

BOROUGH OF WEST CHESTER

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2021



INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

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

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of West Chester as of and for the year ended December 31, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of West Chester as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of West Chester and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of West Chester's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of West Chester's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Prior-Year Comparative Information

We have previously audited the Borough of West Chester's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 12, 2021. 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.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedules, pension plan information, and other postemployment benefits information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

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

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

Maillie LLP

West Chester, Pennsylvania
August 22, 2022

BOROUGH OF WEST CHESTER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

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, 2021. 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 \$35,300,127 (net position), an increase of \$5,317,508 from the previous year.

Fund Level

- As of the close of the year, the Borough reported combined ending fund balances in governmental funds of \$3,123,181, an increase of \$1,074,043 from the previous year. Of the current ending fund balances, \$934,648 is reported as assigned for OPEB and \$(7,208,645) is reported as unassigned in the General Fund; \$8,320,492 as assigned in the Capital Operating Reserve Fund; \$(564,702) as unassigned in the Stormwater Fund; \$108,216 and \$498,660 as restricted (for capital improvement projects) and assigned, respectively, in the Debt Service Fund; \$1,021,257, \$219,635, and \$(206,380) 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 \$22,720,000, a decrease of \$928,000 from the previous year. All of the bonded debt is backed by the full faith and credit of the Borough government. Governmental activities report \$9,479,979 of general obligation bonds and business-type activities report \$13,240,021 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, 2021, the Borough has invested \$55,253,829 net of accumulated depreciation in a broad range of capital assets (see table on following page). Depreciation charges for the calendar year 2021 totaled \$3,899,341.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 1,728,054	\$ 1,728,054	\$ 643,605	\$ 643,605	\$ 2,371,659	\$ 2,371,659
Buildings	9,639,763	9,938,728	18,684,382	18,995,506	28,324,145	28,934,234
Improvements other than buildings	3,359,653	1,842,583	220,308	296,128	3,579,961	2,138,711
Infrastructure	7,243,238	7,878,790	6,941,492	7,791,767	14,184,730	15,670,557
Construction in progress	-	-	473,908	-	473,908	-
Furniture and equipment	1,287,987	1,405,512	1,293,587	1,427,816	2,581,574	2,833,328
Vehicles	3,686,845	4,571,237	51,007	77,453	3,737,852	4,648,690
TOTAL CAPITAL ASSETS	\$ 26,945,540	\$ 27,364,904	\$ 28,308,289	\$ 29,232,275	\$ 55,253,829	\$ 56,597,179

Major capital asset events during 2021 for governmental and business activities included the following:

- Everhart Park Upgrade
- Storm Protection Infrastructure
- Taylor Run Tertiary Filtration
- Parking Garage 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, 2021

- *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, 2021

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	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current and other assets	\$ 8,278,698	\$ 5,107,460	\$ 11,165,789	\$ 9,781,109	\$ 19,444,487	\$ 14,888,569
Capital and related assets	26,945,540	27,364,904	28,308,289	29,232,275	55,253,829	56,597,179
TOTAL ASSETS	35,224,238	32,472,364	39,474,078	39,013,384	74,698,316	71,485,748
DEFERRED OUTFLOWS OF RESOURCES						
	2,488,972	1,094,643	161,015	127,166	2,649,987	1,221,809
LIABILITIES						
Long-term liabilities	15,674,907	17,743,239	12,799,725	13,452,174	28,474,632	31,195,413
Other liabilities	2,794,862	2,915,410	1,021,677	997,347	3,816,539	3,912,757
TOTAL LIABILITIES	18,469,769	20,658,649	13,821,402	14,449,521	32,291,171	35,108,170
DEFERRED INFLOWS OF RESOURCES						
	9,286,214	7,233,848	470,791	382,920	9,757,005	7,616,768
FUND BALANCES/NET POSITION						
Net investment in capital assets	17,515,252	18,492,974	15,066,960	15,494,947	32,582,212	33,987,921
Restricted	1,021,257	1,248,939	-	-	1,021,257	1,248,939
Unrestricted	(8,579,282)	(14,067,403)	10,275,940	8,813,162	1,696,658	(5,254,241)
TOTAL FUND BALANCES/NET POSITION	\$ 9,957,227	\$ 5,674,510	\$ 25,342,900	\$ 24,308,109	\$ 35,300,127	\$ 29,982,619

The largest components of the Borough's current and other assets are cash and investments totaling \$13,912,832. Of the total long-term liabilities, long-term debt accounts for \$21,877,192.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues						
Charges for services	\$ 5,886,894	\$ 5,144,903	\$ 10,088,879	\$ 8,480,993	\$ 15,975,773	\$ 13,625,896
Operating grants and contributions	783,779	699,001	7,950	5,080	791,729	704,081
Capital grants and contributions	320,000	216,080	-	-	320,000	216,080
General revenues						
Real estate taxes	5,564,839	5,226,835	-	-	5,564,839	5,226,835
Real estate transfer taxes	1,100,648	587,864	-	-	1,100,648	587,864
Earned income taxes	5,498,846	5,094,335	-	-	5,498,846	5,094,335
LST taxes	647,534	625,927	-	-	647,534	625,927
Business privilege taxes	120,507	153,153	-	-	120,507	153,153
Amusement device taxes	-	5,600	-	-	-	5,600
Franchise fees	282,906	326,069	-	-	282,906	326,069
Grants not subject to restriction	-	11,164	-	-	-	11,164
Investment income	(82,959)	299,350	861	2,489	(82,098)	301,839
Other revenues	114,031	169,712	13,643	623,187	127,674	792,899
Transfers	2,578,493	2,542,453	(2,578,493)	(2,542,453)	-	-
TOTAL REVENUES	22,815,518	21,102,446	7,532,840	6,569,296	30,348,358	27,671,742
EXPENSES						
Current						
General government	4,186,038	4,818,721	-	-	4,186,038	4,818,721
Public safety	7,221,909	7,019,566	-	-	7,221,909	7,019,566
Public works						
Highways and streets	4,817,988	4,100,470	-	-	4,817,988	4,100,470
Sanitation	882,791	980,832	-	-	882,791	980,832
Interest expense	367,035	340,206	-	-	367,035	340,206
Culture and recreation	1,057,040	913,238	-	-	1,057,040	913,238
Sewer	-	-	3,854,066	3,831,941	3,854,066	3,831,941
Parking	-	-	2,643,983	2,450,558	2,643,983	2,450,558
TOTAL EXPENSES	18,532,801	18,173,033	6,498,049	6,282,499	25,030,850	24,455,532
INCREASE (DECREASE) IN NET POSITION	\$ 4,282,717	\$ 2,929,413	\$ 1,034,791	\$ 286,797	\$ 5,317,508	\$ 3,216,210

The Borough's combined net position increased \$5,317,508 over the course of this calendar year's operations. The net position of the governmental activity operations increased by \$4,282,717. The changes in net position of the Borough's business-type activities increased by \$1,034,791.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

Governmental Funds

General Fund Budgetary Highlights

The Borough adopted its calendar year 2021 budget in December 2020. 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 had a tax increase for the 2021 year. The millage rate increased from 6.96 to 7.40. There were also slight adjustments to revenues such as violation-of-ordinance, police protection revenues, etc.

General Fund budgeted revenues and financing sources for 2021 were \$17,411,063. The Borough's largest source of revenue, mainly real estate and earned income taxes, were over budget by \$1,246,964 as collections increased. Licenses and permits were under budget by \$105,649 and fines and costs came in under budget by \$12,158. For the year 2021, the Borough realized a positive budget variance in total revenues of \$1,806,428.

General Fund budgeted expenditures and other financing uses were \$18,932,966 which was approximately \$395,079 over budget due to transfers to the Parks and Recreation Fund. Most of the money transferred was used for the Everhart Park Playground Project.

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

Sewer rates increased in 2021. The base sewer rate for 2,000 gallons increased from \$26.00 per month to \$30.11. The rate per month for 1,000 gallons in excess of base rate increased from \$6.90 to \$7.99. 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 \$1,016,112 to the General Fund. This resulted in net income for the year of \$304,445.

Parking Funds

Parking garage revenues were sufficient to cover the costs to operate the fund before a planned transfer of \$1,562,831 to the General Fund.

BOROUGH OF WEST CHESTER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

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 - 2,465 employees; PA System of Higher Education - 1,844 employees; Chester County Courthouse - 902 employees; PeopleShare Industrial LLC - 301 employees; Moody's Analytics - 206 employees; West Chester Area School District - 184 employees; Barclay Friends - 165 employees; Barnaby's- 147 employees; C&D Brewing- 145 employees and; PeopleShare Professional - 134 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 2021 remained strong.

The Borough of West Chester tax revenues in 2021 continued to show improvement with earned income tax collections exceeding prior year by 8%. Real estate transfer tax revenue also remained strong. There are 165 tax-exempt properties within the Borough with a certified taxable valuation of \$395,957,090. 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 \$766,993,405 for 2021, which is up from \$760,203,305 in 2020, a 1% increase. Of the taxable properties in the Borough, 83.32% of the real estate tax is paid by residential properties, 14.86% by commercial properties, 0.28% by industrial properties and 1.54 % is classified as vacant.

The modest 1% increase in taxable assessed value is a positive development fostered by an improving economy. When adopting the General Fund budget for calendar year 2021, the Borough raised the millage rate from 6.96 to 7.40. The Borough's 2021 General Fund budget as adopted reflects revenues and expenditures totaling \$18,374,273.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

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 Mr. Sean Metrick, Manager, 401 Gay Street, West Chester, PA 19380. The Borough's website is www.west-chester.com.

BOROUGH OF WEST CHESTER
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Primary Government		Totals	
	Governmental Activities	Business-Type Activities	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,080,791	\$ 2,103,612	\$ 6,184,403	\$ 3,549,686
Restricted cash	108,216	-	108,216	-
Investments	7,620,214	-	7,620,214	8,397,812
Accounts and other receivables, net	1,429,445	1,168,426	2,597,871	2,243,591
Taxes receivable	344,131	-	344,131	374,454
Prepaid expenses	-	-	-	19,864
Internal balances	(7,828,316)	7,828,316	-	-
Loans and notes receivable	8,127	-	8,127	42,142
TOTAL CURRENT ASSETS	5,762,608	11,100,354	16,862,962	14,627,549
NONCURRENT ASSETS				
Loans and notes receivable	227,873	-	227,873	261,020
Net pension asset	2,288,217	65,435	2,353,652	-
Depreciable capital assets, net	25,217,486	27,190,776	52,408,262	54,225,520
Land	1,728,054	643,605	2,371,659	2,371,659
Construction in progress	-	473,908	473,908	-
TOTAL NONCURRENT ASSETS	29,461,630	28,373,724	57,835,354	56,858,199
TOTAL ASSETS	35,224,238	39,474,078	74,698,316	71,485,748
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	823	44,773	45,596	50,405
Deferred outflows of resources - OPEB	372,167	-	372,167	21,217
Deferred outflows of resources - pension activity	2,115,982	116,242	2,232,224	1,150,187
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,488,972	161,015	2,649,987	1,221,809
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 37,713,210	\$ 39,635,093	\$ 77,348,303	\$ 72,707,557
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and other liabilities	\$ 48,115	\$ 3,410	\$ 51,525	\$ 239,924
Accrued liabilities	1,329,855	511,110	1,840,965	2,650,614
Unearned revenue	818,210	-	818,210	-
Developer escrow	157,602	-	157,602	84,982
Current portion of long-term debt, net	441,080	507,157	948,237	937,237
TOTAL CURRENT LIABILITIES	2,794,862	1,021,677	3,816,539	3,912,757
NONCURRENT LIABILITIES				
Total OPEB liability	5,730,503	-	5,730,503	5,772,355
Compensated absences	846,157	20,780	866,937	857,298
Long-term portion of long-term debt, net	9,098,247	12,778,945	21,877,192	22,825,429
Net pension liability	-	-	-	1,740,331
TOTAL NONCURRENT LIABILITIES	15,674,907	12,799,725	28,474,632	31,195,413
TOTAL LIABILITIES	18,469,769	13,821,402	32,291,171	35,108,170
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - OPEB	775,386	-	775,386	360,436
Deferred inflows of resources - pension activity	8,510,828	470,791	8,981,619	7,256,332
TOTAL DEFERRED INFLOWS OF RESOURCES	9,286,214	470,791	9,757,005	7,616,768
NET POSITION				
Net investment in capital assets	17,515,252	15,066,960	32,582,212	33,987,921
Restricted	1,021,257	-	1,021,257	1,248,939
Unrestricted	(8,579,282)	10,275,940	1,696,658	(5,254,241)
TOTAL NET POSITION	9,957,227	25,342,900	35,300,127	29,982,619
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 37,713,210	\$ 39,635,093	\$ 77,348,303	\$ 72,707,557

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 4,186,038	\$ 786,282	\$ 91,708	\$ 320,000
Public safety	7,221,909	3,358,441	110,225	-
Public works				
Highways and streets	4,817,988	1,617,396	417,096	-
Sanitation	882,791	57,886	-	-
Culture and recreation	1,057,040	66,889	164,750	-
Interest expense	367,035	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>18,532,801</u>	<u>5,886,894</u>	<u>783,779</u>	<u>320,000</u>
BUSINESS-TYPE ACTIVITIES				
Sewer	3,854,066	5,166,045	7,950	-
Parking	2,643,983	4,922,834	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>6,498,049</u>	<u>10,088,879</u>	<u>7,950</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 25,030,850</u>	<u>\$ 15,975,773</u>	<u>\$ 791,729</u>	<u>\$ 320,000</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

Net investment income

Other revenues

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

		Primary Government	
Governmental Activities	Business-Type Activities	Totals	
		2021	2020
\$ (2,988,048)	\$ -	\$ (2,988,048)	\$ (4,247,251)
(3,753,243)	-	(3,753,243)	(3,498,660)
(2,783,496)	-	(2,783,496)	(2,198,324)
(824,905)	-	(824,905)	(946,029)
(825,401)	-	(825,401)	(882,579)
(367,035)	-	(367,035)	(340,206)
<u>(11,542,128)</u>	<u>-</u>	<u>(11,542,128)</u>	<u>(12,113,049)</u>
-	1,319,929	1,319,929	1,060,669
-	2,278,851	2,278,851	1,142,905
<u>-</u>	<u>3,598,780</u>	<u>3,598,780</u>	<u>2,203,574</u>
<u>(11,542,128)</u>	<u>3,598,780</u>	<u>(7,943,348)</u>	<u>(9,909,475)</u>
5,564,839	-	5,564,839	5,226,835
1,100,648	-	1,100,648	587,864
5,498,846	-	5,498,846	5,094,335
647,534	-	647,534	625,927
120,507	-	120,507	153,153
-	-	-	5,600
282,906	-	282,906	326,069
-	-	-	11,164
(82,959)	861	(82,098)	301,839
114,031	13,643	127,674	792,899
2,578,493	(2,578,493)	-	-
<u>15,824,845</u>	<u>(2,563,989)</u>	<u>13,260,856</u>	<u>13,125,685</u>
4,282,717	1,034,791	5,317,508	3,216,210
5,674,510	24,308,109	29,982,619	26,766,409
<u>\$ 9,957,227</u>	<u>\$ 25,342,900</u>	<u>\$ 35,300,127</u>	<u>\$ 29,982,619</u>

BOROUGH OF WEST CHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Major Funds			
	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Debt Service Fund
ASSETS				
Cash and cash equivalents	\$ 2,271,496	\$ 324,287	\$ 517,017	\$ -
Restricted cash	-	-	-	108,216
Investments	-	7,620,214	-	-
Accounts receivable	296,179	-	1,087,936	-
Interest receivable	25,500	19,300	-	-
Taxes receivable	344,131	-	-	-
Note receivable	200,000	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	356,691	-	498,660
TOTAL ASSETS	\$ 3,137,306	\$ 8,320,492	\$ 1,604,953	\$ 606,876
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and other liabilities	\$ 44,079	\$ -	\$ 156	\$ -
Accrued liabilities	995,086	-	158,142	-
Unearned revenue	818,210	-	-	-
Developer escrow	157,602	-	-	-
Due to other funds	6,871,074	-	2,011,357	-
TOTAL LIABILITIES	8,886,051	-	2,169,655	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Property taxes	325,252	-	-	-
Note receivable	200,000	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	525,252	-	-	-
FUND BALANCES				
Nonspendable - prepaid expenses	-	-	-	-
Restricted	-	-	-	108,216
Assigned	934,648	8,320,492	-	498,660
Unassigned	(7,208,645)	-	(564,702)	-
TOTAL FUND BALANCES	(6,273,997)	8,320,492	(564,702)	606,876
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,137,306	\$ 8,320,492	\$ 1,604,953	\$ 606,876

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Totals	
	2021	2020
\$ 967,991	\$ 4,080,791	\$ 2,084,874
-	108,216	1,103,003
-	7,620,214	8,397,812
-	1,384,115	1,325,004
530	45,330	40,210
-	344,131	374,454
36,000	236,000	303,162
-	-	18,094
<u>467,981</u>	<u>1,323,332</u>	<u>1,304,987</u>
<u>\$ 1,472,502</u>	<u>\$ 15,142,129</u>	<u>\$ 14,951,600</u>

\$ 3,880	\$ 48,115	\$ 81,823
128,893	1,282,121	2,262,613
-	818,210	-
-	157,602	84,982
<u>269,217</u>	<u>9,151,648</u>	<u>9,844,140</u>
<u>401,990</u>	<u>11,457,696</u>	<u>12,273,558</u>

-	325,252	325,742
<u>36,000</u>	<u>236,000</u>	<u>303,162</u>
<u>36,000</u>	<u>561,252</u>	<u>628,904</u>

-	-	18,094
1,021,257	1,129,473	2,351,942
219,635	9,973,435	8,870,961
(206,380)	(7,979,727)	(9,191,859)
<u>1,034,512</u>	<u>3,123,181</u>	<u>2,049,138</u>

<u>\$ 1,472,502</u>	<u>\$ 15,142,129</u>	<u>\$ 14,951,600</u>
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BOROUGH OF WEST CHESTER

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES YEAR ENDED DECEMBER 31, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 3,123,181

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.

26,945,540

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

Deferred charges on refunding, net of amortization

823

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

(6,798,065)

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

\$ 325,252

Loans and notes receivable

236,000

561,252

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

Compensated absences

(846,157)

Postemployment benefits

(5,730,503)

Net pension asset

2,288,217

Accrued interest on long-term debt

(47,734)

Long-term debt, net

(9,539,327)

(13,875,504)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 9,957,227

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	Major Funds			
	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Debt Service Fund
REVENUES				
Taxes	\$ 12,932,374	\$ -	\$ -	\$ -
Licenses and permits	999,451	-	-	-
Fines, forfeits and costs	295,842	-	-	-
Interest and rents	872	-	269	37
Intergovernmental revenues	449,969	-	-	-
Charges for services/fees	1,854,121	-	-	-
Net investment income	-	(87,478)	-	-
Program revenue/other	878,434	67,162	1,460,057	-
TOTAL REVENUES	17,411,063	(20,316)	1,460,326	37
EXPENDITURES				
Current				
General government	2,303,527	13,542	-	-
Public safety	6,760,047	-	-	-
Public works				
Highways and streets	3,068,892	-	1,246,035	-
Sanitation	532,932	-	-	-
Community development	-	-	-	-
Culture and recreation	579,229	-	-	-
Insurance, employee benefits, payroll taxes	3,969,118	-	-	-
Refunds of prior year revenues	109,528	-	-	-
Capital outlays	-	-	-	24,997
Debt service				
Principal	433,966	-	-	-
Interest and other charges	372,387	-	-	-
TOTAL EXPENDITURES	18,129,626	13,542	1,246,035	24,997
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(718,563)	(33,858)	214,291	(24,960)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,178,493	-	-	-
Transfers out	(1,198,419)	(500,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,980,074	(500,000)	(100,000)	-
NET CHANGE IN FUND BALANCES	1,261,511	(533,858)	114,291	(24,960)
FUND BALANCES AT BEGINNING OF YEAR	(7,535,508)	8,854,350	(678,993)	631,836
FUND BALANCES AT END OF YEAR	\$ (6,273,997)	\$ 8,320,492	\$ (564,702)	\$ 606,876

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Totals	
	2021	2020
\$ -	\$ 12,932,374	\$ 11,693,714
1,000	1,000,451	1,083,052
-	295,842	295,458
976	2,154	17,333
692,021	1,141,990	967,096
761,398	2,615,519	2,591,577
-	(87,478)	279,397
54,260	2,459,913	1,699,873
<u>1,509,655</u>	<u>20,360,765</u>	<u>18,627,500</u>
-	2,317,069	2,776,546
1,005,655	7,765,702	8,325,009
645,230	4,960,157	3,621,472
-	532,932	522,191
-	-	36,000
799,766	1,378,995	830,765
-	3,969,118	3,897,912
364	109,892	126,642
-	24,997	1,510,872
-	433,966	419,310
-	372,387	261,517
<u>2,451,015</u>	<u>21,865,215</u>	<u>22,328,236</u>
<u>(941,360)</u>	<u>(1,504,450)</u>	<u>(3,700,736)</u>
1,198,419	4,376,912	3,914,596
-	(1,798,419)	(1,372,143)
<u>1,198,419</u>	<u>2,578,493</u>	<u>2,542,453</u>
257,059	1,074,043	(1,158,283)
<u>777,453</u>	<u>2,049,138</u>	<u>3,207,421</u>
<u>\$ 1,034,512</u>	<u>\$ 3,123,181</u>	<u>\$ 2,049,138</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, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,074,043

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 depreciation exceeded capital outlays in the current period. (419,364)

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	\$ (490)	
Notes receivable	(67,162)	
		(67,652)

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.

Repayment of bond principal	433,966	
Amortization of bond premiums	3,618	
Amortization of bond discounts	(743)	
Amortization of deferred charges on refunding	(412)	
		436,429

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	(13,304)	
Postemployment benefits	(22,148)	
Pension plan expense	3,291,824	
Accrued interest on long-term debt	2,889	
		3,259,261

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 4,282,717

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	Business-Type Activities		Totals	
	Enterprise Funds		2021	2020
	Sewer Fund	Parking Fund		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 746,792	\$ 1,356,820	\$ 2,103,612	\$ 361,809
Accounts receivable, net	995,518	172,908	1,168,426	878,377
Prepaid expenses	-	-	-	1,770
Due from other funds	3,299,929	4,528,387	7,828,316	8,539,153
TOTAL CURRENT ASSETS	<u>5,042,239</u>	<u>6,058,115</u>	<u>11,100,354</u>	<u>9,781,109</u>
NONCURRENT ASSETS				
Land	140,780	502,825	643,605	643,605
Capital assets, net	8,413,666	18,777,110	27,190,776	28,588,670
Construction in progress	94,255	379,653	473,908	-
Net pension asset	39,110	26,325	65,435	-
TOTAL NONCURRENT ASSETS	<u>8,687,811</u>	<u>19,685,913</u>	<u>28,373,724</u>	<u>29,232,275</u>
TOTAL ASSETS	13,730,050	25,744,028	39,474,078	39,013,384
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	44,773	44,773	49,170
Deferred outflows of resources - pension activities	69,476	46,766	116,242	77,996
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>69,476</u>	<u>91,539</u>	<u>161,015</u>	<u>127,166</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 13,799,526</u>	<u>\$ 25,835,567</u>	<u>\$ 39,635,093</u>	<u>\$ 39,140,550</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 2,640	\$ 770	\$ 3,410	\$ 158,101
Accrued liabilities	207,712	303,398	511,110	337,378
Bonds and notes payable, net	-	507,157	507,157	546,641
TOTAL CURRENT LIABILITIES	<u>210,352</u>	<u>811,325</u>	<u>1,021,677</u>	<u>1,042,120</u>
NONCURRENT LIABILITIES				
Compensated absences	6,233	14,547	20,780	24,445
Bonds and notes payable, net	-	12,778,945	12,778,945	13,239,857
Net pension liability	-	-	-	143,099
TOTAL NONCURRENT LIABILITIES	<u>6,233</u>	<u>12,793,492</u>	<u>12,799,725</u>	<u>13,407,401</u>
TOTAL LIABILITIES	<u>216,585</u>	<u>13,604,817</u>	<u>13,821,402</u>	<u>14,449,521</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension activities	281,386	189,405	470,791	382,920
NET POSITION				
Net investment in capital assets	8,648,701	6,418,259	15,066,960	15,494,947
Unrestricted	4,652,854	5,623,086	10,275,940	8,813,162
TOTAL NET POSITION	<u>13,301,555</u>	<u>12,041,345</u>	<u>25,342,900</u>	<u>24,308,109</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 13,799,526</u>	<u>\$ 25,835,567</u>	<u>\$ 39,635,093</u>	<u>\$ 39,140,550</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, 2021

	Business-Type Activities		Totals	
	Enterprise Funds		2021	2020
	Sewer Fund	Parking Fund		
OPERATING REVENUES				
Charges for services	\$ 5,166,045	\$ 4,922,834	\$ 10,088,879	\$ 8,480,993
Other revenue	-	13,643	13,643	624,022
TOTAL OPERATING REVENUES	<u>5,166,045</u>	<u>4,936,477</u>	<u>10,102,522</u>	<u>9,105,015</u>
OPERATING EXPENSES				
Administration	265,641	347,644	613,285	584,719
Salaries and wages	896,680	583,338	1,480,018	1,217,041
Employee benefits	474,705	221,224	695,929	695,667
Materials and supplies	238,334	-	238,334	243,533
Utilities	235,995	64,539	300,534	251,118
Fuel	37,624	-	37,624	37,853
Sludge removal	504,908	-	504,908	576,153
Repairs and maintenance	18,542	280,418	298,960	388,147
Other	166,817	-	166,817	121,571
Depreciation	1,014,820	712,562	1,727,382	1,720,025
TOTAL OPERATING EXPENSES	<u>3,854,066</u>	<u>2,209,725</u>	<u>6,063,791</u>	<u>5,835,827</u>
OPERATING INCOME	<u>1,311,979</u>	<u>2,726,752</u>	<u>4,038,731</u>	<u>3,269,188</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	628	233	861	2,489
Interest expense	-	(434,258)	(434,258)	(447,507)
Intergovernmental revenues	7,950	-	7,950	5,080
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>8,578</u>	<u>(434,025)</u>	<u>(425,447)</u>	<u>(439,938)</u>
INCOME BEFORE TRANSFERS	<u>1,320,557</u>	<u>2,292,727</u>	<u>3,613,284</u>	<u>2,829,250</u>
TRANSFERS				
Transfers in	-	-	-	288,000
Transfers out	(1,016,112)	(1,562,381)	(2,578,493)	(2,830,453)
TOTAL TRANSFERS	<u>(1,016,112)</u>	<u>(1,562,381)</u>	<u>(2,578,493)</u>	<u>(2,542,453)</u>
CHANGE IN NET POSITION	304,445	730,346	1,034,791	286,797
NET POSITION AT BEGINNING OF YEAR	<u>12,997,110</u>	<u>11,310,999</u>	<u>24,308,109</u>	<u>24,021,312</u>
NET POSITION AT END OF YEAR	<u>\$ 13,301,555</u>	<u>\$ 12,041,345</u>	<u>\$ 25,342,900</u>	<u>\$ 24,308,109</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities		Totals	
	Enterprise Funds		2021	2020
	Sewer Fund	Parking Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 5,204,352	\$ 5,315,293	\$ 10,519,645	\$ 8,183,086
Payments to suppliers for goods and services	(1,615,150)	(698,233)	(2,313,383)	(2,289,359)
Payments to employees for services	(1,536,697)	(624,427)	(2,161,124)	(1,969,177)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,052,505</u>	<u>3,992,633</u>	<u>6,045,138</u>	<u>3,924,550</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	-	288,000
Transfers out	(1,016,112)	(1,562,381)	(2,578,493)	(2,830,453)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,016,112)</u>	<u>(1,562,381)</u>	<u>(2,578,493)</u>	<u>(2,542,453)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(378,858)	(424,538)	(803,396)	(578,246)
Capital grants	7,950	-	7,950	5,080
Principal paid on capital debt	-	(495,999)	(495,999)	(487,493)
Interest paid on capital debt	-	(434,258)	(434,258)	(447,507)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(370,908)</u>	<u>(1,354,795)</u>	<u>(1,725,703)</u>	<u>(1,508,166)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	628	233	861	2,489
NET CHANGE IN CASH AND CASH EQUIVALENTS	666,113	1,075,690	1,741,803	(123,580)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>80,679</u>	<u>281,130</u>	<u>361,809</u>	<u>485,389</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 746,792</u>	<u>\$ 1,356,820</u>	<u>\$ 2,103,612</u>	<u>\$ 361,809</u>

BOROUGH OF WEST CHESTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Business-Type Activities		Totals	
	Enterprise Funds		2021	2020
	Sewer Fund	Parking Fund		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 1,311,979	\$ 2,726,752	\$ 4,038,731	\$ 3,269,188
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,014,820	712,562	1,727,382	1,720,025
Pension expense	(94,976)	(63,933)	(158,909)	(165,987)
(Increase) decrease in				
Accounts receivable	(444,281)	154,232	(290,049)	(244,667)
Prepaid expenses	1,550	220	1,770	76,522
Due from other funds	485,187	225,650	710,837	(557,751)
Increase (decrease) in				
Accounts payable	(148,839)	(5,852)	(154,691)	(162,787)
Accrued liabilities	(70,336)	244,068	173,732	109,518
Compensated absences	(2,599)	(1,066)	(3,665)	(119,511)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,052,505</u>	<u>\$ 3,992,633</u>	<u>\$ 6,045,138</u>	<u>\$ 3,924,550</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	Pension Trust Funds	
	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,765,837	\$ 1,841,766
Investments, at fair value	71,693,400	63,386,429
Investments, at contract value	383,565	395,292
Member contributions receivable	32,169	409,936
Interest receivable	<u>7</u>	<u>26,939</u>
TOTAL ASSETS	<u>\$ 73,874,978</u>	<u>\$ 66,060,362</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Refund of member contributions payable	\$ 7,393	\$ 22,895
Member contribution payable	<u>-</u>	<u>392,538</u>
TOTAL LIABILITIES	7,393	415,433
NET POSITION		
Restricted for pensions	<u>73,867,585</u>	<u>65,644,929</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 73,874,978</u>	<u>\$ 66,060,362</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, 2021

	Pension Trust Funds	
	2021	2020
ADDITIONS		
Contributions		
State aid	\$ 772,362	\$ 861,671
Employer	1,950,945	2,705,278
Employee	364,398	351,094
TOTAL CONTRIBUTIONS	<u>3,087,705</u>	<u>3,918,043</u>
Investment income		
Investment earnings	1,510,583	1,551,823
Realized gain (loss) on investments	(1,542,604)	2,987,097
Net appreciation in fair value of investments	8,279,771	4,460,952
Investment expense	(231,499)	(194,226)
NET INVESTMENT INCOME	<u>8,016,251</u>	<u>8,805,646</u>
TOTAL ADDITIONS	<u>11,103,956</u>	<u>12,723,689</u>
DEDUCTIONS		
Benefits	2,818,083	2,474,427
Refund of member contributions	37,036	8,545
Administrative expenses	26,181	20,834
TOTAL DEDUCTIONS	<u>2,881,300</u>	<u>2,503,806</u>
CHANGE IN NET POSITION	8,222,656	10,219,883
NET POSITION AT BEGINNING OF YEAR	<u>65,644,929</u>	<u>55,425,046</u>
NET POSITION AT END OF YEAR	<u>\$ 73,867,585</u>	<u>\$ 65,644,929</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021

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, 2021

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, 2021

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, 2021.

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, 2021

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, 2021

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, 2021, 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted						
Highway aid	-	-	-	-	1,021,257	1,021,257
Capital projects	-	-	-	108,216	-	108,216
Assigned						
Capital projects	-	8,320,492	-	-	-	8,320,492
Culture and recreation	-	-	-	-	17,209	17,209
Public safety	-	-	-	-	172,278	172,278
Debt service	-	-	-	498,660	-	498,660
Economic development	-	-	-	-	30,148	30,148
OPEB	934,648	-	-	-	-	934,648
Unassigned	<u>(7,208,645)</u>	<u>-</u>	<u>(564,702)</u>	<u>-</u>	<u>(206,380)</u>	<u>(7,979,727)</u>
TOTAL FUND BALANCES	\$ <u>(6,273,997)</u>	\$ <u>8,320,492</u>	\$ <u>(564,702)</u>	\$ <u>606,876</u>	\$ <u>1,034,512</u>	\$ <u>3,123,181</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021

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, 2021 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. Investments in insurance contracts are reported at contract value.

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, 2021

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, 2020, 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, 2021

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2021, the carrying amount of the Borough's deposits was \$6,292,618, and the bank balance was \$6,278,836. Of the bank balance, \$1,077,847 was covered by federal depository insurance, \$4,098,570 was uninsured and the collateral held by the depository's agent not in the Borough's name and the remaining balance of \$1,102,419 was uninsured. As of December 31, 2021, \$1,102,419 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, 2021, PLGIT was rated as AAAM by Standard & Poor's, a nationally recognized statistical rating agency.

Restricted Cash - As of December 31, 2021, the Borough's Debt Service Fund held \$108,216 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, 2021, 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	\$ 5,504,271	\$ 5,504,271	\$ -	\$ -
GNMA	477,270	-	-	477,270
Federal Home Loan Bank	145,032	145,032	-	-
Federal Home Loan Mortgage Corporation (FHLMC)	364,241	364,241	-	-
Federal National Mortgage Association (FNMA)	1,032,751	1,032,751	-	-
Tennessee Valley Authority	96,649	96,649	-	-
	<u>\$ 7,620,214</u>	<u>\$ 7,142,944</u>	<u>\$ -</u>	<u>\$ 477,270</u>
Fiduciary Funds				
Mutual Funds - Equities	\$ 4,763,051	\$ 4,763,051	\$ -	\$ -
Mutual Funds - Int'l Equities	10,516,048	10,516,048	-	-
Mutual Funds - Fixed Income	17,995,879	17,995,879	-	-
Mutual Funds - Specialty Funds	2,390,974	2,390,974	-	-
Equity Exchange Traded Funds	36,027,448	36,027,448	-	-
	<u>\$ 71,693,400</u>	<u>\$ 71,693,400</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in GNMA, FHLB, FNMA, FHLMC and TVA 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, 2021

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, 2021, 6% 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, 2021, 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, 2021, the Borough's investments in U.S. Treasury Notes exceeded 25% of the total portfolio and the investment in FNMA exceeded 10% 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, 2021, all of the Borough's investments measured at fair value were considered Level 1.

NOTE C - EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2021, expenditures over appropriations were as follows:

	<u>General Fund</u>
Public safety	\$ 51,548
Culture and recreation	33,124
Refunds of prior year revenues	5,528
Debt service - Principal	2,525,131
Debt service - Interest and other charges	3,612

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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	\$ -	\$ 6,871,074
Capital Operating Reserve Fund	356,691	-
Stormwater Fund	-	2,011,357
Debt Service Fund	498,660	-
UDAG Fund	-	2,914
Shade Tree Fund	17,830	-
Fire Fund	-	2,580
Parks and Recreation Fund	-	245,192
Capital Improvement Fund	-	18,531
Highway Aid Fund	450,151	-
Sewer Fund	3,299,929	-
Parking Fund	<u>4,528,387</u>	<u>-</u>
	<u>\$ 9,151,648</u>	<u>\$ 9,151,648</u>

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, 2021, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,178,493	\$ 1,198,419
Stormwater Fund	-	100,000
Fire Fund	422,419	-
Parks and Recreation Fund	776,000	-
Capital Operating Reserve Fund	-	500,000
Sewer Fund	-	1,016,112
Parking Fund	<u>-</u>	<u>1,562,381</u>
	<u>\$ 4,376,912</u>	<u>\$ 4,376,912</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,728,054	\$ -	\$ -	\$ 1,728,054
Construction in progress	-	-	-	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>1,728,054</u>	<u>-</u>	<u>-</u>	<u>1,728,054</u>
Capital assets being depreciated				
Buildings	13,876,465	-	-	13,876,465
Improvements other than buildings	2,743,061	1,663,715	-	4,406,776
Infrastructure	30,355,811	-	-	30,355,811
Furniture and equipment	4,661,211	88,880	-	4,750,091
Vehicles	13,260,679	-	-	13,260,679
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>64,897,227</u>	<u>1,752,595</u>	<u>-</u>	<u>66,649,822</u>
Accumulated depreciation				
Buildings	(3,937,737)	(298,965)	-	(4,236,702)
Improvements other than buildings	(900,478)	(146,645)	-	(1,047,123)
Infrastructure	(22,477,021)	(635,552)	-	(23,112,573)
Furniture and equipment	(3,255,699)	(206,405)	-	(3,462,104)
Vehicles	(8,689,442)	(884,392)	-	(9,573,834)
TOTAL ACCUMULATED DEPRECIATION	<u>(39,260,377)</u>	<u>(2,171,959)</u>	<u>-</u>	<u>(41,432,336)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>25,636,850</u>	<u>(419,364)</u>	<u>-</u>	<u>25,217,486</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net, FORWARD	 <u>\$ 27,364,904</u>	 <u>\$ (419,364)</u>	 <u>\$ -</u>	 <u>\$ 26,945,540</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - CAPITAL ASSETS (Continued)

	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net, FORWARDED	\$ 27,364,904	\$ (419,364)	\$ -	\$ 26,945,540
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	643,605	-	-	643,605
Construction in progress	-	473,908	-	473,908
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	643,605	473,908	-	1,117,513
Capital assets being depreciated				
Buildings	25,563,245	182,395	-	25,745,640
Improvements other than buildings	562,237	35,460	-	597,697
Infrastructure	34,747,097	22,049	-	34,769,146
Furniture and equipment	3,323,611	94,091	-	3,417,702
Vehicles	409,939	-	(47,857)	362,082
TOTAL CAPITAL ASSETS BEING DEPRECIATED	64,606,129	333,995	(47,857)	64,892,267
Accumulated depreciation				
Buildings	(6,567,738)	(493,519)	-	(7,061,257)
Improvements other than buildings	(266,109)	(111,280)	-	(377,389)
Infrastructure	(26,955,331)	(872,324)	-	(27,827,655)
Furniture and equipment	(1,895,795)	(228,320)	-	(2,124,115)
Vehicles	(332,486)	(21,939)	43,350	(311,075)
TOTAL ACCUMULATED DEPRECIATION	(36,017,459)	(1,727,382)	43,350	(37,701,491)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	28,588,670	(1,393,387)	(4,507)	27,190,776
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	29,232,275	(919,479)	(4,507)	28,308,289
CAPITAL ASSETS, net	\$ 56,597,179	\$ (1,338,843)	\$ (4,507)	\$ 55,253,829

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE E - CAPITAL ASSETS (Continued)

Depreciation was charged to the following activities:

GOVERNMENTAL ACTIVITIES

General government	\$ 418,224
Public safety	720,467
Public works	984,713
Culture and recreation	<u>48,555</u>
	<u>\$ 2,171,959</u>

BUSINESS-TYPE ACTIVITIES

Sewer	\$ 1,014,820
Parking	<u>712,562</u>
	<u>\$ 1,727,382</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2021:

	Maturity Date	Balance January 1, 2021	Additions
GOVERNMENTAL ACTIVITIES			
General obligation bonds and notes			
GOB Series 2012C	2023	\$ 610,000	\$ -
GOB Series 2013	2024	200,000	-
GON Series 2014	2034	517,389	-
GOB Series 2016	2045	8,586,556	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES		<u>9,913,945</u>	<u>-</u>
Deferred amounts			
Issuance discount		(2,228)	-
Issuance premium		64,451	-
TOTAL DEFERRED AMOUNTS		<u>62,223</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE		9,976,168	-
Compensated absences		832,853	13,304
Net pension liability		1,597,232	-
Postemployment benefits		5,772,355	-
TOTAL GOVERNMENTAL ACTIVITIES LONG- TERM LIABILITIES		<u>18,178,608</u>	<u>13,304</u>
BUSINESS-TYPE ACTIVITIES			
General obligation bonds and notes			
GOB Series 2013	2027	1,900,000	-
GON Series 2014	2034	210,611	-
GOB Series 2016	2045	10,638,444	-
GOB Series 2016A	2040	985,000	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES		<u>13,734,055</u>	<u>-</u>
Deferred amounts			
Issuance premium		52,443	-
TOTAL DEFERRED AMOUNTS		<u>52,443</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE		13,786,498	-
Compensated absences		24,445	-
Net pension liability		143,099	-
TOTAL BUSINESS-TYPE ACTIVITIES LONG- TERM LIABILITIES		<u>13,954,042</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES		<u>\$ 32,132,650</u>	<u>\$ 13,304</u>

<u>Reductions</u>	<u>Balance December 31, 2021</u>	<u>Due Within One Year</u>
\$ (200,000)	\$ 410,000	\$ 205,000
(50,000)	150,000	50,000
(30,560)	486,829	31,271
<u>(153,406)</u>	<u>8,433,150</u>	<u>151,934</u>
(433,966)	9,479,979	438,205
743	(1,485)	(743)
<u>(3,618)</u>	<u>60,833</u>	<u>3,618</u>
<u>(2,875)</u>	<u>59,348</u>	<u>2,875</u>
(436,841)	9,539,327	441,080
-	846,157	-
(1,597,232)	-	-
<u>(41,852)</u>	<u>5,730,503</u>	<u>-</u>
(2,075,925)	16,115,987	441,080
(255,000)	1,645,000	260,000
(12,440)	198,171	12,729
(186,594)	10,451,850	188,066
<u>(40,000)</u>	<u>945,000</u>	<u>40,000</u>
(494,034)	13,240,021	500,795
(6,362)	46,081	6,362
<u>(6,362)</u>	<u>46,081</u>	<u>6,362</u>
(500,396)	13,286,102	507,157
(3,665)	20,780	-
<u>(143,099)</u>	<u>-</u>	<u>-</u>
(647,160)	13,306,882	507,157
<u>\$ (2,723,085)</u>	<u>\$ 29,422,869</u>	<u>\$ 948,237</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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, 2021:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
OUTSTANDING AT JANUARY 1	\$ 9,976,168	\$ 13,786,498	\$ 23,762,666
Reductions	<u>(436,841)</u>	<u>(500,396)</u>	<u>(937,237)</u>
OUTSTANDING AT DECEMBER 31	<u>\$ 9,539,327</u>	<u>\$ 13,286,102</u>	<u>\$ 22,825,429</u>
DUE WITHIN ONE YEAR	<u>\$ 441,080</u>	<u>\$ 507,157</u>	<u>\$ 948,237</u>

The following is a reconciliation between the above schedule and the statement of net position at December 31, 2021.

GOVERNMENTAL ACTIVITIES		
Outstanding debt at face value		\$ 9,479,979
Unamortized premium		60,833
Unamortized discount		<u>(1,485)</u>
OUTSTANDING DEBT NET OF DEFERRALS		<u>\$ 9,539,327</u>
Per statement of net position		
Current portion		\$ 441,080
Long-term portion		<u>9,098,247</u>
TOTAL PER STATEMENT OF NET POSITION		<u>\$ 9,539,327</u>
BUSINESS-TYPE ACTIVITIES		
Outstanding debt at face value		\$ 13,240,021
Unamortized premium		<u>46,081</u>
OUTSTANDING DEBT NET OF DEFERRALS		<u>\$ 13,286,102</u>
Per statement of net position		
Current portion		\$ 507,157
Long-term portion		<u>12,778,945</u>
TOTAL PER STATEMENT OF NET POSITION		<u>\$ 13,286,102</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds and Notes

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, 2021

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%.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE F - LONG-TERM LIABILITIES (Continued)

Debt Maturities

Scheduled repayments of interest and principal maturities as of December 31, 2021, 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
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	680,127	378,561	998,000	657,677
2026	331,989	266,759	712,011	356,720	1,044,000	623,479
2027-2031	2,453,024	1,159,656	3,401,976	1,501,819	5,855,000	2,661,475
2032-2036	3,071,949	713,617	3,960,051	933,147	7,032,000	1,646,764
2037-2041	1,896,940	204,825	2,588,060	268,235	4,485,000	473,060
2042-2045	175,094	17,490	229,906	21,650	405,000	39,140
	<u>\$ 9,479,979</u>	<u>\$ 3,541,483</u>	<u>\$ 13,240,021</u>	<u>\$ 4,700,042</u>	<u>\$ 22,720,000</u>	<u>\$ 8,241,525</u>

Compensated Absences

Compensated absences obligations of the Borough for the year ended December 31, 2021, are as follows:

	Governmental Activities	Business-Type Activities	Totals
OUTSTANDING AT JANUARY 1	\$ 832,853	\$ 24,445	\$ 857,298
(Deletions)/additions	<u>13,304</u>	<u>(3,665)</u>	<u>9,639</u>
OUTSTANDING AT DECEMBER 31	<u>\$ 846,157</u>	<u>\$ 20,780</u>	<u>\$ 866,937</u>

NOTE G - TAXES

For 2021, the following tax was levied on assessed value of real estate:

- 6.96 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, 2021, is \$766,993,405.

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 2021:

- 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, 2021

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 and was repaid in full during 2021. 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>
2022	\$ 8,127	\$ 2,654	\$ 10,781
2023	17,714	6,069	23,783
2024	18,043	5,737	23,780
2025	18,383	5,399	23,782
2026	8,211	5,100	13,311
2027-2031	44,955	21,597	66,552
2032-2036	52,221	14,332	66,553
2037-2041	60,660	5,892	66,552
2042	7,686	76	7,762
	<u>\$ 236,000</u>	<u>\$ 66,856</u>	<u>\$ 302,856</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, 2021

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 Truist Wealth Management.

Plan Membership - At December 31, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	38
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>43</u>
	<u><u>83</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, 2021

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 \$1,996,850 to the plan for the year 2021. The Borough's actual contributions for the plan year 2021 were \$1,996,850.

Per the collective bargaining agreement, employees are required to contribute 5-8% 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, 2021:

<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, 2021

NOTE I - POLICE PENSION PLAN (Continued)

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 11.64%. 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, 2021, were as follows:

TOTAL PENSION LIABILITY	\$ 46,704,940
Plan fiduciary net position	<u>(48,638,058)</u>
 NET PENSION LIABILITY (ASSET)	 \$ <u><u>(1,933,118)</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u><u>104.14%</u></u>

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

Inflation	2.50%
Salary increases	4.75%, annual increase including inflation
Investment rate of return	6.75%, net of investment expenses

Mortality rates were based on the 2010 Public Retirement Plan-Public Safety Mortality Tables (PubS-2010).

For the January 1, 2021 valuation, the following changes were implemented:

- The inflation rate was adjusted to 2.50% from 2.75%.
- The salary increases rate was adjusted from 5.0% to 4.75%.
- The investment rate of return was adjusted from 7.0% to 6.75%.
- Mortality tables were changed from the RP-2014 Combined Healthy Mortality Table to the PubS-2010 mortality tables.

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, 2021

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, 2021 (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	4.09% - 10.49%
Fixed income	.088% - 4.96%
Cash equivalents	0.07% - 0.53%

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 (Asset) (a)-(b)</u>
Balances at December 31, 2020	\$ 43,854,824	\$ 43,034,151	\$ 820,673
Changes for the year:			
Service cost	716,052	-	716,052
Interest	3,013,689	-	3,013,689
Differences between expected and actual experience	(667,621)	-	(667,621)
Changes of assumptions	1,669,269	-	1,669,269
Contributions			
Employer	-	1,996,850	(1,996,850)
Member	-	248,392	(248,392)
Net investment income	-	5,401,579	(5,401,579)
Benefit payments	(1,881,273)	(1,881,273)	-
Administrative expense	-	(161,641)	161,641
Net changes	<u>2,850,116</u>	<u>5,603,907</u>	<u>(2,753,791)</u>
Balances at December 31, 2021	<u>\$ 46,704,940</u>	<u>\$ 48,638,058</u>	<u>\$ (1,933,118)</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ <u>3,845,328</u>	\$ <u>(1,933,118)</u>	\$ <u>(6,737,124)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2021, the Borough recognized pension expense of \$(432,626) for the Police Pension Plan. At December 31, 2021, 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	\$ 885	\$ 1,114,569
Change of assumptions	1,484,280	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>4,841,399</u>
	<u>\$ 1,485,165</u>	<u>\$ 5,955,968</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,	
2022	\$ (1,104,919)
2023	(1,987,621)
2024	(1,075,214)
2025	(303,049)
2026	-
Thereafter	<u>-</u>
	<u>\$ (4,470,803)</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 Truist Wealth Management.

Plan Membership - At December 31, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	49
Inactive plan members entitled to but not yet receiving benefits	39
Active plan members	<u>48</u>
	<u>136</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, 2021

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 \$726,457 to the plan for the year 2021. The Borough's actual contributions for the plan year 2021 were \$726,457.

Non-union employees are required to contribute 3.25% of covered payroll and union employees are required to contribute 3.75% 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, 2021:

<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, 2021

NOTE J - NON-UNIFORMED PENSION PLAN (Continued)

Rate of Return - For the year ended December 31, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 12.65%. 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, 2021, were as follows:

TOTAL PENSION LIABILITY	\$ 24,808,993
Plan fiduciary net position	<u>(25,229,527)</u>
 NET PENSION LIABILITY (ASSET)	 \$ <u><u>(420,534)</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u><u>101.7%</u></u>

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

Inflation	2.75%
Salary increases	4.25%, annual increase including inflation
Investment rate of return	6.75%, net of investment expenses

Mortality rates were based on the 2010 Public Retirement Plan-General Employees Mortality Tables (PubG-2010).

For the January 1, 2021 valuation, the following changes were implemented:

- The salary increases rate was adjusted from 4.5% to 4.25%.
- The investment rate of return was adjusted from 7.0% to 6.75%.
- Mortality tables were changed from the RP-2014 Combined Healthy Mortality Table to the PubG-2010 mortality tables.

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, 2021

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, 2021 (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	4.09% - 10.49%
Fixed income	.088% - 4.96%
Cash equivalents	0.07% - 0.53%

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

Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a)-(b)</u>
Balances at December 31, 2020	\$ 23,530,436	\$ 22,610,778	\$ 919,658
Changes for the year:			
Service cost	251,146	-	251,146
Interest	1,600,010	-	1,600,010
Differences between expected and actual experience	(403,875)	-	(403,875)
Changes of assumptions	805,122	-	805,122
Contributions			
Employer	-	726,457	(726,457)
Member	-	116,006	(116,006)
Net investment income	-	2,846,171	(2,846,171)
Benefit payments	(973,846)	(973,846)	-
Administrative expense	-	(96,039)	96,039
Net changes	<u>1,278,557</u>	<u>2,618,749</u>	<u>(1,340,192)</u>
Balances at December 31, 2021	<u>\$ 24,808,993</u>	<u>\$ 25,229,527</u>	<u>\$ (420,534)</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ <u>2,754,692</u>	\$ <u>(420,534)</u>	\$ <u>(3,085,091)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2021, the Borough recognized pension expense of \$(294,799) for the Non-Uniformed Pension Plan. At December 31, 2021, 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	\$ -	\$ 476,476
Change of assumptions	747,059	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>2,549,175</u>
	<u>\$ 747,059</u>	<u>\$ 3,025,651</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</u> <u>December 31,</u>	
2022	\$ (515,298)
2023	(977,880)
2024	(520,541)
2025	(264,873)
2026	-
Thereafter	<u>-</u>
	<u>\$ (2,278,592)</u>

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, 2021

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, 2021, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	54
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	120
	174

Total OPEB Liability

The Borough's total OPEB liability of \$5,730,503 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2021.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

Actuarial Assumptions and Other Inputs - The total OPEB liability in the January 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Discount rate	2.50%
Healthcare cost trend rates	5.0%

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.

PubS-2010 and PubG-2010 mortality tables.

Changes in the Total OPEB Liability of the Borough

	<u>Total OPEB Liability</u>
Balances at December 31, 2020	\$ <u>5,772,355</u>
Changes for the year:	
Service cost	251,350
Interest	143,424
Changes of benefit terms	-
Differences between expected and actual experience	(549,763)
Changes of assumptions	411,046
Benefit payments	(297,909)
Other changes	-
Net changes	<u>(41,852)</u>
Balances at December 31, 2021	\$ <u><u>5,730,503</u></u>

Mortality rates were based on the 2010 Public Retirement Plan-Public Safety Mortality Tables (PubS-2010).

For the January 1, 2021 valuation, the following changes were implemented:

- The inflation rate was adjusted to 2.50% from 2.75%
- The discount rate was adjusted from 3.75% to 2.50%
- Mortality tables were changed from the RP-2014 Combined Healthy Mortality Table to the PubS-2010 and PubG-2010 mortality tables.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

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 (1.50%) or 1-percentage point higher (3.50%) than the current discount rate:

	1% Decrease (1.50%)	Current Discount Rate (2.50%)	1% Increase (3.50%)
Total OPEB liability	\$ <u>6,227,737</u>	\$ <u>5,730,503</u>	\$ <u>5,285,793</u>

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 (4.0%)	Current Healthcare Cost Trend Rate (5.0%)	1% Increase (6.0%)
Total OPEB liability	\$ <u>5,191,578</u>	\$ <u>5,730,503</u>	\$ <u>6,358,784</u>

OPEB Expense and Deferred Outflows of Resource and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2021, the Borough recognized OPEB expense of \$320,057. At December 31, 2021, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 775,386
Change of assumptions	<u>372,167</u>	<u>-</u>
	\$ <u>372,167</u>	\$ <u>775,386</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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

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</u> <u>December 31,</u>	
2022	\$ (74,717)
2023	(74,717)
2024	(74,717)
2025	(74,717)
2026	(74,717)
Thereafter	<u>(29,634)</u>
	<u>\$ (403,219)</u>

NOTE L - CONTINGENT LIABILITIES

The Borough may be 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 - TAX AND REVENUE ANTICIPATION NOTE

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. The Borough's obligation was repaid timely during the fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF WEST CHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 11,685,410	\$ 11,685,410	\$ 12,932,374	\$ 1,246,964
Licenses and permits	1,105,100	1,105,100	999,451	(105,649)
Fines, forfeits and costs	308,000	308,000	295,842	(12,158)
Interest and rents	1,500	1,500	872	(628)
Intergovernmental revenues	370,000	370,000	449,969	79,969
Charges for services/fees	1,780,425	1,780,425	1,854,121	73,696
Program revenue/other	354,200	354,200	878,434	524,234
TOTAL REVENUES	15,604,635	15,604,635	17,411,063	1,806,428
EXPENDITURES				
Current				
General government	2,336,849	2,336,849	2,303,527	33,322
Public safety	6,708,499	6,708,499	6,760,047	(51,548)
Public works				
Highways and streets	3,125,706	3,125,706	3,068,892	56,814
Sanitation	689,367	689,367	532,932	156,435
Culture and recreation	546,105	546,105	579,229	(33,124)
Insurance, employee benefits, payroll taxes	4,086,137	4,086,137	3,969,118	117,019
Refunds of prior year revenues	104,000	104,000	109,528	(5,528)
Debt service				
Principal	408,835	408,835	433,966	(25,131)
Interest and other charges	368,775	368,775	372,387	(3,612)
TOTAL EXPENDITURES	18,374,273	18,374,273	18,129,626	244,647
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,769,638)	(2,769,638)	(718,563)	2,051,075
OTHER FINANCING SOURCES (USES)				
Transfers in	2,636,925	2,636,925	3,178,493	541,568
Transfers out	(558,693)	(558,693)	(1,198,419)	(639,726)
Appropriated fund balance	691,406	691,406	-	(691,406)
TOTAL OTHER FINANCING SOURCES (USES)	2,769,638	2,769,638	1,980,074	(789,564)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	1,261,511	\$ 1,261,511
FUND BALANCE AT BEGINNING OF YEAR			(7,535,508)	
FUND BALANCE AT END OF YEAR			\$ (6,273,997)	

BOROUGH OF WEST CHESTER
BUDGETARY COMPARISON SCHEDULE
STORMWATER FUND
YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest and rents	\$ 750	\$ 750	\$ 269	\$ (481)
Program revenue/other	904,000	904,000	1,460,057	556,057
TOTAL REVENUES	<u>904,750</u>	<u>904,750</u>	<u>1,460,326</u>	<u>555,576</u>
EXPENDITURES				
Current				
Public works				
Highways and streets	<u>1,901,102</u>	<u>1,901,102</u>	<u>1,246,035</u>	<u>655,067</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(996,352)</u>	<u>(996,352)</u>	<u>214,291</u>	<u>1,210,643</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(113,783)	(113,783)	(100,000)	13,783
Appropriated fund balance	<u>1,110,135</u>	<u>1,110,135</u>	<u>-</u>	<u>(1,110,135)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>996,352</u>	<u>996,352</u>	<u>(100,000)</u>	<u>(1,096,352)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	114,291	<u>\$ 114,291</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>(678,993)</u>	
FUND BALANCE AT END OF YEAR			<u>\$ (564,702)</u>	

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 716,052	\$ 767,879	\$ 759,380
Interest	3,013,689	2,923,630	2,782,303
Differences between expected and actual experience	(667,621)	-	-
Changes of assumptions	1,669,269	-	(1,306,064)
Benefit payments	<u>(1,881,273)</u>	<u>(1,642,125)</u>	<u>(1,424,009)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	2,850,116	2,049,384	811,610
Total pension liability, beginning	<u>43,854,824</u>	<u>41,805,440</u>	<u>40,993,830</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u><u>\$ 46,704,940</u></u>	<u><u>\$ 43,854,824</u></u>	<u><u>\$ 41,805,440</u></u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 1,996,850	\$ 2,489,123	\$ 2,528,180
Member	248,392	240,903	244,947
Net investment income	5,401,579	5,889,410	5,857,213
Benefit payments, including refunds of member contributions	(1,881,273)	(1,642,125)	(1,424,009)
Administrative expense	<u>(161,641)</u>	<u>(134,106)</u>	<u>(114,528)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	5,603,907	6,843,205	7,091,803
Plan fiduciary net position, beginning	<u>43,034,151</u>	<u>36,190,946</u>	<u>29,099,143</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u><u>\$ 48,638,058</u></u>	<u><u>\$ 43,034,151</u></u>	<u><u>\$ 36,190,946</u></u>
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	<u><u>\$ (1,933,118)</u></u>	<u><u>\$ 820,673</u></u>	<u><u>\$ 5,614,494</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>104%</u>	<u>98%</u>	<u>87%</u>
COVERED PAYROLL	<u><u>\$ 5,117,195</u></u>	<u><u>\$ 4,323,448</u></u>	<u><u>\$ 4,862,472</u></u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	<u><u>-37.8%</u></u>	<u><u>19.0%</u></u>	<u><u>115.5%</u></u>

NOTE TO SCHEDULE

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 2021.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 748,989	\$ 783,845	\$ 752,065	\$ 732,709	\$ 678,819
2,725,338	2,580,018	2,411,340	2,259,662	2,123,006
-	15,670	-	(129,301)	-
-	2,629,935	-	-	-
<u>(1,307,713)</u>	<u>(1,200,099)</u>	<u>(1,070,035)</u>	<u>(911,547)</u>	<u>(897,375)</u>
2,166,614	4,809,369	2,093,370	1,951,523	1,904,450
<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>
<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>
\$ 1,723,834	\$ 1,702,757	\$ 1,688,516	\$ 1,635,104	\$ 1,371,024
141,488	188,719	145,885	186,753	141,359
(1,569,741)	3,936,983	1,432,651	142,345	1,042,254
(1,307,713)	(1,200,099)	(1,070,035)	(911,547)	(897,375)
<u>(133,222)</u>	<u>(83,015)</u>	<u>(14,847)</u>	<u>(2,250)</u>	<u>(2,010)</u>
(1,145,354)	4,545,345	2,182,170	1,050,405	1,655,252
<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>
<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>\$ 11,894,687</u>	<u>\$ 8,582,719</u>	<u>\$ 8,318,695</u>	<u>\$ 8,407,495</u>	<u>\$ 7,506,377</u>
<u>71%</u>	<u>78%</u>	<u>76%</u>	<u>74%</u>	<u>75%</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>
<u>254.1%</u>	<u>190.1%</u>	<u>173.7%</u>	<u>181.1%</u>	<u>159.9%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 1,996,850	\$ 1,916,209	\$ 2,137,162	\$ 1,673,834
CONTRIBUTIONS IN RELATION TO THE TO THE DETERMINED CONTRIBUTION ACTUARIALLY	<u>1,996,850</u>	<u>2,489,123</u>	<u>2,528,180</u>	<u>1,723,834</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ (572,914)</u>	<u>\$ (391,018)</u>	<u>\$ (50,000)</u>
COVERED PAYROLL	<u>\$ 5,117,195</u>	<u>\$ 4,323,448</u>	<u>\$ 4,862,472</u>	<u>\$ 4,680,828</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>39.0%</u>	<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 expenses	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: For the January 1, 2017 actuarial valuation, assumption changes were made to the following: the inflation rate was lowered to 2.75%, the investment rate of return was lowered to 7.0%, and the mortality tables were updated to RP-2014. For the January 1, 2021 actuarial valuation, assumption changes were made to the following: the inflation rate was lowered to 2.50%, salary increases were lowered to 4.75%, the investment rate of return was lowered to 6.75%, and the mortality tables were updated to PubS-2010.

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 2021.

<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 EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>11.64%</u>	<u>16.42%</u>	<u>20.41%</u>	<u>-5.26%</u>

NOTE TO SCHEDULE

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<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u><u>15.61%</u></u>	<u><u>6.65%</u></u>	<u><u>0.90%</u></u>	<u><u>5.41%</u></u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 251,146	\$ 270,409	\$ 258,765
Interest	1,600,010	1,567,344	1,501,562
Differences between expected and actual experience	(403,875)	-	(363,782)
Changes of assumptions	805,122	-	-
Benefit payments	<u>(973,846)</u>	<u>(840,847)</u>	<u>(823,904)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,278,557	996,906	572,641
Total pension liability, beginning	<u>23,530,436</u>	<u>22,533,530</u>	<u>21,960,889</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u><u>\$ 24,808,993</u></u>	<u><u>\$ 23,530,436</u></u>	<u><u>\$ 22,533,530</u></u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 726,457	\$ 1,077,826	\$ 1,074,767
Member	116,006	110,191	112,716
Net investment income	2,846,171	3,110,462	3,142,181
Benefit payments, including refunds of member contributions	(973,846)	(840,847)	(823,904)
Administrative expense	<u>(96,039)</u>	<u>(80,954)</u>	<u>(64,905)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,618,749	3,376,678	3,440,855
Plan fiduciary net position, beginning	<u>22,610,778</u>	<u>19,234,100</u>	<u>15,793,245</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u><u>\$ 25,229,527</u></u>	<u><u>\$ 22,610,778</u></u>	<u><u>\$ 19,234,100</u></u>
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	<u><u>\$ (420,534)</u></u>	<u><u>\$ 919,658</u></u>	<u><u>\$ 3,299,430</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>102%</u>	<u>96%</u>	<u>85%</u>
COVERED PAYROLL	<u><u>\$ 3,063,749</u></u>	<u><u>\$ 3,474,775</u></u>	<u><u>\$ 3,478,896</u></u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	<u><u>-13.7%</u></u>	<u><u>26.5%</u></u>	<u><u>94.8%</u></u>

NOTE TO SCHEDULE

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 2021.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	310,924	\$ 302,539	\$ 303,806	\$ 305,258	\$ 366,334
	1,460,427	1,389,969	1,320,111	1,252,809	1,213,215
	-	(634,987)	-	(360,948)	-
	-	1,933,463	-	-	-
	<u>(713,505)</u>	<u>(675,808)</u>	<u>(655,587)</u>	<u>(662,809)</u>	<u>(597,595)</u>
	1,057,846	2,315,176	968,330	534,310	981,954
	<u>20,903,043</u>	<u>18,587,867</u>	<u>17,619,537</u>	<u>17,085,227</u>	<u>16,103,273</u>
\$	<u><u>21,960,889</u></u>	<u><u>20,903,043</u></u>	<u><u>18,587,867</u></u>	<u><u>17,619,537</u></u>	<u><u>17,085,227</u></u>
\$	822,974	\$ 916,611	\$ 891,062	\$ 940,085	\$ 952,607
	112,953	108,443	100,381	86,703	98,581
	(845,375)	2,137,290	776,943	90,312	559,636
	(713,505)	(675,808)	(655,587)	(662,809)	(597,595)
	<u>(81,396)</u>	<u>(49,820)</u>	<u>(12,533)</u>	<u>(2,700)</u>	<u>(5,010)</u>
	(704,349)	2,436,716	1,100,266	451,591	1,008,219
	<u>16,497,594</u>	<u>14,060,878</u>	<u>12,960,612</u>	<u>12,509,021</u>	<u>11,500,802</u>
\$	<u><u>15,793,245</u></u>	<u><u>16,497,594</u></u>	<u><u>14,060,878</u></u>	<u><u>12,960,612</u></u>	<u><u>12,509,021</u></u>
\$	<u><u>6,167,644</u></u>	<u><u>4,405,449</u></u>	<u><u>4,526,989</u></u>	<u><u>4,658,925</u></u>	<u><u>4,576,206</u></u>
	<u>72%</u>	<u>79%</u>	<u>76%</u>	<u>74%</u>	<u>73%</u>
\$	<u><u>3,504,428</u></u>	<u><u>3,911,268</u></u>	<u><u>3,952,818</u></u>	<u><u>3,999,805</u></u>	<u><u>4,210,452</u></u>
	<u>176.0%</u>	<u>112.6%</u>	<u>114.5%</u>	<u>116.5%</u>	<u>108.7%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 726,457	\$ 749,902	\$ 835,209	\$ 741,719
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>726,457</u>	<u>1,077,826</u>	<u>1,074,767</u>	<u>822,974</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ (327,924)</u>	<u>\$ (239,558)</u>	<u>\$ (81,255)</u>
COVERED PAYROLL	<u>\$ 3,063,749</u>	<u>\$ 3,474,775</u>	<u>\$ 3,478,896</u>	<u>\$ 3,504,428</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>23.7%</u>	<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. For the January 1, 2021 actuarial valuation, assumption changes were made to the following: salary increases were lowered to 4.25%, the investment rate of return was lowered to 6.75%, and the mortality tables were updated to PubG-2010.

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 2021.

<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 EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>12.65%</u>	<u>16.34%</u>	<u>20.21%</u>	<u>-5.18%</u>

NOTE TO SCHEDULE

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 2021.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>15.55%</u>	<u>6.60%</u>	<u>1.02%</u>	<u>5.32%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 251,350	\$ 234,911	\$ 228,624	\$ 204,877
Interest	143,424	213,040	205,906	215,130
Differences between expected and actual experience	(549,763)	-	(478,612)	-
Changes of assumptions	411,046	-	28,173	-
Benefit payments	<u>(297,909)</u>	<u>(241,299)</u>	<u>(259,683)</u>	<u>(219,244)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(41,852)	206,652	(275,592)	200,763
TOTAL OPEB LIABILITY, BEGINNING	<u>5,772,355</u>	<u>5,565,703</u>	<u>5,841,295</u>	<u>5,640,532</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 5,730,503</u>	<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

BOROUGH OF WEST CHESTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	Urban Development Action Grant Fund	Shade Tree Fund	Fire Fund	Parks and Recreation Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 2,166	\$ -	\$ 278,849	\$ 49,976
Interest receivable	530	-	-	-
Note receivable	36,000	-	-	-
Due from other funds	<u>-</u>	<u>17,830</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 38,696</u>	<u>\$ 17,830</u>	<u>\$ 278,849</u>	<u>\$ 49,976</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and other liabilities	\$ -	\$ -	\$ 1,996	\$ 1,884
Accrued liabilities	-	621	101,995	9,062
Due to other funds	<u>2,914</u>	<u>-</u>	<u>2,580</u>	<u>245,192</u>
TOTAL LIABILITIES	<u>2,914</u>	<u>621</u>	<u>106,571</u>	<u>256,138</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Note receivable	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	-	-	-
Assigned	-	17,209	172,278	-
Unassigned	<u>(218)</u>	<u>-</u>	<u>-</u>	<u>(206,162)</u>
TOTAL FUND BALANCES	<u>(218)</u>	<u>17,209</u>	<u>172,278</u>	<u>(206,162)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 38,696</u>	<u>\$ 17,830</u>	<u>\$ 278,849</u>	<u>\$ 49,976</u>

Capital Improvement Fund	Highway Aid Fund	Totals	
		2021	2020
\$ 48,679	\$ 588,321	\$ 967,991	\$ 884,839
-	-	530	151
-	-	36,000	36,000
<u>-</u>	<u>450,151</u>	<u>467,981</u>	<u>517,956</u>
<u>\$ 48,679</u>	<u>\$ 1,038,472</u>	<u>\$ 1,472,502</u>	<u>\$ 1,438,946</u>

\$ -	\$ -	\$ 3,880	\$ 242
-	17,215	128,893	212,823
<u>18,531</u>	<u>-</u>	<u>269,217</u>	<u>412,428</u>
<u>18,531</u>	<u>17,215</u>	<u>401,990</u>	<u>625,493</u>

<u>-</u>	<u>-</u>	<u>36,000</u>	<u>36,000</u>
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-	1,021,257	1,021,257	1,248,939
30,148	-	219,635	16,611
-	-	(206,380)	(488,097)
<u>30,148</u>	<u>1,021,257</u>	<u>1,034,512</u>	<u>777,453</u>

<u>\$ 48,679</u>	<u>\$ 1,038,472</u>	<u>\$ 1,472,502</u>	<u>\$ 1,438,946</u>
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BOROUGH OF WEST CHESTER**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	Urban Development Action Grant Fund	Shade Tree Fund	Fire Fund	Parks and Recreation Fund
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 110,225	\$ 164,700
Charges for services	-	-	761,398	-
Fees, licenses and permits	-	-	-	1,000
Interest and rents	380	-	131	13
Program revenue/other	-	-	-	54,260
TOTAL REVENUES	<u>380</u>	<u>-</u>	<u>871,754</u>	<u>219,973</u>
EXPENDITURES				
Streets and highways	-	-	-	-
Public safety	-	-	1,005,655	-
Community development	-	-	-	-
Culture and recreation	-	-	-	799,766
Refund of prior year revenues	-	-	-	364
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>1,005,655</u>	<u>800,130</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>380</u>	<u>-</u>	<u>(133,901)</u>	<u>(580,157)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	422,419	776,000
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>422,419</u>	<u>776,000</u>
NET CHANGE IN FUND BALANCES	380	-	288,518	195,843
FUND BALANCES AT BEGINNING OF YEAR	<u>(598)</u>	<u>17,209</u>	<u>(116,240)</u>	<u>(402,005)</u>
FUND BALANCES AT END OF YEAR	<u>\$ (218)</u>	<u>\$ 17,209</u>	<u>\$ 172,278</u>	<u>\$ (206,162)</u>

Capital Improvement Fund	Highway Aid Fund	Totals	
		2021	2020
\$ -	\$ 417,096	\$ 692,021	\$ 571,768
-	-	761,398	764,968
-	-	1,000	-
-	452	976	2,913
-	-	54,260	57,386
-	<u>417,548</u>	<u>1,509,655</u>	<u>1,397,035</u>
-	645,230	645,230	47,609
-	-	1,005,655	883,799
-	-	-	36,000
-	-	799,766	302,127
-	-	364	2,750
-	<u>645,230</u>	<u>2,451,015</u>	<u>1,272,285</u>
-	<u>(227,682)</u>	<u>(941,360)</u>	<u>124,750</u>
-	-	1,198,419	502,133
-	-	-	<u>(447,010)</u>
-	-	<u>1,198,419</u>	<u>55,123</u>
-	(227,682)	257,059	179,873
<u>30,148</u>	<u>1,248,939</u>	<u>777,453</u>	<u>597,580</u>
<u>\$ 30,148</u>	<u>\$ 1,021,257</u>	<u>\$ 1,034,512</u>	<u>\$ 777,453</u>

BOROUGH OF WEST CHESTER
COMBINING STATEMENT OF FIDUCIARY
NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	Police Pension Fund	Non-Uniformed Pension Fund	Totals	
			2021	2020
ASSETS				
Cash and cash equivalents	\$ 1,293,789	\$ 472,048	\$ 1,765,837	\$ 1,841,766
Investments, at fair value	47,332,631	24,360,769	71,693,400	63,386,429
Investments, at contract value	-	383,565	383,565	395,292
Member contributions receivable	18,781	13,388	32,169	409,936
Interest receivable	6	1	7	26,939
	<u>6</u>	<u>1</u>	<u>7</u>	<u>26,939</u>
TOTAL ASSETS	\$ 48,645,207	\$ 25,229,771	\$ 73,874,978	\$ 66,060,362
LIABILITIES AND NET POSITION				
LIABILITIES				
Refund of member contributions payable	\$ 7,149	\$ 244	\$ 7,393	\$ 22,895
Member contribution payable	-	-	-	392,538
TOTAL LIABILITIES	<u>7,149</u>	<u>244</u>	<u>7,393</u>	<u>415,433</u>
NET POSITION				
Restricted for pensions	<u>48,638,058</u>	<u>25,229,527</u>	<u>73,867,585</u>	<u>65,644,929</u>
TOTAL LIABILITIES AND NET POSITION	\$ 48,645,207	\$ 25,229,771	\$ 73,874,978	\$ 66,060,362

BOROUGH OF WEST CHESTER
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Police	Non-Uniformed	Totals	
	Pension Fund	Pension Fund	2021	2020
ADDITIONS				
Contributions				
State aid	\$ 545,905	\$ 226,457	\$ 772,362	\$ 861,671
Employer contributions	1,450,945	500,000	1,950,945	2,705,278
Employee contributions	248,392	116,006	364,398	351,094
TOTAL CONTRIBUTIONS	<u>2,245,242</u>	<u>842,463</u>	<u>3,087,705</u>	<u>3,918,043</u>
Investment income				
Investment earnings	998,212	512,371	1,510,583	1,551,823
Realized gain (loss) on investments	(1,012,765)	(529,839)	(1,542,604)	2,987,097
Net appreciation in fair value of investments	5,416,132	2,863,639	8,279,771	4,460,952
Investment expense	(149,294)	(82,205)	(231,499)	(194,226)
NET INVESTMENT INCOME	<u>5,252,285</u>	<u>2,763,966</u>	<u>8,016,251</u>	<u>8,805,646</u>
TOTAL ADDITIONS	<u>7,497,527</u>	<u>3,606,429</u>	<u>11,103,956</u>	<u>12,723,689</u>
DEDUCTIONS				
Benefits paid	1,880,858	937,225	2,818,083	2,474,427
Refund of member contributions	415	36,621	37,036	8,545
Administrative expenses	12,347	13,834	26,181	20,834
TOTAL DEDUCTIONS	<u>1,893,620</u>	<u>987,680</u>	<u>2,881,300</u>	<u>2,503,806</u>
CHANGE IN NET POSITION	5,603,907	2,618,749	8,222,656	10,219,883
NET POSITION AT BEGINNING OF YEAR	<u>43,034,151</u>	<u>22,610,778</u>	<u>65,644,929</u>	<u>55,425,046</u>
NET POSITION AT END OF YEAR	<u>\$ 48,638,058</u>	<u>\$ 25,229,527</u>	<u>\$ 73,867,585</u>	<u>\$ 65,644,929</u>