

BOROUGH OF WEST CHESTER

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2022



INTRODUCTORY SECTION

BOROUGH OF WEST CHESTER

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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, 2022, 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, 2022, 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.

Emphasis of Matter

As discussed in Note N to the financial statements, the opening net position and fund balances have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As discussed in Note N, for the year ended December 31, 2022, the Borough of West Chester adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

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.

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

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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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.

Prior-Year Comparative Information

Before the restatements described in Note N, we have previously audited the Borough of West Chester's December 31, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 22, 2022. In our opinion, before the restatements described in Note N, the summarized comparative information presented herein as of and for the year ended December 31, 2021 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

As part of our audit of the December 31, 2022 financial statements, we also audited the adjustments described in Note N that were applied to restate the 2021 comparative information. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any further procedures to the 2021 financial statements other than with respect to the adjustments since our original audit report dated August 22, 2022.

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.

Maille LLP

New Castle, Delaware
August 7, 2023

BOROUGH OF WEST CHESTER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2022

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, 2022. 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 \$37,759,892 (net position), an increase of \$2,459,765 from the previous year.

Fund Level

- As of the close of the year, the Borough reported combined ending fund balances in governmental funds of \$11,186,606 an increase of \$2,203,520 from the previous year. Of the current ending fund balances, \$934,648 is reported as assigned for OPEB and \$1,133,655 is reported as unassigned in the General Fund; \$8,429,568 as assigned in the Capital Operating Reserve Fund; \$296,065 as restricted in the Stormwater Fund; \$109,875 and \$311,664 as restricted (for capital improvement projects) and assigned, respectively, in the Debt Service Fund; \$144,684, \$22,810, and \$(196,363) 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 \$21,986,000, a decrease of \$734,000 from the previous year. All of the bonded debt is backed by the full faith and credit of the Borough government. Governmental activities report \$9,301,774 of general obligation bonds and business-type activities report \$12,780,417 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, 2022, the Borough has invested \$54,348,915 net of accumulated depreciation in a broad range of capital assets (see table on following page). Depreciation charges for the calendar year 2022 totaled \$4,076,956.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 1,728,054	\$ 1,728,054	\$ 643,605	\$ 643,605	\$ 2,371,659	\$ 2,371,659
Buildings	9,862,485	9,639,763	18,767,303	18,684,382	28,629,788	28,324,145
Improvements other than buildings	3,096,376	3,359,653	67,082	220,308	3,163,458	3,579,961
Infrastructure	6,540,695	7,243,238	6,103,154	6,941,492	12,643,849	14,184,730
Construction in progress	-	-	1,700,658	473,908	1,700,658	473,908
Furniture and equipment	1,383,117	1,287,987	1,188,985	1,293,587	2,572,102	2,581,574
Vehicles	3,208,727	3,686,845	58,674	51,007	3,267,401	3,737,852
TOTAL CAPITAL ASSETS	\$ 25,819,454	\$ 26,945,540	\$ 28,529,461	\$ 28,308,289	\$ 54,348,915	\$ 55,253,829

Major capital asset events during 2022 for governmental and business activities included the following:

- Street Sweeper/Vehicles
- Storm/Sanitary Sewer Infrastructure
- Street Lighting Nodes
- 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).

BOROUGH OF WEST CHESTER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2022

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).

- *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, stormwater 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, 2022

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	
	2022	Restated 2021	2022	Restated 2021	2022	Restated 2021
ASSETS						
Current and other assets	\$ 15,267,848	\$ 14,138,603	\$ 6,355,279	\$ 5,305,884	\$ 21,623,127	\$ 19,444,487
Capital and related assets	25,819,454	26,945,540	28,529,461	28,308,289	54,348,915	55,253,829
TOTAL ASSETS	41,087,302	41,084,143	34,884,740	33,614,173	75,972,042	74,698,316
DEFERRED OUTFLOWS OF RESOURCES						
	9,468,975	2,488,972	532,424	161,015	10,001,399	2,649,987
LIABILITIES						
Long-term liabilities	27,653,438	15,674,907	13,053,109	12,799,725	40,706,547	28,474,632
Other liabilities	4,343,112	2,794,862	907,522	1,021,677	5,250,634	3,816,539
TOTAL LIABILITIES	31,996,550	18,469,769	13,960,631	13,821,402	45,957,181	32,291,171
DEFERRED INFLOWS OF RESOURCES						
	1,590,336	9,286,214	666,032	470,791	2,256,368	9,757,005
FUND BALANCES/NET POSITION						
Net investment in capital assets	16,627,761	17,515,252	15,789,586	15,066,960	32,417,347	32,582,212
Restricted	440,749	1,021,257	-	-	440,749	1,021,257
Unrestricted	(99,119)	(2,719,377)	5,000,915	4,416,035	4,901,796	1,696,658
TOTAL FUND BALANCES/NET POSITION	\$ 16,969,391	\$ 15,817,132	\$ 20,790,501	\$ 19,482,995	\$ 37,759,892	\$ 35,300,127

The largest components of the Borough's current and other assets are cash and investments totaling \$17,380,834. Of the total long-term liabilities, long-term debt accounts for \$20,892,954.

See Note N, during the year, the Borough became aware of an adjustment needed to correct the due to and due from balances in the general fund, debt service fund, shade tree fund, highway aid fund, sewer fund and parking fund.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program revenues						
Charges for services	\$ 6,383,914	\$ 5,886,894	\$ 10,885,314	\$ 10,088,879	\$ 17,269,228	\$ 15,975,773
Operating grants and contributions	1,392,182	783,779	20,136	7,950	1,412,318	791,729
Capital grants and contributions	122,850	320,000	-	-	122,850	320,000
General revenues						
Real estate taxes	5,831,067	5,564,839	-	-	5,831,067	5,564,839
Real estate transfer taxes	809,570	1,100,648	-	-	809,570	1,100,648
Earned income taxes	6,064,816	5,498,846	-	-	6,064,816	5,498,846
LST taxes	686,408	647,534	-	-	686,408	647,534
Business privilege taxes	140,266	120,507	-	-	140,266	120,507
Amusement device taxes	-	-	-	-	-	-
Franchise fees	266,279	282,906	-	-	266,279	282,906
Lease revenue	-	-	83,153	-	83,153	-
Grants not subject to restriction	12,448	-	-	-	12,448	-
Investment income(loss)	(337,075)	(82,959)	32,646	861	(304,429)	(82,098)
Other revenues	82,776	114,031	6,187	13,643	88,963	127,674
Transfers	2,768,336	2,578,493	(2,768,336)	(2,578,493)	-	-
TOTAL REVENUES	24,223,837	22,815,518	8,259,100	7,532,840	32,482,937	30,348,358
EXPENSES						
Current						
General government	5,784,356	4,186,038	-	-	5,784,356	4,186,038
Public safety	9,939,199	7,221,909	-	-	9,939,199	7,221,909
Public works						
Highways and streets	5,097,759	4,817,988	-	-	5,097,759	4,817,988
Sanitation	1,010,293	882,791	-	-	1,010,293	882,791
Interest expense	322,953	367,035	-	-	322,953	367,035
Culture and recreation	917,018	1,057,040	-	-	917,018	1,057,040
Sewer	-	-	4,203,339	3,854,066	4,203,339	3,854,066
Parking	-	-	2,748,255	2,643,983	2,748,255	2,643,983
TOTAL EXPENSES	23,071,578	18,532,801	6,951,594	6,498,049	30,023,172	25,030,850
INCREASE (DECREASE) IN NET POSITION	\$ 1,152,259	\$ 4,282,717	\$ 1,307,506	\$ 1,034,791	\$ 2,459,765	\$ 5,317,508

The Borough's combined net position increased \$2,459,765 over the course of this calendar year's operations. The net position of the governmental activity operations increased by \$1,152,259. The changes in net position of the Borough's business-type activities increased by \$1,307,506.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

Governmental Funds

General Fund Budgetary Highlights

The Borough adopted its calendar year 2022 budget in December 2021. 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 7.40 to 7.70. There were also slight adjustments to revenues such as violation-of-ordinance, police protection revenues, etc.

General Fund budgeted revenues and financing sources for 2022 were \$21,128,861. The Borough's largest source of revenue, mainly real estate and earned income taxes, were over budget by \$858,650 as collections increased. Licenses and permits were over budget by \$358,841 and fines and costs came in under budget by \$159,658. For the year 2022, the Borough realized a positive budget variance in total revenues of \$1,200,459.

General Fund budgeted expenditures and other financing uses were \$21,128,861 which was approximately \$2,192,865 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 \$30.11 per month to \$32.00. The rate per month for 1,000 gallons in excess of base rate increased from \$7.99 to \$8.50. 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 \$1,000,000 to the General Fund. This resulted in net income for the year of \$685,578.

Parking Funds

Parking garage revenues were sufficient to cover the costs to operate the fund before a planned transfer of \$1,768,336 to the General Fund.

BOROUGH OF WEST CHESTER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2022

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; PA System of Higher Education; Chester County Courthouse; PeopleShare Industrial LLC; Moody's Analytics; West Chester Area School District; Barclay Friends; Barnaby's; C&D Brewing and; PeopleShare Professional

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 2022 remained strong.

The Borough of West Chester tax revenues in 2022 continued to show improvement with earned income tax collections exceeding the previous year by 10%. There are 165 tax-exempt properties within the Borough with a certified taxable valuation of \$414,685,590. 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 \$757,590,425 for 2022, which is down from \$766,993,405 in 2021. Of the taxable properties in the Borough, 83.43% of the real estate tax is paid by residential properties, 14.84% by commercial properties, 0.28% by industrial properties and 1.44 % is classified as vacant.

When adopting the General Fund budget for the calendar year 2022, the Borough raised the millage rate from 7.40 to 7.70. The Borough's 2022 General Fund budget as adopted reflects revenues and expenditures totaling \$21,138,860.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2022

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, 2022

	Primary Government		Totals	
	Governmental Activities	Business-Type Activities	2022	Restated 2021
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 6,475,470	\$ 2,977,413	\$ 9,452,883	\$ 6,184,403
Restricted cash	109,875	-	109,875	108,216
Investments	7,818,076	-	7,818,076	7,620,214
Accounts and other receivables, net	1,477,540	1,680,110	3,157,650	2,597,871
Taxes receivable	208,605	-	208,605	344,131
Internal balances	(1,052,652)	1,052,652	-	-
Current portion of lease receivable	-	64,346	64,346	65,276
Current portion of loans and notes receivable	210,209	-	210,209	8,127
TOTAL CURRENT ASSETS	15,247,123	5,774,521	21,021,644	16,928,238
NONCURRENT ASSETS				
Long-term portion of lease receivable	-	580,758	580,758	645,104
Long-term portion of loans and notes receivable	20,725	-	20,725	227,873
Net pension asset	-	-	-	2,353,652
Depreciable capital assets, net	24,091,400	26,185,198	50,276,598	52,408,262
Land	1,728,054	643,605	2,371,659	2,371,659
Construction in progress	-	1,700,658	1,700,658	473,908
TOTAL NONCURRENT ASSETS	25,840,179	29,110,219	54,950,398	58,480,458
TOTAL ASSETS	41,087,302	34,884,740	75,972,042	75,408,696
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	206	40,542	40,748	45,596
Deferred outflows of resources - OPEB	312,071	-	312,071	372,167
Deferred outflows of resources - pension activity	9,156,698	491,882	9,648,580	2,232,224
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,468,975	532,424	10,001,399	2,649,987
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 50,556,277	\$ 35,417,164	\$ 85,973,441	\$ 78,058,683
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and other liabilities	\$ 30,315	\$ 30,500	\$ 60,815	\$ 51,525
Accrued liabilities	1,637,366	347,981	1,985,347	1,840,965
Unearned revenue	1,746,884	-	1,746,884	818,210
Developer escrow	268,351	-	268,351	157,602
Current portion of long-term debt, net	660,196	529,041	1,189,237	948,237
TOTAL CURRENT LIABILITIES	4,343,112	907,522	5,250,634	3,816,539
NONCURRENT LIABILITIES				
Total OPEB liability	5,814,837	-	5,814,837	5,730,503
Compensated absences	1,114,703	23,955	1,138,658	866,937
Long-term portion of long-term debt, net	8,641,578	12,251,376	20,892,954	21,877,192
Net pension liability	12,082,320	777,778	12,860,098	-
TOTAL NONCURRENT LIABILITIES	27,653,438	13,053,109	40,706,547	28,474,632
TOTAL LIABILITIES	31,996,550	13,960,631	45,957,181	32,291,171
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - OPEB	640,573	-	640,573	775,386
Deferred inflows of resources - pension activity	949,763	38,805	988,568	8,981,619
Deferred inflows of resources - leases	-	627,227	627,227	710,380
TOTAL DEFERRED INFLOWS OF RESOURCES	1,590,336	666,032	2,256,368	10,467,385
NET POSITION				
Net investment in capital assets	16,627,761	15,789,586	32,417,347	32,582,212
Restricted	440,749	-	440,749	1,021,257
Unrestricted	(99,119)	5,000,915	4,901,796	1,696,658
TOTAL NET POSITION	16,969,391	20,790,501	37,759,892	35,300,127
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 50,556,277	\$ 35,417,164	\$ 85,973,441	\$ 78,058,683

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 5,784,356	\$ 732,440	\$ 839,703	\$ 122,850
Public safety	9,939,199	4,007,114	136,474	-
Public works				
Highways and streets	5,097,759	1,512,305	416,005	-
Sanitation	1,010,293	50,266	-	-
Culture and recreation	917,018	81,789	-	-
Interest expense	322,953	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>23,071,578</u>	<u>6,383,914</u>	<u>1,392,182</u>	<u>122,850</u>
BUSINESS-TYPE ACTIVITIES				
Sewer	4,203,340	5,868,700	20,136	-
Parking	2,748,254	4,965,529	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>6,951,594</u>	<u>10,834,229</u>	<u>20,136</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 30,023,172</u>	<u>\$ 17,218,143</u>	<u>\$ 1,412,318</u>	<u>\$ 122,850</u>
GENERAL REVENUES				
Taxes				
Real estate taxes				
Real estate transfer taxes				
Earned income taxes				
Local services tax				
Business privilege taxes				
Franchise fees				
Lease revenue				
Grants and contributions not restricted to specific programs				
Net investment income (loss)				
Other revenues				
TRANSFERS				
TOTAL GENERAL REVENUES AND TRANSFERS				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR, RESTATED*				
NET POSITION AT END OF YEAR				

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Totals	
		2022	2021
\$ (4,089,363)	\$ -	\$ (4,089,363)	\$ (2,988,048)
(5,795,611)	-	(5,795,611)	(3,753,243)
(3,169,449)	-	(3,169,449)	(2,783,496)
(960,027)	-	(960,027)	(824,905)
(835,229)	-	(835,229)	(825,401)
(322,953)	-	(322,953)	(367,035)
<u>(15,172,632)</u>	<u>-</u>	<u>(15,172,632)</u>	<u>(11,542,128)</u>
-	1,685,496	1,685,496	1,319,929
-	2,217,275	2,217,275	2,278,851
<u>-</u>	<u>3,902,771</u>	<u>3,902,771</u>	<u>3,598,780</u>
<u>(15,172,632)</u>	<u>3,902,771</u>	<u>(11,269,861)</u>	<u>(7,943,348)</u>
5,831,067	-	5,831,067	5,564,839
809,570	-	809,570	1,100,648
6,064,816	-	6,064,816	5,498,846
686,408	-	686,408	647,534
140,266	-	140,266	120,507
266,279	-	266,279	282,906
-	77,515	77,515	-
12,448	-	12,448	-
(337,075)	32,646	(304,429)	(82,098)
82,776	62,910	145,686	127,674
2,768,336	(2,768,336)	-	-
<u>16,324,891</u>	<u>(2,595,265)</u>	<u>13,729,626</u>	<u>13,260,856</u>
1,152,259	1,307,506	2,459,765	5,317,508
<u>15,817,132</u> *	<u>19,482,995</u> *	<u>35,300,127</u>	<u>29,982,619</u>
\$ <u><u>16,969,391</u></u>	\$ <u><u>20,790,501</u></u>	\$ <u><u>37,759,892</u></u>	\$ <u><u>35,300,127</u></u>

BOROUGH OF WEST CHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	Major Funds			
	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Debt Service Fund
ASSETS				
Cash and cash equivalents	\$ 4,949,491	\$ 584,387	\$ 489,597	\$ -
Restricted cash	-	-	-	109,875
Investments	-	7,818,076	-	-
Accounts receivable	133,412	-	1,284,992	-
Interest receivable	31,501	27,105	-	-
Taxes receivable	208,605	-	-	-
Note receivable	200,000	-	-	-
Due from other funds	167,637	-	-	311,664
TOTAL ASSETS	<u>\$ 5,690,646</u>	<u>\$ 8,429,568</u>	<u>\$ 1,774,589</u>	<u>\$ 421,539</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and other liabilities	\$ 26,667	\$ -	\$ 2,537	\$ -
Accrued liabilities	1,168,444	-	159,056	-
Unearned revenue	1,746,884	-	-	-
Developer escrow	268,351	-	-	-
Due to other funds	-	-	1,316,931	-
TOTAL LIABILITIES	<u>3,210,346</u>	<u>-</u>	<u>1,478,524</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Property taxes	180,496	-	-	-
Note receivable	231,501	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>411,997</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	-	296,065	109,875
Assigned	934,648	8,429,568	-	311,664
Unassigned	1,133,655	-	-	-
TOTAL FUND BALANCES	<u>2,068,303</u>	<u>8,429,568</u>	<u>296,065</u>	<u>421,539</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,690,646</u>	<u>\$ 8,429,568</u>	<u>\$ 1,774,589</u>	<u>\$ 421,539</u>

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Totals	
	2022	Restated 2021
\$ 451,995	\$ 6,475,470	\$ 4,080,791
-	109,875	108,216
-	7,818,076	7,620,214
-	1,418,404	1,384,115
530	59,136	45,330
-	208,605	344,131
30,934	230,934	236,000
1,458	480,759	667,140
<u>\$ 484,917</u>	<u>\$ 16,801,259</u>	<u>\$ 14,485,937</u>

\$ 1,111	\$ 30,315	\$ 48,115
265,261	1,592,761	1,282,121
-	1,746,884	818,210
-	268,351	157,602
216,480	1,533,411	2,635,551
<u>482,852</u>	<u>5,171,722</u>	<u>4,941,599</u>

-	180,496	325,252
30,934	262,435	236,000

<u>30,934</u>	<u>442,931</u>	<u>561,252</u>
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144,684	550,624	1,129,473
22,810	9,698,690	9,973,435
(196,363)	937,292	(2,119,822)
<u>(28,869)</u>	<u>11,186,606</u>	<u>8,983,086</u>

<u>\$ 484,917</u>	<u>\$ 16,801,259</u>	<u>\$ 14,485,937</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, 2022

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 11,186,606

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.

25,819,454

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

206

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

7,878,433

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

\$ 180,496

Loans and notes receivable

262,435

442,931

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

(1,114,703)

Postemployment benefits

(5,814,837)

Net pension liability

(12,082,320)

Accrued interest on long-term debt

(44,605)

Long-term debt, net

(9,301,774)

(28,358,239)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 16,969,391

See accompanying notes to the basic financial statements.

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BOROUGH OF WEST CHESTER
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	Major Funds			
	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Debt Service Fund
REVENUES				
Taxes	\$ 13,651,383	\$ -	\$ -	\$ -
Licenses and permits	1,418,341	-	-	-
Fines, forfeits and costs	315,342	-	-	-
Interest and rents	28,003	-	-	1,659
Intergovernmental revenues	998,090	-	-	-
Charges for services/fees	2,067,389	-	-	-
Net investment income(loss)	-	(376,812)	-	-
Program revenue/other	828,482	-	1,361,208	-
TOTAL REVENUES	19,307,030	(376,812)	1,361,208	1,659
EXPENDITURES				
Current				
General government	2,778,794	14,112	-	-
Public safety	8,106,431	-	-	-
Public works				
Highways and streets	3,237,895	-	551,663	-
Sanitation	618,809	-	-	-
Culture and recreation	623,653	-	-	-
Insurance, employee benefits, payroll taxes	3,354,877	-	-	-
Refunds of prior year revenues	3,385	-	-	-
Capital outlays	-	-	-	-
Debt service				
Principal	234,677	-	-	-
Interest and other charges	319,936	-	-	-
TOTAL EXPENDITURES	19,278,457	14,112	551,663	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	28,573	(390,924)	809,545	1,659
OTHER FINANCING SOURCES (USES)				
Transfers in	3,893,393	1,000,000	263,823	-
Transfers out	(2,095,763)	(500,000)	(212,601)	-
TOTAL OTHER FINANCING SOURCES (USES)	1,797,630	500,000	51,222	-
NET CHANGE IN FUND BALANCES	1,826,203	109,076	860,767	1,659
FUND BALANCES AT BEGINNING OF YEAR, RESTATED*	242,100 *	8,320,492	(564,702)	419,880
FUND BALANCES AT END OF YEAR	\$ 2,068,303	\$ 8,429,568	\$ 296,065	\$ 421,539

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Totals	
	2022	Restated 2021
\$ -	\$ 13,651,383	\$ 12,932,374
-	1,418,341	1,000,451
-	315,342	295,842
1,180	30,842	2,154
552,479	1,550,569	1,141,990
761,398	2,828,787	2,615,519
-	(376,812)	(87,478)
17,927	2,207,617	2,459,913
<u>1,332,984</u>	<u>21,626,069</u>	<u>20,360,765</u>
-	2,792,906	2,317,069
1,502,551	9,608,982	7,765,702
841,578	4,631,136	4,960,157
-	618,809	532,932
2,524	626,177	1,378,995
-	3,354,877	3,969,118
-	3,385	109,892
-	-	24,997
-	234,677	433,966
-	319,936	372,387
<u>2,346,653</u>	<u>22,190,885</u>	<u>21,865,215</u>
<u>(1,013,669)</u>	<u>(564,816)</u>	<u>(1,504,450)</u>
831,940	5,989,156	4,376,912
<u>(412,456)</u>	<u>(3,220,820)</u>	<u>(1,798,419)</u>
<u>419,484</u>	<u>2,768,336</u>	<u>2,578,493</u>
(594,185)	2,203,520	1,074,043
<u>565,316</u> *	<u>8,983,086</u>	<u>7,909,043</u> *
\$ <u>(28,869)</u>	\$ <u>11,186,606</u>	\$ <u>8,983,086</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, 2022

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 2,203,520

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. (1,126,086)

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	\$ (144,756)	
Notes receivable	26,434	
	<u>26,434</u>	(118,322)

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	234,677	
Amortization of bond premiums	3,618	
Amortization of bond discounts	(742)	
Amortization of deferred charges on refunding	(617)	
	<u>236,936</u>	236,936

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	(268,546)	
Postemployment benefits	(9,617)	
Pension plan expense	231,244	
Accrued interest on long-term debt	3,130	
	<u>3,130</u>	<u>(43,789)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,152,259

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Business-Type Activities		Totals	
	Enterprise Funds		2022	Restated 2021
	Sewer Fund	Parking Fund		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,400,618	\$ 1,576,795	\$ 2,977,413	\$ 2,103,612
Accounts receivable, net	1,344,057	336,053	1,680,110	1,168,426
Current portion of lease receivable	-	64,346	64,346	65,276
Due from other funds	105,838	946,814	1,052,652	1,968,411
TOTAL CURRENT ASSETS	2,850,513	2,924,008	5,774,521	5,305,725
NONCURRENT ASSETS				
Land	140,780	502,825	643,605	643,605
Capital assets, net	7,588,626	18,596,572	26,185,198	27,190,776
Construction in progress	1,398,805	301,853	1,700,658	473,908
Long-term portion of lease receivable	-	580,758	580,758	645,104
Net pension asset	-	-	-	65,435
TOTAL NONCURRENT ASSETS	9,128,211	19,982,008	29,110,219	29,018,828
TOTAL ASSETS	11,978,724	22,906,016	34,884,740	34,324,553
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	-	40,542	40,542	44,773
Deferred outflows of resources - pension activities	293,991	197,891	491,882	116,242
TOTAL DEFERRED OUTFLOWS OF RESOURCES	293,991	238,433	532,424	161,015
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 12,272,715	\$ 23,144,449	\$ 35,417,164	\$ 34,485,568
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 20,098	\$ 10,402	\$ 30,500	\$ 3,410
Accrued liabilities	222,371	125,610	347,981	511,110
Bonds and notes payable, net	-	529,041	529,041	507,157
TOTAL CURRENT LIABILITIES	242,469	665,053	907,522	1,021,677
NONCURRENT LIABILITIES				
Compensated absences	6,955	17,000	23,955	20,780
Bonds and notes payable, net	-	12,251,376	12,251,376	12,778,945
Net pension liability	464,867	312,911	777,778	-
TOTAL NONCURRENT LIABILITIES	471,822	12,581,287	13,053,109	12,799,725
TOTAL LIABILITIES	714,291	13,246,340	13,960,631	13,821,402
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension activities	23,193	15,612	38,805	470,791
Deferred inflows of resources - leases	-	627,227	627,227	710,380
TOTAL DEFERRED INFLOWS OF RESOURCES	23,193	642,839	666,032	1,181,171
NET POSITION				
Net investment in capital assets	9,128,211	6,661,375	15,789,586	15,066,960
Unrestricted	2,407,020	2,593,895	5,000,915	4,416,035
TOTAL NET POSITION	11,535,231	9,255,270	20,790,501	19,482,995
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 12,272,715	\$ 23,144,449	\$ 35,417,164	\$ 34,485,568

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, 2022

	Business-Type Activities		Totals	
	Enterprise Funds		2022	2021
	Sewer Fund	Parking Fund		
OPERATING REVENUES				
Charges for services	\$ 5,868,700	\$ 4,965,529	\$ 10,834,229	\$ 10,088,879
Other revenue	-	62,910	62,910	13,643
TOTAL OPERATING REVENUES	<u>5,868,700</u>	<u>5,028,439</u>	<u>10,897,139</u>	<u>10,102,522</u>
OPERATING EXPENSES				
Administration	255,214	350,906	606,120	613,285
Salaries and wages	844,047	523,163	1,367,210	1,480,018
Employee benefits	644,076	425,336	1,069,412	695,929
Materials and supplies	286,877	-	286,877	238,334
Utilities	234,248	67,474	301,722	300,534
Fuel	69,284	3,120	72,404	37,624
Sludge removal	726,165	-	726,165	504,908
Repairs and maintenance	109,348	224,154	333,502	298,960
Other	2,654	-	2,654	166,817
Depreciation	1,031,427	733,222	1,764,649	1,727,382
TOTAL OPERATING EXPENSES	<u>4,203,340</u>	<u>2,327,375</u>	<u>6,530,715</u>	<u>6,063,791</u>
OPERATING INCOME	<u>1,665,360</u>	<u>2,701,064</u>	<u>4,366,424</u>	<u>4,038,731</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	82	32,564	32,646	861
Interest expense	-	(420,879)	(420,879)	(434,258)
Lease revenue	-	77,515	77,515	-
Intergovernmental revenues	20,136	-	20,136	7,950
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>20,218</u>	<u>(310,800)</u>	<u>(290,582)</u>	<u>(425,447)</u>
INCOME BEFORE TRANSFERS	<u>1,685,578</u>	<u>2,390,264</u>	<u>4,075,842</u>	<u>3,613,284</u>
TRANSFERS				
Transfers out	<u>(1,000,000)</u>	<u>(1,768,336)</u>	<u>(2,768,336)</u>	<u>(2,578,493)</u>
CHANGE IN NET POSITION	685,578	621,928	1,307,506	1,034,791
NET POSITION AT BEGINNING OF YEAR, RESTATED*	<u>10,849,653</u>	<u>8,633,342</u>	<u>19,482,995</u>	<u>18,448,204</u> *
NET POSITION AT END OF YEAR	<u>\$ 11,535,231</u>	<u>\$ 9,255,270</u>	<u>\$ 20,790,501</u>	<u>\$ 19,482,995</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Business-Type Activities		Totals	
	Enterprise Funds		2022	2021
	Sewer Fund	Parking Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 6,263,073	\$ 5,106,593	\$ 11,369,666	\$ 10,519,645
Payments to suppliers for goods and services	(1,666,332)	(636,022)	(2,302,354)	(2,313,383)
Payments to employees for services	(1,452,195)	(1,119,739)	(2,571,934)	(2,161,124)
NET CASH PROVIDED BY				
OPERATING ACTIVITIES	<u>3,144,546</u>	<u>3,350,832</u>	<u>6,495,378</u>	<u>6,045,138</u>
CASH FLOWS FROM NONCAPITAL FINANCING				
ACTIVITIES				
Transfers out	(1,000,000)	(1,768,336)	(2,768,336)	(2,578,493)
NET CASH USED BY NONCAPITAL				
FINANCING ACTIVITIES	<u>(1,000,000)</u>	<u>(1,768,336)</u>	<u>(2,768,336)</u>	<u>(2,578,493)</u>
CASH FLOWS FROM CAPITAL AND RELATED				
FINANCING ACTIVITIES				
Purchases of capital assets	(1,510,938)	(474,883)	(1,985,821)	(803,396)
Capital grants	20,136	-	20,136	7,950
Principal paid on capital debt	-	(499,323)	(499,323)	(495,999)
Interest paid on capital debt	-	(420,879)	(420,879)	(434,258)
NET CASH USED BY CAPITAL				
AND RELATED FINANCING				
ACTIVITIES	<u>(1,490,802)</u>	<u>(1,395,085)</u>	<u>(2,885,887)</u>	<u>(1,725,703)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	82	32,564	32,646	861
NET CHANGE IN CASH AND				
CASH EQUIVALENTS	653,826	219,975	873,801	1,741,803
CASH AND CASH EQUIVALENTS AT BEGINNING				
OF YEAR	<u>746,792</u>	<u>1,356,820</u>	<u>2,103,612</u>	<u>361,809</u>
CASH AND CASH EQUIVALENTS				
AT END OF YEAR	<u>\$ 1,400,618</u>	<u>\$ 1,576,795</u>	<u>\$ 2,977,413</u>	<u>\$ 2,103,612</u>

BOROUGH OF WEST CHESTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Business-Type Activities		Totals	
	Enterprise Funds		2022	2021
	Sewer Fund	Parking Fund		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 1,665,360	\$ 2,701,064	\$ 4,366,424	\$ 4,038,731
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,031,427	733,222	1,764,649	1,727,382
Pension expense	21,269	6,548	27,817	(158,909)
(Increase) decrease in				
Accounts receivable	(348,539)	(163,145)	(511,684)	(290,049)
Prepaid expenses	-	-	-	1,770
Lease receivable	-	65,276	65,276	-
Due from other funds	742,190	173,570	915,760	710,837
Increase (decrease) in				
Accounts payable	17,458	9,632	27,090	(154,691)
Accrued liabilities	14,659	(177,788)	(163,129)	173,732
Compensated absences	722	2,453	3,175	(3,665)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,144,546</u>	<u>\$ 3,350,832</u>	<u>\$ 6,495,378</u>	<u>\$ 6,045,138</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022

	Pension Trust Funds	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,398,135	\$ 1,765,837
Investments, at fair value	57,388,456	71,693,400
Investments, at contract value	360,446	383,565
Member contributions receivable	25,605	32,169
Due from other funds	19,286	-
Interest receivable	86,685	7
TOTAL ASSETS	\$ 61,278,613	\$ 73,874,978
LIABILITIES AND NET POSITION		
LIABILITIES		
Refund of member contributions payable	\$ 7,394	\$ 7,393
Member benefits payable	11,825	-
Due to other funds	19,286	-
TOTAL LIABILITIES	38,505	7,393
NET POSITION		
Restricted for pensions	61,240,108	73,867,585
TOTAL LIABILITIES AND NET POSITION	\$ 61,278,613	\$ 73,874,978

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, 2022

	Pension Trust Funds	
	2022	2021
ADDITIONS		
Contributions		
State aid	\$ 828,872	\$ 772,362
Employer	1,827,289	1,950,945
Employee	378,410	364,398
TOTAL CONTRIBUTIONS	<u>3,034,571</u>	<u>3,087,705</u>
Investment income		
Investment earnings	2,035,890	1,510,583
Realized gain (loss) on investments	73,637	(1,542,604)
Net appreciation (depreciation) in fair value of investments	(14,395,454)	8,279,771
Investment expense	(196,952)	(231,499)
NET INVESTMENT INCOME	<u>(12,482,879)</u>	<u>8,016,251</u>
TOTAL ADDITIONS	<u>(9,448,308)</u>	<u>11,103,956</u>
DEDUCTIONS		
Benefits	3,164,822	2,818,083
Refund of member contributions	-	37,036
Administrative expenses	14,347	26,181
TOTAL DEDUCTIONS	<u>3,179,169</u>	<u>2,881,300</u>
CHANGE IN NET POSITION	(12,627,477)	8,222,656
NET POSITION AT BEGINNING OF YEAR	<u>73,867,585</u>	<u>65,644,929</u>
NET POSITION AT END OF YEAR	<u>\$ 61,240,108</u>	<u>\$ 73,867,585</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022

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, 2022

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.

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.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	5-15
Furniture and equipment	3-10
Buildings	20-60
Vehicles	10

Allowance for Doubtful Accounts

An allowance for doubtful accounts has been established for sewer and general fund accounts receivable based on aging receivables and historical information. The allowance amounts to \$248,875 and \$5,000 at December 31, 2022.

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, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease receivable

The Borough's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, the Borough may receive variable lease payments that are dependent on certain factors. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the life of the related lease.

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, 2022

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, 2022, fund balances are composed of the following:

	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Restricted						
Highway aid	\$ -	\$ -	\$ -	\$ -	\$ 144,684	\$ 144,684
Stormwater	-	-	296,065	-	-	296,065
Capital projects	-	-	-	109,875	-	109,875
Assigned						
Capital projects	-	8,429,568	-	-	22,810	8,452,378
Debt service	-	-	-	311,664	-	311,664
OPEB	934,648	-	-	-	-	934,648
Unassigned	1,133,655	-	-	-	(196,363)	937,292
TOTAL FUND BALANCES	\$ 2,068,303	\$ 8,429,568	\$ 296,065	\$ 421,539	\$ (28,869)	\$ 11,186,606

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022

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, 2022 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 item that qualifies for reporting in this category. The deferred outflows relate to pension activity, OPEB activity and charges on refunding.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has four items that qualify for reporting in this category. The deferred inflows relates to pension activity, OPEB activity, lease activity and unavailable revenues.

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.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. This information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America.

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation and adjustments were made to the comparative financial information as discussed in Note N. Summarized comparative information should be read in conjunction with the Borough's financial statements for the year ended December 31, 2021, 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, 2022

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2022, the carrying amount of the Borough's deposits was \$9,562,758, and the bank balance was \$9,970,386. Of the bank balance, \$1,250,000 was covered by federal depository insurance, \$6,889,962 was uninsured and the collateral held by the depository's agent not in the Borough's name and the remaining balance of \$1,830,424 was uninsured. As of December 31, 2022, \$1,830,424 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, 2022, PLGIT was rated as AAAM by Standard & Poor's, a nationally recognized statistical rating agency.

Restricted Cash - As of December 31, 2022, the Borough's Debt Service Fund held \$109,875 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, 2022, 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	\$ 6,207,245	\$ 6,207,245	\$ -	\$ -
GNMA	343,273	-	-	343,273
Federal National Mortgage Association (FNMA)	1,267,558	1,267,558	-	-
	<u>\$ 7,818,076</u>	<u>\$ 7,474,803</u>	<u>\$ -</u>	<u>\$ 343,273</u>
Fiduciary Funds				
Mutual Funds - Fixed Income	\$ 17,443,093	\$ 17,443,093	\$ -	\$ -
Mutual Funds - Equities	9,595,914	9,595,914	-	-
Exchange Traded Funds - equity	29,294,292	29,294,292	-	-
Exchange Traded Funds - Fixed Income	1,055,157	1,055,157	-	-
	<u>\$ 57,388,456</u>	<u>\$ 57,388,456</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in GNMA, FNMA, 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, 2022

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, 2022, 4% 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, 2022, 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, 2022, 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, 2022, all of the Borough's investments measured at fair value were considered Level 2.

NOTE C - EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2022, expenditures over appropriations were as follows:

	<u>General Fund</u>
Highway and street	\$ 430,248
Debt service - Interest and other charges	9

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE D - LEASE RECEIVABLE

In February 2019, the Borough entered into a lease with West Chester Running Company for facilities. Under the lease, the West Chester Running Company pays the Borough amounts ranging from \$2,538 to \$2,747 per month through 2028. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 5.00%, which is the rate the Borough determined to charge the lessee.

In February 2019, the Borough entered into a lease with Confiserie Curtin ET Companions for facilities. Under the lease, Confiserie Curtin ET Companions pays the Borough amounts ranging from \$2,488 to \$3,221 per month through 2035. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 5.00%, which is the rate the Borough determined to charge the lessee.

In February 2019, the Borough entered into a lease with Stokedlife for facilities. Under the lease, Stokedlife pays the Borough amounts ranging from \$2,316 to \$3,535 per month through 2028. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 5.00%, which is the rate the Borough determined to charge the lessee.

The future lease receivables at December 31, 2022, were as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 64,346	\$ 30,806	\$ 95,152
2024	70,141	27,458	97,599
2025	77,003	23,795	100,798
2026	83,692	19,794	103,486
2027	91,518	15,432	106,950
2028 to 2032	166,490	41,904	208,394
2033 to 2035	<u>91,914</u>	<u>6,306</u>	<u>98,220</u>
	<u>\$ 645,104</u>	<u>\$ 165,495</u>	<u>\$ 810,599</u>

For the year ended December 31, 2022, the Borough recognized \$83,153 of lease revenue and \$30,949 of interest revenue under the leases.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE E - 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	\$ 167,637	\$ -
Stormwater Fund	-	1,316,931
Debt Service Fund	311,664	-
UDAG Fund	1,458	-
Fire Fund	-	1,000
Parks and Recreation Fund	-	195,734
Capital Improvement Fund	-	18,531
Highway Aid Fund	-	1,215
Sewer Fund	105,838	-
Parking Fund	946,814	-
	<u>\$ 1,533,411</u>	<u>\$ 1,533,411</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, 2022, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,893,393	\$ 2,095,763
Stormwater Fund	263,823	212,601
Fire Fund	422,419	-
Parks and Recreation Fund	5,000	-
Capital Operating Reserve Fund	1,000,000	500,000
Capital Improvement Fund	-	7,935
Highway Aid Fund	404,521	404,521
Sewer Fund	-	1,000,000
Parking Fund	-	1,768,336
	<u>\$ 5,989,156</u>	<u>\$ 5,989,156</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE F - CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,728,054	\$ -	\$ -	\$ 1,728,054
Capital assets being depreciated				
Buildings	13,876,465	521,619	-	14,398,084
Improvements other than buildings	4,406,776	-	-	4,406,776
Infrastructure	30,355,811	-	-	30,355,811
Furniture and equipment	4,750,091	302,062	-	5,052,153
Vehicles	13,260,679	362,540	-	13,623,219
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>66,649,822</u>	<u>1,186,221</u>	<u>-</u>	<u>67,836,043</u>
Accumulated depreciation				
Buildings	(4,236,702)	(298,897)	-	(4,535,599)
Improvements other than buildings	(1,047,123)	(263,277)	-	(1,310,400)
Infrastructure	(23,112,573)	(702,543)	-	(23,815,116)
Furniture and equipment	(3,462,104)	(206,932)	-	(3,669,036)
Vehicles	(9,573,834)	(840,658)	-	(10,414,492)
TOTAL ACCUMULATED DEPRECIATION	<u>(41,432,336)</u>	<u>(2,312,307)</u>	<u>-</u>	<u>(43,744,643)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>25,217,486</u>	<u>(1,126,086)</u>	<u>-</u>	<u>24,091,400</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net, FORWARD				
	<u>\$ 26,945,540</u>	<u>\$ (1,126,086)</u>	<u>\$ -</u>	<u>\$ 25,819,454</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE F - CAPITAL ASSETS (Continued)

	Balance January 1, 2022	Increases	Decreases	Balance December 31, 2022
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net, FORWARDED	\$ 26,945,540	\$ (1,126,086)	\$ -	\$ 25,819,454
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	643,605	-	-	643,605
Construction in progress	473,908	1,700,658	(473,908)	1,700,658
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>1,117,513</u>	<u>1,700,658</u>	<u>(473,908)</u>	<u>2,344,263</u>
Capital assets being depreciated				
Buildings	25,745,640	592,352	-	26,337,992
Improvements other than buildings	597,697	-	-	597,697
Infrastructure	34,769,146	-	-	34,769,146
Furniture and equipment	3,417,702	166,719	-	3,584,421
Vehicles	362,082	-	-	362,082
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>64,892,267</u>	<u>759,071</u>	<u>-</u>	<u>65,651,338</u>
Accumulated depreciation				
Buildings	(7,061,257)	(509,431)	-	(7,570,688)
Improvements other than buildings	(377,389)	(117,766)	-	(495,155)
Infrastructure	(27,827,655)	(873,798)	-	(28,701,453)
Furniture and equipment	(2,124,115)	(249,221)	-	(2,373,336)
Vehicles	(311,075)	(14,433)	-	(325,508)
TOTAL ACCUMULATED DEPRECIATION	<u>(37,701,491)</u>	<u>(1,764,649)</u>	<u>-</u>	<u>(39,466,140)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>27,190,776</u>	<u>(1,005,578)</u>	<u>-</u>	<u>26,185,198</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	<u>28,308,289</u>	<u>695,080</u>	<u>(473,908)</u>	<u>28,529,461</u>
CAPITAL ASSETS, net	<u>\$ 55,253,829</u>	<u>\$ (431,006)</u>	<u>\$ (473,908)</u>	<u>\$ 54,348,915</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE F - CAPITAL ASSETS (Continued)

Depreciation was charged to the following activities:

GOVERNMENTAL ACTIVITIES

General government	\$ 412,238
Public safety	682,963
Public works	1,113,702
Culture and recreation	<u>103,404</u>
	<u>\$ 2,312,307</u>

BUSINESS-TYPE ACTIVITIES

Sewer	\$ 1,031,427
Parking	<u>733,222</u>
	<u>\$ 1,764,649</u>

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BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE G - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2022:

	<u>Maturity Date</u>	<u>Balance January 1, 2022</u>	<u>Additions</u>
GOVERNMENTAL ACTIVITIES			
General obligation bonds and notes			
GOB Series 2012C	2023	\$ 410,000	\$ -
GOB Series 2013	2024	150,000	-
GON Series 2014	2034	486,829	-
GOB Series 2016A	2045	8,433,150	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES		<u>9,479,979</u>	<u>-</u>
Deferred amounts			
Issuance discount		(1,485)	-
Issuance premium		60,833	-
TOTAL DEFERRED AMOUNTS		<u>59,348</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE		9,539,327	-
Compensated absences		846,157	268,546
Net pension liability		-	12,082,320
Postemployment benefits		5,730,503	84,334
TOTAL GOVERNMENTAL ACTIVITIES LONG- TERM LIABILITIES		<u>16,115,987</u>	<u>12,435,200</u>
BUSINESS-TYPE ACTIVITIES			
General obligation bonds and notes			
GOB Series 2013	2027	1,645,000	-
GON Series 2014	2034	198,171	-
GOB Series 2016	2045	10,451,850	-
GOB Series 2016A	2040	945,000	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES		<u>13,240,021</u>	<u>-</u>
Deferred amounts			
Issuance premium		46,081	-
TOTAL DEFERRED AMOUNTS		<u>46,081</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE		13,286,102	-
Compensated absences		20,780	3,175
Net pension liability		-	777,778
TOTAL BUSINESS-TYPE ACTIVITIES LONG- TERM LIABILITIES		<u>13,306,882</u>	<u>780,953</u>
TOTAL LONG-TERM LIABILITIES		<u>\$ 29,422,869</u>	<u>\$ 13,216,153</u>

<u>Reductions</u>	<u>Balance December 31, 2022</u>	<u>Due Within One Year</u>
\$ -	\$ 410,000	\$ 410,000
(50,000)	100,000	50,000
(31,271)	455,558	31,981
<u>(153,406)</u>	<u>8,279,744</u>	<u>165,340</u>
(234,677)	9,245,302	657,321
742	(743)	(743)
<u>(3,618)</u>	<u>57,215</u>	<u>3,618</u>
<u>(2,876)</u>	<u>56,472</u>	<u>2,875</u>
(237,553)	9,301,774	660,196
-	1,114,703	-
-	12,082,320	-
<u>-</u>	<u>5,814,837</u>	<u>-</u>
(237,553)	28,313,634	660,196
(260,000)	1,385,000	265,000
(12,729)	185,442	13,019
(186,594)	10,265,256	204,660
<u>(40,000)</u>	<u>905,000</u>	<u>40,000</u>
(499,323)	12,740,698	522,679
(6,362)	39,719	6,362
<u>(6,362)</u>	<u>39,719</u>	<u>6,362</u>
(505,685)	12,780,417	529,041
-	23,955	-
<u>-</u>	<u>777,778</u>	<u>-</u>
(505,685)	13,582,150	529,041
<u>\$ (743,238)</u>	<u>\$ 41,895,784</u>	<u>\$ 1,189,237</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE G - 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, 2022:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
OUTSTANDING AT JANUARY 1	\$ 9,539,327	\$ 13,286,102	\$ 22,825,429
Reductions	<u>(237,553)</u>	<u>(505,685)</u>	<u>(743,238)</u>
OUTSTANDING AT DECEMBER 31	<u>\$ 9,301,774</u>	<u>\$ 12,780,417</u>	<u>\$ 22,082,191</u>
DUE WITHIN ONE YEAR	<u>\$ 660,196</u>	<u>\$ 529,041</u>	<u>\$ 1,189,237</u>

The following is a reconciliation between the above schedule and the statement of net position at December 31, 2022.

GOVERNMENTAL ACTIVITIES		
Outstanding debt at face value		\$ 9,245,302
Unamortized premium		57,215
Unamortized discount		<u>(743)</u>
OUTSTANDING DEBT NET OF DEFERRALS		<u>\$ 9,301,774</u>
Per statement of net position		
Current portion		\$ 660,196
Long-term portion		<u>8,641,578</u>
TOTAL PER STATEMENT OF NET POSITION		<u>\$ 9,301,774</u>
BUSINESS-TYPE ACTIVITIES		
Outstanding debt at face value		\$ 12,740,698
Unamortized premium		<u>39,719</u>
OUTSTANDING DEBT NET OF DEFERRALS		<u>\$ 12,780,417</u>
Per statement of net position		
Current portion		\$ 529,041
Long-term portion		<u>12,251,376</u>
TOTAL PER STATEMENT OF NET POSITION		<u>\$ 12,780,417</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE G - 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%.

Parking Revenue Bonds and Notes

In May 2013, the Borough issued General Obligation Bond, Series of 2013, 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 General Obligation Bond, Series of 2014, 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.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE G - LONG-TERM LIABILITIES (Continued)

In January 2016, the Borough issued General Obligation Bond, Series of 2016, 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%.

Debt Maturities

Scheduled repayments of interest and principal maturities as of December 31, 2022, 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
2023	\$ 657,321	\$ 300,213	\$ 522,679	\$ 413,671	\$ 1,180,000	\$ 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	340,114	258,006	725,886	338,713	1,066,000	596,719
2028-2032	2,691,079	1,084,844	3,406,921	1,400,984	6,098,000	2,485,828
2033-2037	3,112,688	607,528	4,055,312	797,010	7,168,000	1,404,538
2038-2042	1,320,485	134,597	1,814,515	175,006	3,135,000	309,603
2043-2045	131,169	10,613	178,831	13,137	310,000	23,750
	<u>\$ 9,245,302</u>	<u>\$ 3,233,270</u>	<u>\$ 12,740,698</u>	<u>\$ 4,272,472</u>	<u>\$ 21,986,000</u>	<u>\$ 7,505,742</u>

Compensated Absences

Compensated absences obligations of the Borough for the year ended December 31, 2022, are as follows:

	Governmental Activities	Business-Type Activities	Totals
OUTSTANDING AT JANUARY 1	\$ 846,157	\$ 20,780	\$ 866,937
(Deletions)/additions	<u>268,546</u>	<u>3,175</u>	<u>271,721</u>
OUTSTANDING AT DECEMBER 31	<u>\$ 1,114,703</u>	<u>\$ 23,955</u>	<u>\$ 1,138,658</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE H - TAXES

For 2022, the following tax was levied on assessed value of real estate:

7.26 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, 2022, is \$757,590,425.

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 2022:

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

NOTE I - LOANS AND NOTES RECEIVABLE

Governmental Funds

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</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	\$ 210,209	\$ 31,764	\$ 241,973
2024	10,310	160	10,470
2025	<u>10,415</u>	<u>57</u>	<u>10,472</u>
	<u>\$ 230,934</u>	<u>\$ 31,981</u>	<u>\$ 262,915</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - 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.

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, 2022, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	42
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>43</u>
	<u>88</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.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - POLICE PENSION PLAN (Continued)

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.

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 \$1,863,069 to the plan for the year 2022. The Borough's actual contributions for the plan year 2022 were \$2,041,917.

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.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - POLICE PENSION PLAN (Continued)

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, 2022:

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

Rate of Return - For the year ended December 31, 2022, the annual money-weighted rate of return on plan investments, net of plan investment expense, was (15.53%). 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, 2022, were as follows:

TOTAL PENSION LIABILITY	\$ 48,482,952
Plan fiduciary net position	<u>(40,621,425)</u>
NET PENSION LIABILITY (ASSET)	<u>\$ 7,861,527</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83.78%</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - POLICE PENSION PLAN (Continued)

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.

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, 2022 (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	0.44% - 4.96%
Cash equivalents	0.07% - 0.53%

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - POLICE PENSION PLAN (Continued)

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
	<u> </u>	<u> </u>	<u> </u>
Balances at December 31, 2021	\$ 46,704,940	\$ 48,638,058	\$ (1,933,118)
Changes for the year:			
Service cost	718,539	-	718,539
Interest	3,132,270	-	3,132,270
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions			
Employer	-	2,041,917	(2,041,917)
Member	-	274,576	(274,576)
Net investment income(loss)	-	(8,125,007)	8,125,007
Benefit payments	(2,072,797)	(2,072,797)	-
Administrative expense	-	(135,322)	135,322
Net changes	<u>1,778,012</u>	<u>(8,016,633)</u>	<u>9,794,645</u>
Balances at December 31, 2022	<u>\$ 48,482,952</u>	<u>\$ 40,621,425</u>	<u>\$ 7,861,527</u>

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%)
	<u> </u>	<u> </u>	<u> </u>
Net pension liability (asset)	\$ <u>13,719,841</u>	\$ <u>7,861,527</u>	\$ <u>2,985,414</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE J - POLICE PENSION PLAN (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2022, the Borough recognized pension expense of \$1,617,555 for the Police Pension Plan. At December 31, 2022, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 739,181
Change of assumptions	1,001,561	-
Net difference between projected and actual earnings on pension plan investments	<u>5,485,824</u>	<u>-</u>
	<u>\$ 6,487,385</u>	<u>\$ 739,181</u>

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

<u>Year Ending December 31,</u>	
2023	\$ 290,901
2024	1,203,308
2025	1,975,473
2026	<u>2,278,522</u>
	<u>\$ 5,748,204</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE K - 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, 2022, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	48
Inactive plan members entitled to but not yet receiving benefits	41
Active plan members	<u>43</u>
	<u><u>132</u></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, 2022

NOTE K - 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 \$614,244 to the plan for the year 2022. The Borough’s actual contributions for the plan year 2022 were \$614,244.

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, 2022:

<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, 2022

NOTE K - NON-UNIFORMED PENSION PLAN (Continued)

Rate of Return - For the year ended December 31, 2022, the annual money-weighted rate of return on plan investments, net of plan investment expense, was (16.83%). 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, 2022, were as follows:

TOTAL PENSION LIABILITY	\$ 25,617,254
Plan fiduciary net position	<u>(20,618,683)</u>
 NET PENSION LIABILITY (ASSET)	 \$ <u>4,998,571</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>80.5%</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, 2022

NOTE K - 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, 2022 (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	0.44% - 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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at December 31, 2021	\$ 24,808,993	\$ 25,229,527	\$ (420,534)
Changes for the year:			
Service cost	245,372	-	245,372
Interest	1,654,916	-	1,654,916
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions			
Employer	-	614,244	(614,244)
Member	-	103,834	(103,834)
Net investment income(loss)	-	(4,160,918)	4,160,918
Benefit payments	(1,092,027)	(1,092,027)	-
Administrative expense	-	(75,977)	75,977
Net changes	<u>808,261</u>	<u>(4,610,844)</u>	<u>5,419,105</u>
Balances at December 31, 2022	<u>\$ 25,617,254</u>	<u>\$ 20,618,683</u>	<u>\$ 4,998,571</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE K - 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>8,199,478</u>	\$ <u>4,998,571</u>	\$ <u>2,306,693</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2022, the Borough recognized pension expense of \$842,949 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	\$ -	\$ 249,387
Change of assumptions	402,560	-
Net difference between projected and actual earnings on pension plan investments	<u>2,758,635</u>	<u>-</u>
	<u>\$ 3,161,195</u>	<u>\$ 249,387</u>

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

<u>Year Ending December 31,</u>	
2023	\$ 190,895
2024	648,234
2025	903,902
2026	<u>1,168,777</u>
	<u>\$ 2,911,808</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE L - 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, 2022

NOTE L - 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, 2022, 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 \$5,814,837 was measured as of December 31, 2022 and was determined by an actuarial valuation as of January 1, 2021.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE L - 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, 2021	\$ <u>5,730,503</u>
Changes for the year:	
Service cost	257,634
Interest	145,740
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(319,040)
Other changes	-
Net changes	<u>84,334</u>
Balances at December 31, 2022	\$ <u>5,814,837</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, 2022

NOTE L - 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>6,318,849</u>	\$ <u>5,814,837</u>	\$ <u>5,364,536</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>5,219,934</u>	\$ <u>5,814,837</u>	\$ <u>6,513,741</u>

OPEB Expense and Deferred Outflows of Resource and Deferred Inflows of Resources Related to OPEB - For the year ended December 31, 2022, the Borough recognized OPEB expense of \$328,657. At December 31, 2022, 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	\$ -	\$ 640,573
Change of assumptions	<u>312,071</u>	<u>-</u>
	<u>\$ 312,071</u>	<u>\$ 640,573</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE L - 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>	
2023	\$ (74,717)
2024	(74,717)
2025	(74,717)
2026	(74,717)
2027	(24,666)
Thereafter	<u>(4,968)</u>
	<u>\$ (328,502)</u>

NOTE M - 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.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE N - PRIOR PERIOD ADJUSTMENT

During the year, the Borough became aware of an adjustment needed to correct the due to and due from balances in the general fund, debt service fund, shade tree fund, highway aid fund, sewer fund and parking fund. Below summarizes the restated balances as of January 1, 2021:

	<u>December 31, 2020 Balance</u>	<u>Restatement</u>	<u>January 1, 2021 Balance</u>	<u>2021 Activity*</u>	<u>January 1, 2022 Balance</u>
General Fund					
Due to other funds	\$ 7,602,109	\$ (6,516,097)	\$ 1,086,012	\$ -	\$ 1,086,012
Fund balance	(7,535,508)	6,516,097	(1,019,411)	1,261,511	242,100
Debt Service Fund					
Due from other funds	498,660	(186,996)	311,664	-	311,664
Fund balance	631,836	(186,996)	444,840	(24,960)	419,880
Shade Tree Fund					
Due from other funds	17,830	(17,830)	-	-	-
Fund balance	17,209	(17,830)	(621)	-	(621)
Highway Aid Fund					
Due from other funds	450,151	(451,366)	(1,215)	-	(1,215)
Fund balance	1,248,939	(451,366)	797,573	(227,682)	569,891
Sewer Fund					
Due from other funds	3,785,116	(2,451,902)	1,333,214	-	1,333,214
Net position	12,997,110	(2,451,902)	10,545,208	304,445	10,849,653
Parking Fund					
Due from other funds	4,754,037	(3,408,003)	1,346,034	-	1,346,034
Net position	11,310,999	(3,408,003)	7,902,996	730,346	8,633,342
Governmental Activities					
Internal balances	(8,539,153)	5,859,905	(2,679,248)	-	(2,679,248)
Net position	5,674,510	5,859,905	11,534,415	4,282,717	15,817,132
Business-Type Activities					
Internal balances	8,539,153	(5,859,905)	2,679,248	-	2,679,248
Net position	24,308,109	(5,859,905)	18,448,204	1,034,791	19,482,995

* Represents change in net position/fund balance

In addition, the Borough implemented GASB Statement No. 87, Leases, effective January 1, 2022. The Statement requires recognition of lease receivables and deferred inflows of resources using the foundational principle that leases are financings of the right to use an underlying asset.

The Statement requires retroactive restatement to the earliest period presented. The Borough has treated the beginning of the year lease receivables and deferred inflows of resources as having been recognized in the period incurred. As part of the implementation, the Borough has adjusted the beginning balance of both Lease receivables and Deferred inflows of resources related to leases from \$0 to \$710,380.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF WEST CHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 12,792,733	\$ 12,792,733	\$ 13,651,383	\$ 858,650
Licenses and permits	1,059,500	1,059,500	1,418,341	358,841
Fines, forfeits and costs	475,000	475,000	315,342	(159,658)
Interest and rents	500	500	28,003	27,503
Intergovernmental revenues	1,444,071	1,444,071	998,090	(445,981)
Charges for services/fees	1,926,517	1,926,517	2,067,389	140,872
Program revenue/other	408,250	408,250	828,482	420,232
TOTAL REVENUES	18,106,571	18,106,571	19,307,030	1,200,459
EXPENDITURES				
Current				
General government	2,923,066	2,923,066	2,778,794	144,272
Public safety	8,357,861	8,357,861	8,106,431	251,430
Public works				
Highways and streets	2,807,647	2,807,647	3,237,895	(430,248)
Sanitation	707,257	707,257	618,809	88,448
Culture and recreation	666,650	666,650	623,653	42,997
Insurance, employee benefits, payroll taxes	4,014,302	4,014,302	3,354,877	659,425
Refunds of prior year revenues	6,500	6,500	3,385	3,115
Debt service				
Principal	449,000	449,000	234,677	214,323
Interest and other charges	319,927	319,927	319,936	(9)
TOTAL EXPENDITURES	20,252,210	20,252,210	19,278,457	973,753
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,145,639)	(2,145,639)	28,573	2,174,212
OTHER FINANCING SOURCES (USES)				
Transfers in	2,977,290	2,977,290	3,893,393	916,103
Transfers out	(876,651)	(876,651)	(2,095,763)	(1,219,112)
Appropriated fund balance	45,000	45,000	-	(45,000)
TOTAL OTHER FINANCING SOURCES (USES)	2,145,639	2,145,639	1,797,630	(348,009)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	1,826,203	\$ 1,826,203
FUND BALANCE AT BEGINNING OF YEAR, RESTATE*			242,100	*
FUND BALANCE AT END OF YEAR			\$ 2,068,303	

BOROUGH OF WEST CHESTER
BUDGETARY COMPARISON SCHEDULE
STORMWATER FUND
YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Interest and rents	\$ 500	\$ 500	\$ -	\$ (500)
Program revenue/other	1,104,500	1,104,500	1,361,208	256,708
TOTAL REVENUES	<u>1,105,000</u>	<u>1,165,135</u>	<u>1,361,208</u>	<u>196,073</u>
EXPENDITURES				
Current				
Public works				
Highways and streets	<u>952,534</u>	<u>952,534</u>	<u>551,663</u>	<u>400,871</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>212,601</u>	<u>212,601</u>	<u>809,545</u>	<u>596,944</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	263,823	263,823
Transfers out	(212,601)	(212,601)	(212,601)	-
Appropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(212,601)</u>	<u>(212,601)</u>	<u>51,222</u>	<u>263,823</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>860,767</u>	<u>\$ 860,767</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>(564,702)</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 296,065</u>	

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 718,539	\$ 716,052	\$ 767,879
Interest	3,132,270	3,013,689	2,923,630
Differences between expected and actual experience	-	(667,621)	-
Changes of assumptions	-	1,669,269	-
Benefit payments	<u>(2,072,797)</u>	<u>(1,881,273)</u>	<u>(1,642,125)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,778,012	2,850,116	2,049,384
Total pension liability, beginning	<u>46,704,940</u>	<u>43,854,824</u>	<u>41,805,440</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u><u>\$ 48,482,952</u></u>	<u><u>\$ 46,704,940</u></u>	<u><u>\$ 43,854,824</u></u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 2,041,917	\$ 1,996,850	\$ 2,489,123
Member	274,576	248,392	240,903
Net investment income(loss)	(8,125,007)	5,401,579	5,889,410
Benefit payments, including refunds of member contributions	<u>(2,072,797)</u>	<u>(1,881,273)</u>	<u>(1,642,125)</u>
Administrative expense	<u>(135,322)</u>	<u>(161,641)</u>	<u>(134,106)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(8,016,633)	5,603,907	6,843,205
Plan fiduciary net position, beginning	<u>48,638,058</u>	<u>43,034,151</u>	<u>36,190,946</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u><u>\$ 40,621,425</u></u>	<u><u>\$ 48,638,058</u></u>	<u><u>\$ 43,034,151</u></u>
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	<u><u>\$ 7,861,527</u></u>	<u><u>\$ (1,933,118)</u></u>	<u><u>\$ 820,673</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>84%</u>	<u>104%</u>	<u>98%</u>
COVERED PAYROLL	<u><u>\$ 5,109,490</u></u>	<u><u>\$ 5,117,195</u></u>	<u><u>\$ 4,323,448</u></u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	<u>153.9%</u>	<u>-37.8%</u>	<u>19.0%</u>

NOTE TO SCHEDULE

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2019	2018	2017	2016	2015	2014
\$ 759,380	\$ 748,989	\$ 783,845	\$ 752,065	\$ 732,709	\$ 678,819
2,782,303	2,725,338	2,580,018	2,411,340	2,259,662	2,123,006
-	-	15,670	-	(129,301)	-
(1,306,064)	-	2,629,935	-	-	-
<u>(1,424,009)</u>	<u>(1,307,713)</u>	<u>(1,200,099)</u>	<u>(1,070,035)</u>	<u>(911,547)</u>	<u>(897,375)</u>
811,610	2,166,614	4,809,369	2,093,370	1,951,523	1,904,450
<u>40,993,830</u>	<u>38,827,216</u>	<u>34,017,847</u>	<u>31,924,477</u>	<u>29,972,954</u>	<u>28,068,504</u>
<u>\$ 41,805,440</u>	<u>\$ 40,993,830</u>	<u>\$ 38,827,216</u>	<u>\$ 34,017,847</u>	<u>\$ 31,924,477</u>	<u>\$ 29,972,954</u>
\$ 2,528,180	\$ 1,723,834	\$ 1,702,757	\$ 1,688,516	\$ 1,635,104	\$ 1,371,024
244,947	141,488	188,719	145,885	186,753	141,359
5,857,213	(1,569,741)	3,936,983	1,432,651	142,345	1,042,254
(1,424,009)	(1,307,713)	(1,200,099)	(1,070,035)	(911,547)	(897,375)
<u>(114,528)</u>	<u>(133,222)</u>	<u>(83,015)</u>	<u>(14,847)</u>	<u>(2,250)</u>	<u>(2,010)</u>
7,091,803	(1,145,354)	4,545,345	2,182,170	1,050,405	1,655,252
<u>29,099,143</u>	<u>30,244,497</u>	<u>25,699,152</u>	<u>23,516,982</u>	<u>22,466,577</u>	<u>20,811,325</u>
<u>\$ 36,190,946</u>	<u>\$ 29,099,143</u>	<u>\$ 30,244,497</u>	<u>\$ 25,699,152</u>	<u>\$ 23,516,982</u>	<u>\$ 22,466,577</u>
<u>\$ 5,614,494</u>	<u>\$ 11,894,687</u>	<u>\$ 8,582,719</u>	<u>\$ 8,318,695</u>	<u>\$ 8,407,495</u>	<u>\$ 7,506,377</u>
<u>87%</u>	<u>71%</u>	<u>78%</u>	<u>76%</u>	<u>74%</u>	<u>75%</u>
<u>\$ 4,862,472</u>	<u>\$ 4,680,828</u>	<u>\$ 4,515,741</u>	<u>\$ 4,788,889</u>	<u>\$ 4,641,455</u>	<u>\$ 4,694,659</u>
<u>115.5%</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 NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 1,863,069	\$ 1,996,850	\$ 1,916,209
CONTRIBUTIONS IN RELATION TO THE TO THE DETERMINED CONTRIBUTION ACTUARIALLY	<u>2,041,917</u>	<u>1,996,850</u>	<u>2,489,123</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (178,848)</u>	<u>\$ -</u>	<u>\$ (572,914)</u>
COVERED PAYROLL	<u>\$ 5,109,490</u>	<u>\$ 5,117,195</u>	<u>\$ 4,323,448</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>40.0%</u>	<u>39.0%</u>	<u>57.6%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2021 January 1, 2019

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	8 years
Asset valuation method	4-year smoothing	4-year smoothing
Inflation	2.50%	2.75%
Salary increases	4.75% including inflation	5% including inflation
Investment rate of return	6.75%, 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	2010 public retirement plan - Public Safety mortality tables (PubS-2010)	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 2022.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 2,137,162	\$ 1,673,834	\$ 1,692,101	\$ 1,693,324	\$ 1,635,104	\$ 1,371,024
<u>2,528,180</u>	<u>1,723,834</u>	<u>1,697,948</u>	<u>1,693,324</u>	<u>1,635,104</u>	<u>1,371,024</u>
\$ <u>(391,018)</u>	\$ <u>(50,000)</u>	\$ <u>(5,847)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>4,862,472</u>	\$ <u>4,680,828</u>	\$ <u>4,515,741</u>	\$ <u>4,788,889</u>	\$ <u>4,641,455</u>	\$ <u>4,694,659</u>
<u>52.0%</u>	<u>36.8%</u>	<u>37.6%</u>	<u>35.4%</u>	<u>35.2%</u>	<u>29.2%</u>

January 1, 2017

January 1, 2015

January 1, 2013

Entry age normal
Level dollar, closed
9 years
4-year smoothing
2.75%
5% including inflation
7.0%, 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-2014 with 50%
blue collar adjustment

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 NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-15.53%</u>	<u>11.64%</u>	<u>16.42%</u>

NOTE TO SCHEDULE

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<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u><u>20.41%</u></u>	<u><u>-5.26%</u></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 NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 245,372	\$ 251,146	\$ 270,409
Interest	1,654,916	1,600,010	1,567,344
Differences between expected and actual experience	-	(403,875)	-
Changes of assumptions	-	805,122	-
Benefit payments	<u>(1,092,027)</u>	<u>(973,846)</u>	<u>(840,847)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	808,261	1,278,557	996,906
Total pension liability, beginning	<u>24,808,993</u>	<u>23,530,436</u>	<u>22,533,530</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u><u>\$ 25,617,254</u></u>	<u><u>\$ 24,808,993</u></u>	<u><u>\$ 23,530,436</u></u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 614,244	\$ 726,457	\$ 1,077,826
Member	103,834	116,006	110,191
Net investment income(loss)	(4,160,918)	2,846,171	3,110,462
Benefit payments, including refunds of member contributions	(1,092,027)	(973,846)	(840,847)
Administrative expense	<u>(75,977)</u>	<u>(96,039)</u>	<u>(80,954)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(4,610,844)	2,618,749	3,376,678
Plan fiduciary net position, beginning	<u>25,229,527</u>	<u>22,610,778</u>	<u>19,234,100</u>
PLAN FIDUCIARY NET POSITON, ENDING (b)	<u><u>\$ 20,618,683</u></u>	<u><u>\$ 25,229,527</u></u>	<u><u>\$ 22,610,778</u></u>
NET PENSION LIABILITY (ASSET), ENDING (a)-(b)	<u><u>\$ 4,998,571</u></u>	<u><u>\$ (420,534)</u></u>	<u><u>\$ 919,658</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>80%</u>	<u>102%</u>	<u>96%</u>
COVERED PAYROLL	<u><u>\$ 2,872,383</u></u>	<u><u>\$ 3,063,749</u></u>	<u><u>\$ 3,474,775</u></u>
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	<u>174.0%</u>	<u>-13.7%</u>	<u>26.5%</u>

NOTE TO SCHEDULE

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2019	2018	2017	2016	2015	2014
\$ 258,765	\$ 310,924	\$ 302,539	\$ 303,806	\$ 305,258	\$ 366,334
1,501,562	1,460,427	1,389,969	1,320,111	1,252,809	1,213,215
(363,782)	-	(634,987)	-	(360,948)	-
-	-	1,933,463	-	-	-
<u>(823,904)</u>	<u>(713,505)</u>	<u>(675,808)</u>	<u>(655,587)</u>	<u>(662,809)</u>	<u>(597,595)</u>
572,641	1,057,846	2,315,176	968,330	534,310	981,954
<u>21,960,889</u>	<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>\$ 22,533,530</u>	<u>\$ 21,960,889</u>	<u>\$ 20,903,043</u>	<u>\$ 18,587,867</u>	<u>\$ 17,619,537</u>	<u>\$ 17,085,227</u>
\$ 1,074,767	\$ 822,974	\$ 916,611	\$ 891,062	\$ 940,085	\$ 952,607
112,716	112,953	108,443	100,381	86,703	98,581
3,142,181	(845,375)	2,137,290	776,943	90,312	559,636
(823,904)	(713,505)	(675,808)	(655,587)	(662,809)	(597,595)
<u>(64,905)</u>	<u>(81,396)</u>	<u>(49,820)</u>	<u>(12,533)</u>	<u>(2,700)</u>	<u>(5,010)</u>
3,440,855	(704,349)	2,436,716	1,100,266	451,591	1,008,219
<u>15,793,245</u>	<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>\$ 19,234,100</u>	<u>\$ 15,793,245</u>	<u>\$ 16,497,594</u>	<u>\$ 14,060,878</u>	<u>\$ 12,960,612</u>	<u>\$ 12,509,021</u>
<u>\$ 3,299,430</u>	<u>\$ 6,167,644</u>	<u>\$ 4,405,449</u>	<u>\$ 4,526,989</u>	<u>\$ 4,658,925</u>	<u>\$ 4,576,206</u>
<u>85%</u>	<u>72%</u>	<u>79%</u>	<u>76%</u>	<u>74%</u>	<u>73%</u>
<u>\$ 3,478,896</u>	<u>\$ 3,504,428</u>	<u>\$ 3,911,268</u>	<u>\$ 3,952,818</u>	<u>\$ 3,999,805</u>	<u>\$ 4,210,452</u>
<u>94.8%</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 NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 614,244	\$ 726,457	\$ 749,902
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>614,244</u>	<u>726,457</u>	<u>1,077,826</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (327,924)</u>
COVERED PAYROLL	<u>\$ 2,872,383</u>	<u>\$ 3,063,749</u>	<u>\$ 3,474,775</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>21.4%</u>	<u>23.7%</u>	<u>31.0%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2021 January 1, 2019

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	11 years	10 years
Asset valuation method	4-year smoothing	4-year smoothing
Inflation	2.75%	2.75%
Salary increases	4.25% including inflation	4.5% including inflation
Investment rate of return	6.75%	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	PubG-2010 Mortality Table. Mortality improvement rates derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration's Trustee Report.	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 2022.

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

January 1, 2017

January 1, 2015

January 1, 2013

Entry age normal
Level dollar, closed
10 years
4-year smoothing
2.75%
4.5% including inflation
7.0%
Normal retirement age, or
attained age, if eligible to retire
Assumed life expectancies are
based on the RP-2014 with 50%
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

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 NINE FISCAL YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>-16.83%</u>	<u>12.65%</u>	<u>16.34%</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 2022.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u><u>20.21%</u></u>	<u><u>-5.18%</u></u>	<u><u>15.55%</u></u>	<u><u>6.60%</u></u>	<u><u>1.02%</u></u>	<u><u>5.32%</u></u>

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>
TOTAL OPEB LIABILITY			
Service cost	\$ 257,634	\$ 251,350	\$ 234,911
Interest	145,740	143,424	213,040
Differences between expected and actual experience	-	(549,763)	-
Changes of assumptions	-	411,046	-
Benefit payments	<u>(319,040)</u>	<u>(297,909)</u>	<u>(241,299)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	84,334	(41,852)	206,652
TOTAL OPEB LIABILITY, BEGINNING	<u>5,730,503</u>	<u>5,772,355</u>	<u>5,565,703</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 5,814,837</u>	<u>\$ 5,730,503</u>	<u>\$ 5,772,355</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.

<u>2019</u>	<u>2018</u>
\$ 228,624	\$ 204,877
205,906	215,130
(478,612)	-
28,173	-
<u>(259,683)</u>	<u>(219,244)</u>
(275,592)	200,763
<u>5,841,295</u>	<u>5,640,532</u>
<u>\$ 5,565,703</u>	<u>\$ 5,841,295</u>

SUPPLEMENTARY INFORMATION

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BOROUGH OF WEST CHESTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2022

	Urban Development Action Grant Fund	Shade Tree Fund	Fire Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 3,075	\$ -	\$ 224,883
Interest receivable	530	-	-
Note receivable	30,934	-	-
Due from other funds	<u>1,458</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 35,997</u>	<u>\$ -</u>	<u>\$ 224,883</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and other liabilities	\$ -	\$ -	\$ 1,111
Accrued liabilities	-	621	232,754
Due to other funds	<u>-</u>	<u>-</u>	<u>1,000</u>
TOTAL LIABILITIES	<u>-</u>	<u>621</u>	<u>234,865</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Note receivable	<u>30,934</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted	-	-	-
Assigned	-	-	-
Unassigned	<u>5,063</u>	<u>(621)</u>	<u>(9,982)</u>
TOTAL FUND BALANCES	<u>5,063</u>	<u>(621)</u>	<u>(9,982)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 35,997</u>	<u>\$ -</u>	<u>\$ 224,883</u>

Parks and Recreation Fund	Capital Improvement Fund	Highway Aid Fund	Totals	
			2022	2021
\$ 5,511	\$ 41,341	\$ 177,185	\$ 451,995	\$ 967,991
-	-	-	530	530
-	-	-	30,934	36,000
-	-	-	1,458	467,981
<u>\$ 5,511</u>	<u>\$ 41,341</u>	<u>\$ 177,185</u>	<u>\$ 484,917</u>	<u>\$ 1,472,502</u>

\$ -	\$ -	\$ -	\$ 1,111	\$ 3,880
600	-	31,286	265,261	128,893
195,734	18,531	1,215	216,480	269,217
<u>196,334</u>	<u>18,531</u>	<u>32,501</u>	<u>482,852</u>	<u>401,990</u>

-	-	-	30,934	36,000
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-	-	144,684	144,684	1,021,257
-	22,810	-	22,810	219,635
(190,823)	-	-	(196,363)	(206,380)
<u>(190,823)</u>	<u>22,810</u>	<u>144,684</u>	<u>(28,869)</u>	<u>1,034,512</u>

<u>\$ 5,511</u>	<u>\$ 41,341</u>	<u>\$ 177,185</u>	<u>\$ 484,917</u>	<u>\$ 1,472,502</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, 2022

	Urban Development Action Grant Fund	Shade Tree Fund	Fire Fund
REVENUES			
Intergovernmental revenues	\$ -	\$ -	\$ 136,474
Charges for services	-	-	761,398
Fees, licenses and permits	-	-	-
Interest and rents	215	-	-
Program revenue/other	5,066	-	-
TOTAL REVENUES	<u>5,281</u>	<u>-</u>	<u>897,872</u>
EXPENDITURES			
Streets and highways	-	-	-
Public safety	-	-	1,502,551
Culture and recreation	-	-	-
Refund of prior year revenues	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>1,502,551</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>5,281</u>	<u>-</u>	<u>(604,679)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	422,419
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>422,419</u>
NET CHANGE IN FUND BALANCES	5,281	-	(182,260)
FUND BALANCES AT BEGINNING OF YEAR, RESTATED*	<u>(218)</u>	<u>(621) *</u>	<u>172,278</u>
FUND BALANCES AT END OF YEAR	<u>\$ 5,063</u>	<u>\$ (621)</u>	<u>\$ (9,982)</u>

Parks and Recreation Fund	Capital Improvement Fund	Highway Aid Fund	Totals	
			2022	2021
\$ -	\$ -	\$ 416,005	\$ 552,479	\$ 692,021
-	-	-	761,398	761,398
-	-	-	-	1,000
2	597	366	1,180	976
12,861	-	-	17,927	54,260
<u>12,863</u>	<u>597</u>	<u>416,371</u>	<u>1,332,984</u>	<u>1,509,655</u>
-	-	841,578	841,578	645,230
-	-	-	1,502,551	1,005,655
2,524	-	-	2,524	799,766
-	-	-	-	364
<u>2,524</u>	<u>-</u>	<u>841,578</u>	<u>2,346,653</u>	<u>2,451,015</u>
<u>10,339</u>	<u>597</u>	<u>(425,207)</u>	<u>(1,013,669)</u>	<u>(941,360)</u>
5,000	-	404,521	831,940	1,198,419
<u>-</u>	<u>(7,935)</u>	<u>(404,521)</u>	<u>(412,456)</u>	<u>-</u>
<u>5,000</u>	<u>(7,935)</u>	<u>-</u>	<u>419,484</u>	<u>1,198,419</u>
15,339	(7,338)	(425,207)	(594,185)	257,059
<u>(206,162)</u>	<u>30,148</u>	<u>569,891 *</u>	<u>565,316</u>	<u>777,453</u>
<u>\$ (190,823)</u>	<u>\$ 22,810</u>	<u>\$ 144,684</u>	<u>\$ (28,869)</u>	<u>\$ 1,034,512</u>

BOROUGH OF WEST CHESTER
COMBINING STATEMENT OF FIDUCIARY
NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022

	Police Pension Fund	Non-Uniformed Pension Fund	Totals	
			2022	2021
ASSETS				
Cash and cash equivalents	\$ 2,314,044	\$ 1,084,091	\$ 3,398,135	\$ 1,765,837
Investments, at fair value	38,262,358	19,126,098	57,388,456	71,693,400
Investments, at contract value	-	360,446	360,446	383,565
Member contributions receivable	-	25,605	25,605	32,169
Due from other funds	-	19,286	19,286	-
Interest receivable	83,284	3,401	86,685	7
	<u>40,659,686</u>	<u>20,618,927</u>	<u>61,278,613</u>	<u>73,874,978</u>
TOTAL ASSETS	\$ 40,659,686	\$ 20,618,927	\$ 61,278,613	\$ 73,874,978
LIABILITIES AND NET POSITION				
LIABILITIES				
Refund of member contributions payable	\$ 7,150	\$ 244	\$ 7,394	\$ 7,393
Member benefits payable	11,825	-	11,825	-
Due to other funds	19,286	-	19,286	-
	<u>38,261</u>	<u>244</u>	<u>38,505</u>	<u>7,393</u>
TOTAL LIABILITIES	38,261	244	38,505	7,393
NET POSITION				
Restricted for pensions	<u>40,621,425</u>	<u>20,618,683</u>	<u>61,240,108</u>	<u>73,867,585</u>
	<u>40,659,686</u>	<u>20,618,927</u>	<u>61,278,613</u>	<u>73,874,978</u>
TOTAL LIABILITIES AND NET POSITION	\$ 40,659,686	\$ 20,618,927	\$ 61,278,613	\$ 73,874,978

BOROUGH OF WEST CHESTER
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2022

	Police	Non-Uniformed	Totals	
	Pension Fund	Pension Fund	2022	2021
ADDITIONS				
Contributions				
State aid	\$ 618,189	\$ 210,683	\$ 828,872	\$ 772,362
Employer contributions	1,423,728	403,561	1,827,289	1,950,945
Employee contributions	274,576	103,834	378,410	364,398
TOTAL CONTRIBUTIONS	<u>2,316,493</u>	<u>718,078</u>	<u>3,034,571</u>	<u>3,087,705</u>
Investment income				
Investment earnings	1,356,134	679,756	2,035,890	1,510,583
Realized gain (loss) on investments	(16,138)	89,775	73,637	(1,542,604)
Net appreciation (depreciation) in fair value of investments	(9,465,005)	(4,930,449)	(14,395,454)	8,279,771
Investment expense	(130,147)	(66,805)	(196,952)	(231,499)
NET INVESTMENT INCOME	<u>(8,255,156)</u>	<u>(4,227,723)</u>	<u>(12,482,879)</u>	<u>8,016,251</u>
TOTAL ADDITIONS	<u>(5,938,663)</u>	<u>(3,509,645)</u>	<u>(9,448,308)</u>	<u>11,103,956</u>
DEDUCTIONS				
Benefits paid	2,072,795	1,092,027	3,164,822	2,818,083
Refund of member contributions	-	-	-	37,036
Administrative expenses	5,175	9,172	14,347	26,181
TOTAL DEDUCTIONS	<u>2,077,970</u>	<u>1,101,199</u>	<u>3,179,169</u>	<u>2,881,300</u>
CHANGE IN NET POSITION	(8,016,633)	(4,610,844)	(12,627,477)	8,222,656
NET POSITION AT BEGINNING OF YEAR				
	<u>48,638,058</u>	<u>25,229,527</u>	<u>73,867,585</u>	<u>65,644,929</u>
NET POSITION AT END OF YEAR				
	<u>\$ 40,621,425</u>	<u>\$ 20,618,683</u>	<u>\$ 61,240,108</u>	<u>\$ 73,867,585</u>