344	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	(840,847)	(823,904)	(713,505)	(675,808)	(655,587)	(662,809)	(597,595)
NET CHANGE IN TOTAL PENSION LIABILITY	996,906	572,641	1,057,846	2,315,176	968,330	534,310	981,954
Total pension liability, beginning	22,533,530	21,960,889	20,903,043	18,587,867	17,619,537	17,085,227	16,103,273
TOTAL PENSION LIABILITY, ENDING (a)	\$ 23,530,436	\$ 22,533,530	\$ 21,960,889	\$ 20,903,043	\$ 18,587,867	\$ 17,619,537	\$ 17,085,227
PLAN FIDUCIARY NET POSITION							
Contributions							
Employer	\$ 1,077,826	\$ 1,074,767	\$ 822,974	\$ 916,611	\$ 891,062	\$ 940,085	\$ 952,607
Member	110,191	112,716	112,953	108,443	100,381	86,703	98,581
Net investment income	3,110,462	3,142,181	(845,375)	2,137,290	776,943	90,312	559,636
Benefit payments, including refunds of member contributions	(840,847)	(823,904)	(713,505)	(675,808)	(655,587)	(662,809)	(597,595)
Administrative expense	(80,954)	(64,905)	(81,396)	(49,820)	(12,533)	(2,700)	(5,010)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	3,376,678	3,440,855	(704,349)	2,436,716	1,100,266	451,591	1,008,219
Plan fiduciary net position, beginning	19,234,100	15,793,245	16,497,594	14,060,878	12,960,612	12,509,021	11,500,802
PLAN FIDUCIARY NET POSITON, ENDING (b)	\$ 22,610,778	\$ 19,234,100	\$ 15,793,245	\$ 16,497,594	\$ 14,060,878	\$ 12,960,612	\$ 12,509,021
NET PENSION LIABILITY, ENDING (a)-(b)	\$ 919,658	\$ 3,299,430	\$ 6,167,644	\$ 4,405,449	\$ 4,526,989	\$ 4,658,925	\$ 4,576,206
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	96%	85%	72%	79%	76%	74%	73%
COVERED PAYROLL	\$ 3,474,775	\$ 3,478,896	\$ 3,504,428	\$ 3,911,268	\$ 3,952,818	\$ 3,999,805	\$ 4,210,452
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	26.5%	94.8%	176.0%	112.6%	114.5%	116.5%	108.7%

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 2020.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 749,902	\$ 835,209	\$ 741,719
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>1,077,826</u>	<u>1,074,767</u>	<u>822,974</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (327,924)</u>	<u>\$ (239,558)</u>	<u>\$ (81,255)</u>
COVERED PAYROLL	<u>\$ 3,474,775</u>	<u>\$ 3,478,896</u>	<u>\$ 3,504,428</u>
CONTRIBUTION AS A PERCENTAGE OF COVEREDPAYROLL	<u>31.0%</u>	<u>30.9%</u>	<u>23.5%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2019 January 1, 2017

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
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	10 years	10 years
Asset valuation method	4-year smoothing	4-year smoothing
Inflation	2.75%	2.75%
Salary increases	4.5% including inflation	4.5% including inflation
Investment rate of return	7.0%	7.0%
Retirement age	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-2014 with 50% 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 2020.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 784,660	\$ 898,845	\$ 913,361	\$ 952,607
<u>908,827</u>	<u>898,845</u>	<u>940,085</u>	<u>952,607</u>
\$ <u>(124,167)</u>	\$ <u>-</u>	\$ <u>(26,724)</u>	\$ <u>-</u>
\$ <u>3,911,268</u>	\$ <u>3,952,818</u>	\$ <u>3,999,805</u>	\$ <u>4,210,452</u>
<u>23.2%</u>	<u>22.7%</u>	<u>23.5%</u>	<u>22.6%</u>

January 1, 2015

January 1, 2013

Entry age normal
Level dollar, closed
11 years
4-year smoothing
3%
5% including inflation
7.5%
Normal retirement age, or attained
age, if eligible to retire
Assumed life expectancies are
based on the RP-2000 combined
healthy with blue collar adjustment

Entry age normal
Level dollar, closed
11 years
4-year smoothing
3%
5% including inflation
7.5%
Normal retirement age, or attained
age, if eligible to retire
Assumed life expectancies are
based on the RP-2000 combined
healthy with blue collar adjustment

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>16.34%</u>	<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 2020.

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 234,911	\$ 228,624	\$ 204,877
Interest	213,040	205,906	215,130
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(478,612)	-
Changes of assumptions	-	28,173	-
Benefit payments	<u>(241,299)</u>	<u>(259,683)</u>	<u>(219,244)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	<u>206,652</u>	<u>(275,592)</u>	<u>200,763</u>
TOTAL OPEB LIABILITY, BEGINNING	<u>5,565,703</u>	<u>5,841,295</u>	<u>5,640,532</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 5,772,355</u>	<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

This Page Intentionally Left Blank

BOROUGH OF WEST CHESTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Urban Development Action Grant Fund	Shade Tree Fund	Fire Fund	Parks and Recreation Fund
ASSETS				
Cash and cash equivalents	\$ 2,171	\$ -	\$ 271	\$ 3,076
Accounts receivable	-	-	-	-
Interest receivable	151	-	-	-
Prepaid expenses	-	-	-	-
Note receivable	36,000	-	-	-
Due from other funds	-	17,830	49,975	-
	<u>-</u>	<u>17,830</u>	<u>49,975</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 38,322</u>	<u>\$ 17,830</u>	<u>\$ 50,246</u>	<u>\$ 3,076</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and other liabilities	\$ -	\$ -	\$ 242	\$ -
Accrued liabilities	-	621	166,244	14,104
Due to other funds	2,920	-	-	390,977
	<u>2,920</u>	<u>621</u>	<u>166,486</u>	<u>405,081</u>
TOTAL LIABILITIES	<u>2,920</u>	<u>621</u>	<u>166,486</u>	<u>405,081</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Note receivable	36,000	-	-	-
	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	(598)	17,209	-	-
Unassigned	-	-	(116,240)	(402,005)
	<u>-</u>	<u>-</u>	<u>(116,240)</u>	<u>(402,005)</u>
TOTAL FUND BALANCE	<u>(598)</u>	<u>17,209</u>	<u>(116,240)</u>	<u>(402,005)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 38,322</u>	<u>\$ 17,830</u>	<u>\$ 50,246</u>	<u>\$ 3,076</u>

Capital Improvement Fund	Equipment and Technology Fund	Highway Aid Fund	Totals	
			2020	2019
\$ 48,679	\$ -	\$ 830,642	\$ 884,839	\$ 456,225
-	-	-	-	2,100
-	-	-	151	4,300
-	-	-	-	17,823
-	-	-	36,000	4,057
-	-	450,151	517,956	498,195
<u>\$ 48,679</u>	<u>\$ -</u>	<u>\$ 1,280,793</u>	<u>\$ 1,438,946</u>	<u>\$ 982,700</u>
\$ -	\$ -	\$ -	\$ 242	\$ 132,795
-	-	31,854	212,823	-
18,531	-	-	412,428	347,023
<u>18,531</u>	<u>-</u>	<u>31,854</u>	<u>625,493</u>	<u>479,818</u>
-	-	-	36,000	12,220
-	-	-	-	17,823
-	-	1,248,939	1,248,939	846,329
-	-	-	16,611	44,497
30,148	-	-	(488,097)	(417,987)
<u>30,148</u>	<u>-</u>	<u>1,248,939</u>	<u>777,453</u>	<u>490,662</u>
<u>\$ 48,679</u>	<u>\$ -</u>	<u>\$ 1,280,793</u>	<u>\$ 1,438,946</u>	<u>\$ 982,700</u>

BOROUGH OF WEST CHESTER

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED DECEMBER 31, 2020

	Urban Development Action Grant Fund	Shade Tree Fund	Fire Fund	Parks and Recreation Fund
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 122,562	\$ -
Charges for services	-	-	764,968	-
Interest and rents	18	-	244	229
Program revenue/other	8,096	-	-	30,459
TOTAL REVENUES	<u>8,114</u>	<u>-</u>	<u>887,774</u>	<u>30,688</u>
EXPENDITURES				
Streets and highways	-	-	-	-
Public safety	-	-	883,799	-
Community development	36,000	-	-	-
Culture and recreation	-	-	-	302,127
Refund of prior year revenues	-	-	-	2,750
TOTAL EXPENDITURES	<u>36,000</u>	<u>-</u>	<u>883,799</u>	<u>304,877</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(27,886)</u>	<u>-</u>	<u>3,975</u>	<u>(274,189)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	357,133	145,000
Transfers out	-	-	(350,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>7,133</u>	<u>145,000</u>
NET CHANGE IN FUND BALANCES	<u>(27,886)</u>	<u>-</u>	<u>11,108</u>	<u>(129,189)</u>
FUND BALANCES AT BEGINNING OF YEAR, RESTATED*	<u>27,288</u>	<u>17,209</u>	<u>(127,348)</u>	<u>(272,816)</u>
FUND BALANCES AT END OF YEAR	<u>\$ (598)</u>	<u>\$ 17,209</u>	<u>\$ (116,240)</u>	<u>\$ (402,005)</u>

Capital Improvement Fund	Equipment and Technology Fund	Highway Aid Fund	Totals	
			2020	2019
\$ -	\$ -	\$ 449,206	\$ 571,768	\$ 583,193
-	-	-	764,968	764,365
1,409	-	1,013	2,913	3,648
-	18,831	-	57,386	418,200
<u>1,409</u>	<u>18,831</u>	<u>450,219</u>	<u>1,397,035</u>	<u>1,769,406</u>
-	-	47,609	47,609	404,691
-	-	-	883,799	619,052
-	-	-	36,000	-
-	-	-	302,127	609,846
-	-	-	2,750	3,314
<u>-</u>	<u>-</u>	<u>47,609</u>	<u>1,272,285</u>	<u>1,636,903</u>
<u>1,409</u>	<u>18,831</u>	<u>402,610</u>	<u>124,750</u>	<u>132,503</u>
-	-	-	502,133	83,500
<u>(97,010)</u>	<u>-</u>	<u>-</u>	<u>(447,010)</u>	<u>-</u>
<u>(97,010)</u>	<u>-</u>	<u>-</u>	<u>55,123</u>	<u>83,500</u>
(95,601)	18,831	402,610	179,873	216,003
<u>125,749</u> *	<u>(18,831)</u> *	<u>846,329</u>	<u>597,580</u>	<u>274,659</u>
<u>\$ 30,148</u>	<u>\$ -</u>	<u>\$ 1,248,939</u>	<u>\$ 777,453</u>	<u>\$ 490,662</u>

BOROUGH OF WEST CHESTER
COMBINING STATEMENT OF FIDUCIARY
NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Police Pension Fund	Non-Uniformed Pension Fund	Totals	
			2020	2019
ASSETS				
Cash and cash equivalents	\$ 1,219,192	\$ 622,574	\$ 1,841,766	\$ 1,451,537
Investments, at fair value	42,199,185	21,582,536	63,781,721	53,822,530
Member contributions receivable	10,479	399,457	409,936	18,618
Interest receivable	17,959	8,980	26,939	136,428
TOTAL ASSETS	\$ 43,446,815	\$ 22,613,547	\$ 66,060,362	\$ 55,429,113
LIABILITIES AND NET POSITION				
LIABILITIES				
Refund of member contributions payable	\$ 20,126	\$ 2,769	\$ 22,895	\$ 4,067
Member contribution payable	392,538	-	392,538	-
TOTAL LIABILITIES	412,664	2,769	415,433	4,067
NET POSITION				
Restricted for pensions	43,034,151	22,610,778	65,644,929	55,425,046
TOTAL LIABILITIES AND NET POSITION	\$ 43,446,815	\$ 22,613,547	\$ 66,060,362	\$ 55,429,113

BOROUGH OF WEST CHESTER

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2020

	Police Pension Fund	Non-Uniformed Pension Fund	Totals	
			2020	2019
ADDITIONS				
Contributions				
State aid	\$ 619,307	\$ 242,364	\$ 861,671	\$ 911,449
Employer contributions	1,869,816	835,462	2,705,278	2,691,498
Employee contributions	240,903	110,191	351,094	357,663
TOTAL CONTRIBUTIONS	<u>2,730,026</u>	<u>1,188,017</u>	<u>3,918,043</u>	<u>3,960,610</u>
Investment income				
Interest and dividends	1,024,767	527,056	1,551,823	1,549,194
Realized gain (loss) on investments	1,962,231	1,024,866	2,987,097	2,071
Unrealized gain (loss) on investments	2,902,412	1,558,540	4,460,952	7,448,129
Investment expense	(124,758)	(69,468)	(194,226)	(173,361)
NET INVESTMENT INCOME	<u>5,764,652</u>	<u>3,040,994</u>	<u>8,805,646</u>	<u>8,826,033</u>
TOTAL ADDITIONS	<u>8,494,678</u>	<u>4,229,011</u>	<u>12,723,689</u>	<u>12,786,643</u>
DEDUCTIONS				
Benefits paid	1,633,580	840,847	2,474,427	2,244,191
Refund of member contributions	8,545	-	8,545	3,722
Administrative expenses	9,348	11,486	20,834	6,072
TOTAL DEDUCTIONS	<u>1,651,473</u>	<u>852,333</u>	<u>2,503,806</u>	<u>2,253,985</u>
CHANGE IN NET POSITION	6,843,205	3,376,678	10,219,883	10,532,658
NET POSITION AT BEGINNING OF YEAR	<u>36,190,946</u>	<u>19,234,100</u>	<u>55,425,046</u>	<u>44,892,388</u>
NET POSITION AT END OF YEAR	<u>\$ 43,034,151</u>	<u>\$ 22,610,778</u>	<u>\$ 65,644,929</u>	<u>\$ 55,425,046</u>