

BOROUGH OF WEST CHESTER

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2018



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of West Chester as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough of West Chester's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of West Chester as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Emphasis of Matter

For the year ended December 31, 2018, the Borough of West Chester adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include summarized prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2017, from which such summarized information was derived.

Required Supplementary Information

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

Other Information

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

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

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

Maillie LLP

West Chester, Pennsylvania
December 14, 2019

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

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, 2018. We encourage readers to consider the information presented herein in conjunction with additional information furnished in the financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

Entity-Wide

- The assets of the Borough exceeded its liabilities at the close of the year by \$26,383,719 (net position), a decrease of \$4,505,280 from the previous year, which is partially due to the current year implementation of GASB Statement No. 75.

Fund Level

- As of the close of the year, the Borough reported combined ending fund balances in governmental funds of \$3,693,593, a decrease of \$7,857,171 from the previous year. Of the current ending fund balances, \$32,107 and \$(2,267,620) are reported as nonspendable and unassigned, respectively, in the General Fund; \$7,662,915 as assigned in the Capital Operating Reserve Fund; \$(897,364) as unassigned in the Stormwater Fund; \$(3,612,627) as unassigned in the Equipment and Technology Fund; \$(3,906,956) as unassigned in the Capital Improvement Fund; \$2,346,331 and \$4,062,148 as restricted (for municipal building renovation and capital improvement projects) and assigned, respectively, in the Debt Service Fund; \$17,823, \$786,544, \$44,471, and \$(574,179) as nonspendable, restricted, assigned, and unassigned, respectively, in the non-major Governmental Funds such as Urban Development Action Grant Fund, Shade Tree Fund, Fire Fund, and Highway Aid Fund.

Long-Term Debt

- At the end of the current calendar year, the Borough had total bonded debt outstanding of \$25,510,000, a decrease of \$14,513,000 from the previous year. All of the bonded debt is backed by the full faith and credit of the Borough government. Governmental activities report \$10,797,773 of general obligation bonds and business-type activities report \$14,712,227 of parking revenue bonds.
- The Borough has a bonded debt rating of AA Stable from Standard and Poor's Investors Service for general obligation debt.
- Additional information on the Borough's long-term debt can be found in the notes to the financial statements.

Capital Assets

- As of December 31, 2018, the Borough has invested \$58,603,141 net of accumulated depreciation in a broad range of capital assets (see table on following page). Depreciation charges for the calendar year 2018 totaled \$3,860,240.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,728,054	\$ 1,728,054	\$ 643,605	\$ 643,605	\$ 2,371,659	\$ 2,371,659
Buildings	10,192,044	5,419,982	19,971,096	33,761,972	30,163,140	39,181,954
Improvements other than buildings	1,348,473	128,986	505,845	-	1,854,318	128,986
Infrastructure	7,429,610	7,610,287	9,534,953	10,359,689	16,964,563	17,969,976
Construction in progress	-	240,953	-	-	-	240,953
Furniture and equipment	1,500,016	1,164,546	1,041,290	1,002,822	2,541,306	2,167,368
Vehicles	4,574,148	5,197,723	134,007	166,101	4,708,155	5,363,824
TOTAL CAPITAL ASSETS	\$ 26,772,345	\$ 21,490,531	\$ 31,830,796	\$ 45,934,189	\$ 58,603,141	\$ 67,424,720

Major capital asset events during 2018 for governmental and business activities included the following:

- Borough Building Renovation
- Storm Protection Infrastructure

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

BOROUGH OF WEST CHESTER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

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

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

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

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

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	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current and other assets	\$ 6,478,738	\$ 13,204,906	\$ 9,088,341	\$ 7,793,953	\$ 15,567,079	\$ 20,998,859
Capital and related assets	26,772,345	21,490,531	31,830,796	45,934,189	58,603,141	67,424,720
TOTAL ASSETS	33,251,083	34,695,437	40,919,137	53,728,142	74,170,220	88,423,579
DEFERRED OUTFLOWS OF RESOURCES						
	5,612,726	3,485,727	360,260	236,121	5,972,986	3,721,848
LIABILITIES						
Long-term liabilities	34,244,284	27,144,235	15,336,729	28,344,855	49,581,013	55,489,090
Other liabilities	2,655,774	1,512,987	964,992	1,932,128	3,620,766	3,445,115
TOTAL LIABILITIES	36,900,058	28,657,222	16,301,721	30,276,983	53,201,779	58,934,205
DEFERRED INFLOWS OF RESOURCES						
	478,068	2,150,410	79,640	171,813	557,708	2,322,223
FUND BALANCES/NET POSITION						
Net investment in capital assets	18,256,000	17,880,715	17,183,113	17,421,941	35,439,113	35,302,656
Restricted	3,132,875	8,379,946	-	-	3,132,875	8,379,946
Unrestricted	(19,903,192)	(18,887,129)	7,714,923	6,093,526	(12,188,269)	(12,793,603)
TOTAL FUND BALANCES/NET POSITION	\$ 1,485,683	\$ 7,373,532	\$ 24,898,036	\$ 23,515,467	\$ 26,383,719	\$ 30,888,999

The largest components of the Borough's current and other assets are cash and investments totaling \$12,519,584. Of the total long-term liabilities, bonds payable account for \$24,621,268.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues						
Charges for services	\$ 6,156,676	\$ 5,826,368	\$ 10,837,317	\$ 10,258,118	\$ 16,993,993	\$ 16,084,486
Operating grants and contributions	1,053,423	1,435,024	2,655	5,110	1,056,078	1,440,134
General revenues						
Real estate taxes	4,895,597	5,202,893	-	-	4,895,597	5,202,893
Real estate transfer taxes	504,590	573,013	-	-	504,590	573,013
Earned income taxes	3,696,690	3,553,727	-	-	3,696,690	3,553,727
LST taxes	672,112	681,893	-	-	672,112	681,893
Business privilege taxes	145,932	169,663	-	-	145,932	169,663
Amusement device taxes	1,400	1,200	-	-	1,400	1,200
Franchise fees	379,100	362,953	-	-	379,100	362,953
Grants not subject to restriction	10,229	10,167	-	-	10,229	10,167
Gain (loss) on sale of assets	10,058	76,163	(444,863)	-	(434,805)	76,163
Investment income	268,012	177,751	6,014	4,230	274,026	181,981
Other revenues	320,621	176,561	1,096,919	2,075,911	1,417,540	2,252,472
Transfers	2,137,519	3,251,020	(2,137,519)	(3,251,020)	-	-
TOTAL REVENUES	20,251,959	21,498,396	9,360,523	9,092,349	29,612,482	30,590,745
EXPENSES						
Current						
General government	5,920,674	7,585,698	-	-	5,920,674	7,585,698
Public safety	6,343,184	8,364,724	-	-	6,343,184	8,364,724
Public works						
Highways and streets	5,155,050	4,943,590	-	-	5,155,050	4,943,590
Sanitation	1,224,623	612,842	-	-	1,224,623	612,842
Interest expense	391,813	325,126	-	-	391,813	325,126
Culture and recreation	1,463,932	1,533,826	-	-	1,463,932	1,533,826
Sewer	-	-	4,247,257	2,649,378	4,247,257	2,649,378
Parking	-	-	3,730,697	4,156,945	3,730,697	4,156,945
TOTAL EXPENSES	20,499,276	23,365,806	7,977,954	6,806,323	28,477,230	30,172,129
INCREASE (DECREASE) IN NET POSITION	\$ (247,317)	\$ (1,867,410)	\$ 1,382,569	\$ 2,286,026	\$ 1,135,252	\$ 418,616

The Borough's combined net position increased \$1,135,252 over the course of this calendar year's operations. The net position of the governmental activity operations decreased by \$247,317. The changes in net position of the Borough's business-type activities increased by \$1,382,569.

BOROUGH OF WEST CHESTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

Governmental Funds

General Fund Budgetary Highlights

The Borough adopted its calendar year 2018 budget in December 2017. The Borough's practice is to (a) amend budgeted revenue only for grants or new revenue streams; and (b) amend budgeted expenditures primarily throughout the year or to revise spending levels.

The budget did not have a tax increase for the 2018 year. There were slight adjustments to revenues such as violation-of-ordinance, police protection revenues, etc.

General Fund revenues and financing sources for 2018 were \$17,772,564. The Borough's largest source of revenue, mainly real estate and earned income taxes, were under budget by \$136,226 as collections slowed with the economy starting to lag. Licenses and permits were over budget by \$191,363 while fines and costs came in under budget by \$120,916. For the year 2018, the Borough realized a negative budget variance in total revenues of \$1,220,539.

General Fund expenditures and other financing uses were \$19,630,797 which was approximately \$1,097,775 under budget. This was primarily due to the budget spread between interfund transfers out, which came in \$1,829,840 under budget.

Capital Operating Reserve Fund

Current year activity was minimal.

Capital Improvement Fund

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

Enterprise Funds

Sewer Funds

The Borough of West Chester provides sewer service through two well-maintained sewer plants. Revenues were not sufficient to cover operating expenses and a planned transfer of \$1,509,000 to the General Fund resulted in a net loss for the year of \$781,409.

Parking Funds

Parking garage revenues were sufficient to cover the costs to operate the fund before a planned transfer of \$743,035 to the General Fund.

BOROUGH OF WEST CHESTER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET RATES

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

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

The Borough is the County seat and serves as a business and financing center for a portion of the County and a portion of neighboring Delaware County. Because it is the County seat and the site of West Chester University, many of its residents are employed in governmental or professional occupations. The Borough's major employers include: Chester County Hospital - 2,078 employees; PA System of Higher Education - 1,871 employees; Chester County Courthouse - 939 employees; PeopleShare Industrial LLC- 197 employees; PeopleShare Professional LLC- 191 employees; Aramark Food & Support Services – 185 employees; Benchmark Senior Living, LLC - 178 employees; Moody's Analytics- 173 employees; Borough of West Chester - 164 employees and West Chester Area School District- 169 employees. The employee counts include part-time positions.

While the Borough is a built-out community with very little land left for new construction, the community has, for a number of years, been experiencing a renaissance of redevelopment and commercial revitalization. Re-development activity in West Chester in 2018 remained strong.

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

BOROUGH OF WEST CHESTER

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2018

The Borough of West Chester tax revenues in 2018 continued to show marked improvement with earned income tax collections exceeding prior year by 4%. Real estate transfer tax revenue also remained strong. The largest portion of the tax exempt property is owned by the Chester County government followed by West Chester University, Chester County Hospital and West Chester Area School District. Those four owners represent over 50.7% of the total tax exempt assessed value.

The Borough had an initial certified taxable valuation of \$746,330,495 for 2018, which is up from \$741,569,295 in 2017, a 0.6% increase. Of the taxable properties in the Borough, 60.3% of the real estate tax is paid by residential properties, 38.7% by commercial properties, 0.6% by industrial properties and 0.4 % is classified as vacant.

The modest 0.6% increase in taxable assessed value is a positive development fostered by an improving economy. The percentage of taxes paid by commercial properties has increased while the percentage paid by residential properties has decreased. When adopting the General Fund budget for calendar year 2018, the Borough kept the real estate tax rate the same as in 2017. The millage rate for 2018 is 6.96. The Borough's 2018 General Fund budget as adopted reflects revenues and expenditures totaling \$20,728,572.

In 2018, the Borough continued the re-organization of its financial operations. This process is expected to be completed in 2019, and is intended to improve the Finance Department's productivity and efficiency through improvements in its systems of management and control in order to improve financial accountability and transparency. Specifically, all accounting and budgeting functions continue to be moved to a uniform financial software system. This is intended to improve reporting tools, module functionality, and data management, to name a few. In addition, the Finance Department continues to review all of its control procedures and will further implement best practices in these areas, as defined by the Government Finance Officers Association.

REQUEST FOR INFORMATION

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

BOROUGH OF WEST CHESTER
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Primary Government		Totals	
	Governmental Activities	Business-Type Activities	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 5,331,147	\$ 277,329	\$ 5,608,476	\$ 11,578,859
Investments	6,911,108	-	6,911,108	6,880,511
Accounts and other receivables, net	912,314	1,310,766	2,223,080	1,533,974
Taxes receivable	300,509	-	300,509	336,649
Prepaid expenses	49,930	78,292	128,222	123,439
Internal balances	(7,421,954)	7,421,954	-	-
Loans and notes receivable	55,322	-	55,322	39,012
TOTAL CURRENT ASSETS	6,138,376	9,088,341	15,226,717	20,492,444
NONCURRENT ASSETS				
Loans and notes receivable	340,362	-	340,362	506,415
Depreciable capital assets, net	25,044,291	31,187,191	56,231,482	64,812,108
Land	1,728,054	643,605	2,371,659	2,371,659
Construction in progress	-	-	-	240,953
TOTAL NONCURRENT ASSETS	27,112,707	31,830,796	58,943,503	67,931,135
TOTAL ASSETS	33,251,083	40,919,137	74,170,220	88,423,579
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension activity	5,612,726	360,260	5,972,986	3,721,848
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 38,863,809	\$ 41,279,397	\$ 80,143,206	\$ 92,145,427
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable and other liabilities	\$ 1,626,466	\$ 221,312	\$ 1,847,778	\$ 939,415
Accrued liabilities	500,177	196,925	697,102	690,894
Unearned revenue	-	55,548	55,548	-
Developer escrow	59,982	-	59,982	44,982
Current portion of long-term debt, net	469,149	491,207	960,356	1,769,824
TOTAL CURRENT LIABILITIES	2,655,774	964,992	3,620,766	3,445,115
NONCURRENT LIABILITIES				
Total OPEB liability	5,841,295	-	5,841,295	2,982,465
Compensated absences	906,816	149,303	1,056,119	1,140,058
Long-term portion of long-term debt, net	10,393,527	14,227,741	24,621,268	38,378,399
Net pension liability	17,102,646	959,685	18,062,331	12,988,168
TOTAL NONCURRENT LIABILITIES	34,244,284	15,336,729	49,581,013	55,489,090
TOTAL LIABILITIES	36,900,058	16,301,721	53,201,779	58,934,205
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension activity	478,068	79,640	557,708	2,322,223
NET POSITION				
Net investment in capital assets	18,256,000	17,183,113	35,439,113	35,302,656
Restricted	3,132,875	-	3,132,875	8,379,946
Unrestricted	(19,903,192)	7,714,923	(12,188,269)	(12,793,603)
TOTAL NET POSITION	1,485,683	24,898,036	26,383,719	30,888,999
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 38,863,809	\$ 41,279,397	\$ 80,143,206	\$ 92,145,427

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 5,920,674	\$ 346,985	\$ 269,638	\$ -
Public safety	6,343,184	3,427,159	111,761	-
Public works				
Highways and streets	5,155,050	1,954,685	672,024	-
Sanitation	1,224,623	44,014	-	-
Culture and recreation	1,463,932	383,833	-	-
Interest expense	391,813	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>20,499,276</u>	<u>6,156,676</u>	<u>1,053,423</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES				
Sewer	4,247,257	4,971,896	2,655	-
Parking	4,175,560	5,865,421	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	<u>8,422,817</u>	<u>10,837,317</u>	<u>2,655</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 28,922,093</u>	<u>\$ 16,993,993</u>	<u>\$ 1,056,078</u>	<u>\$ -</u>

GENERAL REVENUES

Taxes

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

Franchise fees

Grants and contributions not restricted to specific programs

Investment income

Gain on sale of assets

Other revenues

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, 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	
		2018	2017
\$ (5,304,051)	\$ -	\$ (5,304,051)	\$ (4,211,254)
(2,804,264)	-	(2,804,264)	(7,102,788)
(2,528,341)	-	(2,528,341)	(3,972,282)
(1,180,609)	-	(1,180,609)	(856,300)
(1,080,099)	-	(1,080,099)	(509,191)
(391,813)	-	(391,813)	(371,282)
<u>(13,289,177)</u>	<u>-</u>	<u>(13,289,177)</u>	<u>(17,023,097)</u>
-	727,294	727,294	1,455,554
-	1,689,861	1,689,861	1,920,012
<u>-</u>	<u>2,417,155</u>	<u>2,417,155</u>	<u>3,375,566</u>
<u>(13,289,177)</u>	<u>2,417,155</u>	<u>(10,872,022)</u>	<u>(13,647,531)</u>
4,895,597	-	4,895,597	5,076,315
504,590	-	504,590	503,019
3,696,690	-	3,696,690	3,507,727
672,112	-	672,112	645,861
145,932	-	145,932	136,682
1,400	-	1,400	2,000
379,100	-	379,100	382,106
10,229	-	10,229	-
268,012	6,014	274,026	121,032
10,058	-	10,058	52,231
320,621	1,096,919	1,417,540	1,203,610
2,137,519	(2,137,519)	-	-
<u>13,041,860</u>	<u>(1,034,586)</u>	<u>12,007,274</u>	<u>11,630,583</u>
(247,317)	1,382,569	1,135,252	(2,016,948)
<u>1,733,000</u>	<u>23,515,467</u>	<u>25,248,467</u>	<u>32,487,331</u>
<u>\$ 1,485,683</u>	<u>\$ 24,898,036</u>	<u>\$ 26,383,719</u>	<u>\$ 30,470,383</u>

BOROUGH OF WEST CHESTER
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Major Funds			
	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Equipment and Technology Fund
ASSETS				
Cash and cash equivalents	\$ 669,100	\$ 505,870	\$ 814,034	\$ -
Restricted cash	-	-	-	-
Investments	-	6,911,108	-	-
Accounts receivable	62,786	10,458	781,371	-
Interest receivable	-	44,649	-	-
Taxes receivable	300,509	-	-	-
Note receivable	236,665	146,970	-	-
Prepaid expenses	32,107	-	-	-
Due from other funds	-	190,830	-	-
TOTAL ASSETS	\$ <u>1,301,167</u>	\$ <u>7,809,885</u>	\$ <u>1,595,405</u>	\$ <u>-</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and other liabilities	\$ 1,073,545	\$ -	\$ 174,502	\$ -
Accrued liabilities	232,841	-	-	-
Developer escrow	59,982	-	-	-
Due to other funds	1,675,641	-	2,318,267	3,612,627
TOTAL LIABILITIES	<u>3,042,009</u>	<u>-</u>	<u>2,492,769</u>	<u>3,612,627</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues				
Property taxes	258,006	-	-	-
Note receivable	236,665	146,970	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>494,671</u>	<u>146,970</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable - prepaid expenses	32,107	-	-	-
Restricted	-	-	-	-
Assigned	-	7,662,915	-	-
Unassigned	(2,267,620)	-	(897,364)	(3,612,627)
TOTAL FUND BALANCES	<u>(2,235,513)</u>	<u>7,662,915</u>	<u>(897,364)</u>	<u>(3,612,627)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>1,301,167</u>	\$ <u>7,809,885</u>	\$ <u>1,595,405</u>	\$ <u>-</u>

See accompanying notes to the basic financial statements.

Capital Improvement Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals	
			2018	2017
\$ 540,239	\$ 9,016	\$ 446,557	\$ 2,984,816	\$ 2,754,158
-	2,346,331	-	2,346,331	7,713,691
-	-	-	6,911,108	6,880,511
-	-	8,750	863,365	538,934
-	-	4,300	48,949	45,134
-	-	-	300,509	336,649
-	-	12,049	395,684	545,427
-	-	17,823	49,930	121,785
-	4,053,132	489,647	4,733,609	707,038
<u>\$ 540,239</u>	<u>\$ 6,408,479</u>	<u>\$ 979,126</u>	<u>\$ 18,634,301</u>	<u>\$ 19,643,327</u>
\$ 268,849	\$ -	\$ 321,736	\$ 1,838,632	\$ 757,506
-	-	-	232,841	189,959
-	-	-	59,982	44,982
4,178,346	-	370,682	12,155,563	6,438,421
<u>4,447,195</u>	<u>-</u>	<u>692,418</u>	<u>14,287,018</u>	<u>7,430,868</u>
-	-	-	258,006	116,268
-	-	12,049	395,684	545,427
-	-	12,049	653,690	661,695
-	-	17,823	49,930	121,785
-	2,346,331	786,544	3,132,875	8,379,946
-	4,062,148	44,471	11,769,534	8,267,272
(3,906,956)	-	(574,179)	(11,258,746)	(5,218,239)
<u>(3,906,956)</u>	<u>6,408,479</u>	<u>274,659</u>	<u>3,693,593</u>	<u>11,550,764</u>
<u>\$ 540,239</u>	<u>\$ 6,408,479</u>	<u>\$ 979,126</u>	<u>\$ 18,634,301</u>	<u>\$ 19,643,327</u>

BOROUGH OF WEST CHESTER

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES YEAR ENDED DECEMBER 31, 2018

TOTAL GOVERNMENTAL FUNDS BALANCES \$ 3,693,593

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

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

26,772,345

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

5,134,658

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

\$ 258,006

Loans and notes receivable

395,684

653,690

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

Compensated absences

(906,816)

Postemployment benefits

(5,841,295)

Net pension liability

(17,102,646)

Accrued interest on long-term debt

(55,170)

Long-term debt, net

(10,862,676)

(34,768,603)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 1,485,683

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	Major Funds			
	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Equipment and Technology Fund
REVENUES				
Taxes	\$ 9,916,321	\$ -	\$ -	\$ -
Licenses and permits	1,159,363	-	-	-
Fines, forfeits and costs	639,084	-	-	-
Interest, dividends and rents	9,584	205,716	15,690	-
Intergovernmental revenues	296,355	143,661	221,877	-
Charges for services/fees	1,595,403	-	-	-
Program revenue/other	719,513	-	1,783,874	-
TOTAL REVENUES	14,335,623	349,377	2,021,441	-
EXPENDITURES				
Current				
General government	3,844,379	65,732	-	25,286
Public safety	6,237,549	-	-	-
Public works				
Highways and streets	3,899,432	-	1,743,850	-
Sanitation	601,007	-	-	-
Community development	-	-	-	-
Culture and recreation	644,715	-	-	-
Insurance, employee benefits, payroll taxes	3,324,955	-	-	-
Refunds of prior year revenues	2,869	-	-	-
Realized losses	-	12,388	-	-
Unrealized losses	-	71,900	-	-
Capital outlays	20,631	-	-	-
Debt service				
Principal	493,000	-	-	-
Interest and other charges	242,260	-	-	-
TOTAL EXPENDITURES	19,310,797	150,020	1,743,850	25,286
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,975,174)	199,357	277,591	(25,286)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital asset	10,058	-	-	-
Transfers in	3,746,883	-	-	-
Transfers out	(320,000)	-	(794,848)	-
TOTAL OTHER FINANCING SOURCES (USES)	3,436,941	-	(794,848)	-
NET CHANGE IN FUND BALANCES	(1,538,233)	199,357	(517,257)	(25,286)
FUND BALANCES AT BEGINNING OF YEAR	(697,280)	7,463,558	(380,107)	(3,587,341)
FUND BALANCES AT END OF YEAR	\$ (2,235,513)	\$ 7,662,915	\$ (897,364)	\$ (3,612,627)

See accompanying notes to the basic financial statements.

Capital Improvement Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals	
			2018	2017
\$ -	\$ -	\$ -	\$ 9,916,321	\$ 10,182,389
-	-	-	1,159,363	1,290,900
-	-	-	639,084	681,130
9,497	96,564	1,091	338,142	247,256
-	-	561,908	1,223,801	1,518,677
-	-	660,800	2,256,203	2,290,519
-	-	390,797	2,894,184	1,822,248
<u>9,497</u>	<u>96,564</u>	<u>1,614,596</u>	<u>18,427,098</u>	<u>18,033,119</u>
-	720	-	3,936,117	2,690,657
-	-	836,983	7,074,532	8,870,484
-	-	330,448	5,973,730	5,381,757
-	-	-	601,007	368,389
-	-	-	-	57,783
-	-	648,518	1,293,233	1,461,466
-	-	-	3,324,955	2,976,585
-	-	7,832	10,701	10,325
-	-	-	12,388	36,423
-	-	-	71,900	59,248
4,659,449	717,943	-	5,398,023	246,802
-	-	-	493,000	407,000
-	-	-	242,260	279,985
<u>4,659,449</u>	<u>718,663</u>	<u>1,823,781</u>	<u>28,431,846</u>	<u>22,846,904</u>
<u>(4,649,952)</u>	<u>(622,099)</u>	<u>(209,185)</u>	<u>(10,004,748)</u>	<u>(4,813,785)</u>
-	-	-	10,058	76,163
-	157,842	320,000	4,224,725	4,664,988
-	(857,842)	(114,516)	(2,087,206)	(1,352,420)
-	(700,000)	205,484	2,147,577	3,388,731
(4,649,952)	(1,322,099)	(3,701)	(7,857,171)	(1,425,054)
<u>742,996</u>	<u>7,730,578</u>	<u>278,360</u>	<u>11,550,764</u>	<u>12,975,818</u>
<u>\$ (3,906,956)</u>	<u>\$ 6,408,479</u>	<u>\$ 274,659</u>	<u>\$ 3,693,593</u>	<u>\$ 11,550,764</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, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (7,857,171)

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

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

5,281,814

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
Notes receivable

\$ 141,738
(149,743)

(8,005)

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

Bond principal repayment

464,176

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
Postemployment benefits
Pension plan expense
Accrued interest on long-term debt

91,990
2,781,702
(1,000,625)
(1,198)

1,871,869

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (247,317)

BOROUGH OF WEST CHESTER
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-Type Activities		Totals	
	Enterprise Funds		2018	2017
	Sewer Fund	Parking Fund		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
CURRENT ASSETS				
Cash and cash equivalents	\$ 90,476	\$ 186,853	\$ 277,329	\$ 1,111,010
Accounts receivable, net	658,949	651,817	1,310,766	949,906
Prepaid expenses	1,654	76,638	78,292	1,654
Due from other funds	3,356,578	4,065,376	7,421,954	5,731,383
TOTAL CURRENT ASSETS	4,107,657	4,980,684	9,088,341	7,793,953
NONCURRENT ASSETS				
Land	140,780	502,825	643,605	643,605
Capital assets, net	10,720,145	20,467,046	31,187,191	45,290,584
TOTAL NONCURRENT ASSETS	10,860,925	20,969,871	31,830,796	45,934,189
TOTAL ASSETS	14,968,582	25,950,555	40,919,137	53,728,142
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension activities	215,322	144,938	360,260	236,121
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 15,183,904	\$ 26,095,493	\$ 41,279,397	\$ 53,964,263
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 188,682	\$ 32,630	\$ 221,312	\$ 376,939
Accrued liabilities	69,043	127,882	196,925	248,588
Bonds and notes payable, net	-	491,207	491,207	1,306,601
Unearned revenue	-	55,548	55,548	-
TOTAL CURRENT LIABILITIES	257,725	707,267	964,992	1,932,128
NONCURRENT LIABILITIES				
Compensated absences	122,848	26,455	149,303	141,252
Bonds and notes payable, net	-	14,227,741	14,227,741	27,518,115
Net pension liability	573,591	386,094	959,685	685,488
TOTAL NONCURRENT LIABILITIES	696,439	14,640,290	15,336,729	28,344,855
TOTAL LIABILITIES	954,164	15,347,557	16,301,721	30,276,983
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pension activities	47,600	32,040	79,640	171,813
NET POSITION				
Net investment in capital assets	10,860,925	6,250,923	17,111,848	17,421,941
Unrestricted	3,321,215	4,464,973	7,786,188	6,093,526
TOTAL NET POSITION	14,182,140	10,715,896	24,898,036	23,515,467
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 15,183,904	\$ 26,095,493	\$ 41,279,397	\$ 53,964,263

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, 2018

	Business-Type Activities		Totals	
	Enterprise Funds		2018	2017
	Sewer Fund	Parking Fund		
OPERATING REVENUES				
Charges for services	\$ 4,970,367	\$ 5,858,163	\$ 10,828,530	\$ 10,257,090
Other revenue	640	11,534	12,174	1,230,652
TOTAL OPERATING REVENUES	<u>4,971,007</u>	<u>5,869,697</u>	<u>10,840,704</u>	<u>11,487,742</u>
OPERATING EXPENSES				
Administration	315,259	721,243	1,036,502	1,274,571
Salaries and wages	971,295	641,276	1,612,571	1,554,058
Employee benefits	472,650	432,212	904,862	787,205
Materials and supplies	283,931	-	283,931	285,137
Utilities	293,588	98,947	392,535	333,655
Fuel	43,230	5,833	49,063	33,837
Sludge removal	498,092	-	498,092	521,535
Repairs and maintenance	266,392	225,759	492,151	249,326
Other	121,801	85,000	206,801	32,055
Depreciation	980,130	872,521	1,852,651	2,116,392
TOTAL OPERATING EXPENSES	<u>4,246,368</u>	<u>3,082,791</u>	<u>7,329,159</u>	<u>7,187,771</u>
OPERATING INCOME	<u>724,639</u>	<u>2,786,906</u>	<u>3,511,545</u>	<u>4,299,971</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	297	12,975	13,272	4,792
Interest expense	-	(659,440)	(659,440)	(848,738)
Loss on disposal of capital assets	-	(444,863)	(444,863)	-
Intergovernmental revenues	2,655	-	2,655	5,110
Capital contributions	-	-	-	61,548
Reimbursements on construction project costs	-	1,096,919	1,096,919	2,075,911
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>2,952</u>	<u>5,591</u>	<u>8,543</u>	<u>1,298,623</u>
INCOME BEFORE TRANSFERS	<u>727,591</u>	<u>2,792,497</u>	<u>3,520,088</u>	<u>5,598,594</u>
TRANSFERS				
Transfers in	-	114,516	114,516	146,958
Transfers out	(1,509,000)	(743,035)	(2,252,035)	(3,459,526)
TOTAL TRANSFERS	<u>(1,509,000)</u>	<u>(628,519)</u>	<u>(2,137,519)</u>	<u>(3,312,568)</u>
CHANGE IN NET POSITION	<u>(781,409)</u>	<u>2,163,978</u>	<u>1,382,569</u>	<u>2,286,026</u>
NET POSITION AT BEGINNING OF YEAR	<u>14,963,549</u>	<u>8,551,918</u>	<u>23,515,467</u>	<u>21,229,441</u>
NET POSITION AT END OF YEAR	<u>\$ 14,182,140</u>	<u>\$ 10,715,896</u>	<u>\$ 24,898,036</u>	<u>\$ 23,515,467</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities		Totals	
	Enterprise Funds		2018	2017
	Sewer Fund	Parking Fund		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 4,890,617	\$ 3,962,255	\$ 8,852,872	\$ 9,936,108
Payments to suppliers for goods and services	(1,915,473)	(1,275,867)	(3,191,340)	(2,462,379)
Payments to employees for services	(1,399,245)	(1,111,966)	(2,511,211)	(3,553,876)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,575,899</u>	<u>1,574,422</u>	<u>3,150,321</u>	<u>3,919,853</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	114,516	114,516	146,958
Transfers out	(1,509,000)	(743,035)	(2,252,035)	(3,459,526)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,509,000)</u>	<u>(628,519)</u>	<u>(2,137,519)</u>	<u>(3,312,568)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Reimbursements on construction project costs	-	1,096,919	1,096,919	2,075,911
Capital contributions	-	-	-	61,548
Purchases of capital assets	(298,820)	(723,661)	(1,022,481)	(254,634)
Capital grants	2,655	-	2,655	5,110
Principal paid on capital debt	-	(1,277,408)	(1,277,408)	(1,264,452)
Interest paid on capital debt	-	(659,440)	(659,440)	(819,099)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(296,165)</u>	<u>(1,563,590)</u>	<u>(1,859,755)</u>	<u>(195,616)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>297</u>	<u>12,975</u>	<u>13,272</u>	<u>4,792</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(228,969)	(604,712)	(833,681)	416,461
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>319,445</u>	<u>791,565</u>	<u>1,111,010</u>	<u>694,549</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 90,476</u>	<u>\$ 186,853</u>	<u>\$ 277,329</u>	<u>\$ 1,111,010</u>

BOROUGH OF WEST CHESTER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities		Totals	
	Enterprise Funds		2018	2017
	Sewer Fund	Parking Fund		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 724,639	\$ 2,786,906	\$ 3,511,545	\$ 4,299,971
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	980,130	872,521	1,852,651	2,116,392
Pension expense	27,704	30,181	57,885	(103,800)
(Increase) decrease in				
Accounts receivable	3,559	(364,419)	(360,860)	(263,020)
Prepaid expenses	-	(76,638)	(76,638)	(1,654)
Due from other funds	(93,151)	(1,597,420)	(1,690,571)	(1,285,441)
Increase (decrease) in				
Accounts payable	(93,180)	(62,447)	(155,627)	269,391
Accrued liabilities	16,996	(68,659)	(51,663)	29,081
Due to other funds	-	-	-	(1,137,894)
Unearned revenue	-	55,548	55,548	-
Compensated absences	9,202	(1,151)	8,051	(3,173)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,575,899</u>	<u>\$ 1,574,422</u>	<u>\$ 3,150,321</u>	<u>\$ 3,919,853</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Pension Trust Funds	
	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,353,198	\$ 1,207,127
Investments, at fair value	42,461,298	45,530,501
Member contributions receivable	29,784	-
Interest receivable	<u>48,453</u>	<u>30,222</u>
TOTAL ASSETS	<u>\$ 44,892,733</u>	<u>\$ 46,767,850</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Refund of member contributions payable	\$ 345	\$ 25,759
NET POSITION		
Assets held in trust for employee pension benefits	<u>44,892,388</u>	<u>46,742,091</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 44,892,733</u>	<u>\$ 46,767,850</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
STATEMENT OF CHANGES IN FIDUCIARY
NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Pension Trust Funds	
	2018	2017
ADDITIONS		
Contributions		
State aid	\$ 815,084	\$ 821,297
Employer	1,731,724	1,793,262
Employee	254,441	297,162
TOTAL CONTRIBUTIONS	<u>2,801,249</u>	<u>2,911,721</u>
Investment income		
Investment earnings	1,282,931	987,318
Realized gain on investments	(124,515)	345,179
Net (depreciation) appreciation in fair value of investments	(3,573,532)	4,746,585
Investment expense	(191,167)	(123,032)
NET INVESTMENT INCOME	<u>(2,606,283)</u>	<u>5,956,050</u>
TOTAL ADDITIONS	<u>194,966</u>	<u>8,867,771</u>
DEDUCTIONS		
Benefits	2,021,218	1,875,906
Administrative expenses	23,451	9,804
TOTAL DEDUCTIONS	<u>2,044,669</u>	<u>1,885,710</u>
CHANGE IN NET POSITION	(1,849,703)	6,982,061
NET POSITION AT BEGINNING OF YEAR	<u>46,742,091</u>	<u>39,760,030</u>
NET POSITION AT END OF YEAR	<u>\$ 44,892,388</u>	<u>\$ 46,742,091</u>

See accompanying notes to the basic financial statements.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of the criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion in the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

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.

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.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Borough reports the following major Governmental Funds:

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

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

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

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

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

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

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

The Borough reports the following major Enterprise Funds:

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

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

The Borough also reports the following fund types:

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Capital Assets

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

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

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

Allowance for Doubtful Accounts

An allowance for doubtful accounts has been established for sewer accounts receivable based on aging receivables and historical information. This allowance amounts to \$253,875 at December 31, 2018.

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, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Accounting and Control

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

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

Compensated Absences

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, fund balances are composed of the following:

	General Fund	Capital Operating Reserve Fund	Stormwater Fund	Equipment and Technology Fund	Capital Improvement Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ 32,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,823	\$ 49,930
Restricted								
Highway aid	-	-	-	-	-	-	786,544	786,544
Capital projects	-	-	-	-	-	2,346,331	-	2,346,331
Assigned								
Capital projects	-	7,662,915	-	-	-	-	-	7,662,915
Culture and recreation	-	-	-	-	-	-	17,230	17,230
Debt service	-	-	-	-	-	4,062,148	-	4,062,148
Economic development	-	-	-	-	-	-	27,241	27,241
Unassigned	<u>(2,267,620)</u>	<u>-</u>	<u>(897,364)</u>	<u>(3,612,627)</u>	<u>(3,906,956)</u>	<u>-</u>	<u>(574,179)</u>	<u>(11,258,746)</u>
TOTAL FUND BALANCES	\$ <u>(2,235,513)</u>	\$ <u>7,662,915</u>	\$ <u>(897,364)</u>	\$ <u>(3,612,627)</u>	\$ <u>(3,906,956)</u>	\$ <u>6,408,479</u>	\$ <u>274,659</u>	\$ <u>3,693,593</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under Act No. 72, enacted by the General Assembly of the Commonwealth of Pennsylvania, the funds deposited with the various banks are permitted to be secured on a pooled basis with all other public funds which the banking institution has on deposit. These may be bonds of the United States, any state of the United States, or bonds of any political subdivision of Pennsylvania or the general state authority or their authorities created by the General Assembly of the Commonwealth of Pennsylvania, or insured with the Federal Deposit Insurance Corporation. The market value of such bonds pledged must equal 120% of the funds deposited. The security pledged by the various depositories utilized during the year and at December 31, 2017 was in excess of the minimum requirements just described.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Borough has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and are deferred and recognized as an outflow of resources in the period to which the expense applies.

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 two items, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes and unavailable revenues from notes receivable. In addition, the deferred inflow of resources related to pensions is reported in the government-wide statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Liabilities

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

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

Use of Estimates in the Preparation of Financial Statements

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

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Borough's financial position and operations. However, presentation of prior year totals by fund and activity type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation. Summarized comparative information should be read in conjunction with the Borough's financial statements for the year ended December 31, 2017, 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, 2018

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2018, the carrying amount of the Borough's deposits was \$7,357,372, and the bank balance was \$8,646,498. Of the bank balance, \$1,038,088 was covered by federal depository insurance, \$4,003,766 was uninsured and the collateral held by the depository's agent not in the Borough's name and the remaining balance of \$3,604,644 was uninsured. As of December 31, 2018, \$3,604,644 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, 2018, PLGIT was rated as AAAM by Standard & Poor's, a nationally recognized statistical rating agency.

Restricted Cash - As of December 31, 2018, the Borough's Debt Service Fund held \$2,346,331 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. In addition, the Borough's Parking Fund held \$73,640 in cash obtained from parking revenue bonds during 2012 and 2016. These funds are restricted for the construction of two new parking garages and for paying costs related to the bond issuance, including payment of bond principal and interest.

Investments

As of December 31, 2018, the Borough held the following investments:

		Maturities		
	Fair Value	0-5 Years	5-10 Years	More Than 10 Years
Governmental Funds				
U.S. Treasury notes	\$ 6,125,933	\$ 6,125,933	\$ -	\$ -
GNMA	778,033	64,540	273,408	440,085
Federal Home Loan Mortgage Corporation (FHLMC)	7,142	7,142	-	-
	\$ 6,911,108	\$ 6,197,615	\$ 273,408	\$ 440,085
		Maturities		
	Fair Value	0-5 Years	5-10 Years	More Than 10 Years
Fiduciary Funds				
Mutual Funds - Equities	\$ 3,126,032	\$ 3,126,032	\$ -	\$ -
Mutual Funds - Int'l Equities	5,854,620	5,854,620	-	-
Mutual Funds - Corp. Bonds	15,516,552	15,516,552	-	-
Mutual Funds - Specialty Funds	16,292,555	16,292,555	-	-
Equity Exchange Traded Funds	1,671,539	1,671,539	-	-
	\$ 42,461,298	\$ 42,461,298	\$ -	\$ -

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, 1.5% 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, 2018, 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, 2018, the Borough's investments in U.S. Treasury Notes and exceeded 25% of the total portfolio.

Fair Value Measurement

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. As of December 31, 2018, all of the Borough's investments were considered Level 1.

NOTE C - EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2018, expenditures over appropriations were as follows:

	<u>General Fund</u>
General government	\$ 843,913
Highways and streets	619,772
Sanitation	185,378
Culture and recreation	134,313
Capital outlays	5,631
Insurance, employee benefits, payroll taxes	392,364

The excess expenditures were covered through revenues exceeding budget and expenditures under budgeted in other areas.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D - INTERNAL BALANCES

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

Receivable Fund	Payable Fund	Amount
General Fund	Capital Improvement Fund	\$ 481,706
General Fund	Equipment and Technology Fund	3,612,627
General Fund	Stormwater Fund	1,264,898
General Fund	Fire Fund	195,325
General Fund	Parks and Recreation Fund	21,035
Capital Operating Reserve Fund	General Fund	190,830
Debt Service Fund	General Fund	75,956
Debt Service Fund	Capital Improvement Fund	3,931,748
Debt Service Fund	Stormwater Fund	950,992
Stormwater Fund	Parks and Recreation Fund	382
Fire Fund	Parks and Recreation Fund	10,000
Capital Improvement Fund	Parks and Recreation Fund	57,228
Capital Improvement Fund	Stormwater Fund	99,702
Capital Improvement Fund	Parking Fund	94,902
UDAG Fund	General Fund	20,835
Shade Tree Fund	General Fund	17,446
Highway Aid Fund	General Fund	451,366
Sewer Fund	General Fund	3,386,994
Sewer Fund	Capital Improvement Fund	16,724
Sewer Fund	Stormwater Fund	2,458
Parking Fund	General Fund	3,107,804
Parking Fund	Debt Service Fund	905,565
Parking Fund	Fire Fund	20,000
Parking Fund	Sewer Fund	49,598
Parking Fund	Parks and Recreation Fund	76,712
Parking Fund	Stormwater Fund	599
		\$ 19,043,432

Balances represent temporary borrowings. These loans are expected to be repaid in 2019.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE D - INTERNAL BALANCES (Continued)

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

Interfund transfers for the year ended December 31, 2018, are as follows:

	Transfers In	Transfers Out
	<u> </u>	<u> </u>
General Fund	\$ 3,746,883	\$ 320,000
Stormwater Fund	-	794,848
Debt Service Fund	157,842	857,842
Fire Fund	-	114,516
Parks and Recreation Fund	320,000	-
Sewer Fund	-	1,509,000
Parking Fund	114,516	743,035
	<u>\$ 4,339,241</u>	<u>\$ 4,339,241</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE E - CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance January 1, 2018	Increases	Decreases	Balance December 31, 2018
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 1,728,054	\$ -	\$ -	\$ 1,728,054
Construction in progress	240,953	-	(240,953)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>1,969,007</u>	<u>-</u>	<u>(240,953)</u>	<u>1,728,054</u>
Capital assets being depreciated				
Buildings	8,570,873	4,959,455	-	13,530,328
Improvements other than buildings	777,293	1,259,478	-	2,036,771
Infrastructure	27,984,219	424,810	-	28,409,029
Furniture and equipment	3,586,875	615,417	-	4,202,292
Vehicles	11,104,858	271,196	-	11,376,054
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>52,024,118</u>	<u>7,530,356</u>	<u>-</u>	<u>59,554,474</u>
Accumulated depreciation				
Buildings	(3,150,891)	(187,393)	-	(3,338,284)
Improvements other than buildings	(648,307)	(39,991)	-	(688,298)
Infrastructure	(20,373,932)	(605,487)	-	(20,979,419)
Furniture and equipment	(2,422,329)	(279,947)	-	(2,702,276)
Vehicles	(5,907,135)	(894,771)	-	(6,801,906)
TOTAL ACCUMULATED DEPRECIATION	<u>(32,502,594)</u>	<u>(2,007,589)</u>	<u>-</u>	<u>(34,510,183)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>19,521,524</u>	<u>5,522,767</u>	<u>-</u>	<u>25,044,291</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net, FORWARD	 <u>\$ 21,490,531</u>	 <u>\$ 5,522,767</u>	 <u>\$ (240,953)</u>	 <u>\$ 26,772,345</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE E - CAPITAL ASSETS (Continued)

	Balance January 1, 2018	Increases	Decreases	Balance December 31, 2018
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net, FORWARDED	\$ 21,490,531	\$ 5,522,767	\$ (240,953)	\$ 26,772,345
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	643,605	-	-	643,605
Construction in progress	-	-	-	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	643,605	-	-	643,605
Capital assets being depreciated				
Buildings	40,241,710	231,000	(14,939,940)	25,532,770
Improvements other than buildings	-	550,562	-	550,562
Infrastructure	34,700,737	46,360	-	34,747,097
Furniture and equipment	2,363,275	194,559	-	2,557,834
Vehicles	409,939	-	-	409,939
TOTAL CAPITAL ASSETS BEING DEPRECIATED	77,715,661	1,022,481	(14,939,940)	63,798,202
Accumulated depreciation				
Buildings	(6,479,738)	(748,653)	1,666,717	(5,561,674)
Improvements other than buildings	-	(44,717)	-	(44,717)
Infrastructure	(24,341,048)	(871,096)	-	(25,212,144)
Furniture and equipment	(1,360,453)	(156,091)	-	(1,516,544)
Vehicles	(243,838)	(32,094)	-	(275,932)
TOTAL ACCUMULATED DEPRECIATION	(32,425,077)	(1,852,651)	1,666,717	(32,611,011)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	45,290,584	(830,170)	(13,273,223)	31,187,191
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	45,934,189	(830,170)	(13,273,223)	31,830,796
CAPITAL ASSETS, net	\$ 67,424,720	\$ 4,692,597	\$ (13,514,176)	\$ 58,603,141

Depreciation was charged to the following activities:

GOVERNMENTAL ACTIVITIES		
General government		\$ 258,753
Public safety		767,999
Public works		934,099
Culture and recreation		46,738
		<u>\$ 2,007,589</u>
BUSINESS-TYPE ACTIVITIES		
Sewer		\$ 980,130
Parking		872,521
		<u>\$ 1,852,651</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE F - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended December 31, 2018:

	<u>Maturity Date</u>	<u>Balance January 1, 2018</u>	<u>Additions</u>
GOVERNMENTAL ACTIVITIES			
General obligation bonds and notes			
GON Series 2000	2020	\$ 262,000	\$ -
GOB Series 2012C	2023	925,000	-
GOB Series 2013	2024	335,000	-
GON Series 2014	2034	714,964	-
GOB Series 2016	2045	9,019,961	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES		<u>11,256,925</u>	<u>-</u>
Deferred amounts			
Issuance discount		(4,456)	-
Issuance premium		75,307	-
Deferred amount on refunding		(4,269)	-
TOTAL DEFERRED AMOUNTS		<u>66,582</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE		11,323,507	-
Compensated absences		998,806	-
Net pension liability		12,302,680	4,799,966
Postemployment benefits		2,982,465	(2,982,465)
TOTAL GOVERNMENTAL ACTIVITIES LONG- TERM LIABILITIES		<u>27,607,458</u>	<u>1,817,501</u>
BUSINESS-TYPE ACTIVITIES			
General obligation bonds and notes			
GOB Series 2012A	2019	405,000	-
GOB Series 2012B	2035	7,670,000	-
GOB Series 2013	2027	2,635,000	-
GON Series 2014	2034	291,036	-
GOB Series 2016	2045	11,165,039	-
GOB Series 2016A	2040	6,600,000	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES		<u>28,766,075</u>	<u>-</u>
Deferred amounts			
Issuance discount		(65,168)	-
Issuance premium		187,127	-
Deferred amount on refunding		(63,318)	-
TOTAL DEFERRED AMOUNTS		<u>58,641</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE		28,824,716	-
Compensated absences		141,252	8,051
Net pension liability		685,488	274,197
TOTAL BUSINESS-TYPE ACTIVITIES LONG- TERM LIABILITIES		<u>29,651,456</u>	<u>282,248</u>
TOTAL LONG-TERM LIABILITIES		<u>\$ 57,258,914</u>	<u>\$ 2,099,749</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

<u>Reductions</u>	<u>Balance December 31, 2018</u>	<u>Due Within One Year</u>
\$ (86,000)	\$ 176,000	\$ 87,000
(105,000)	820,000	105,000
(45,000)	290,000	45,000
(83,152)	631,812	85,284
(140,000)	8,879,961	145,000
<u>(459,152)</u>	<u>10,797,773</u>	<u>467,284</u>
743	(3,713)	(743)
(3,618)	71,689	3,618
1,196	(3,073)	(1,010)
<u>(1,679)</u>	<u>64,903</u>	<u>1,865</u>
(460,831)	10,862,676	469,149
(91,990)	906,816	-
-	17,102,646	-
5,841,295	5,841,295	-
<u>5,288,474</u>	<u>34,713,433</u>	<u>469,149</u>
(405,000)	-	-
(7,670,000)	-	-
(240,000)	2,395,000	245,000
(33,848)	257,188	34,716
(170,000)	10,995,039	170,000
(5,535,000)	1,065,000	40,000
<u>(14,053,848)</u>	<u>14,712,227</u>	<u>489,716</u>
65,168	-	-
(121,960)	65,167	6,210
4,872	(58,446)	(4,719)
<u>(51,920)</u>	<u>6,721</u>	<u>1,491</u>
(14,105,768)	14,718,948	491,207
-	149,303	-
-	959,685	-
<u>(14,105,768)</u>	<u>15,827,936</u>	<u>491,207</u>
<u>\$ (8,817,294)</u>	<u>\$ 50,541,369</u>	<u>\$ 960,356</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE F - LONG-TERM LIABILITIES (Continued)

Long-Term Debt

The following is a summary of long-term obligations of the Borough at face value for the year ended December 31, 2018:

	Governmental Activities	Business-Type Activities	Totals
OUTSTANDING AT JANUARY 1	\$ 11,323,507	\$ 28,824,716	\$ 40,148,223
Reductions	<u>(460,831)</u>	<u>(14,105,768)</u>	<u>(14,566,599)</u>
OUTSTANDING AT DECEMBER 31	<u>\$ 10,862,676</u>	<u>\$ 14,718,948</u>	<u>\$ 25,581,624</u>
DUE WITHIN ONE YEAR	<u>\$ 469,149</u>	<u>\$ 491,207</u>	<u>\$ 960,356</u>

The following is a reconciliation between the above schedule and the statement of net position at December 31, 2018.

GOVERNMENTAL ACTIVITIES		
Outstanding debt at face value		\$ 10,797,773
Unamortized premium		71,689
Unamortized discount		(3,713)
Unamortized loss on refunding		<u>(3,073)</u>
OUTSTANDING DEBT NET OF DEFERRALS		<u>\$ 10,862,676</u>
Per statement of net position		
Current portion		\$ 469,149
Long-term portion		<u>10,393,527</u>
TOTAL PER STATEMENT OF NET POSITION		<u>\$ 10,862,676</u>
BUSINESS-TYPE ACTIVITIES		
Outstanding debt at face value		\$ 14,712,227
Unamortized premium		65,167
Unamortized loss on refunding		<u>(58,446)</u>
OUTSTANDING DEBT NET OF DEFERRALS		<u>\$ 14,718,948</u>
Per statement of net position		
Current portion		\$ 491,207
Long-term portion		<u>14,227,741</u>
TOTAL PER STATEMENT OF NET POSITION		<u>\$ 14,718,948</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE F - LONG-TERM LIABILITIES (Continued)

General Obligation Bonds and Notes

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

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

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

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

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE F - LONG-TERM LIABILITIES (Continued)

Parking Revenue Bonds and Notes

In September 2012, the Borough issued debt in the amount of \$9,820,000 for the purpose of the construction of two new parking garage facilities on campus property of the West Chester University of Pennsylvania. The bonds mature in annual principal amounts ranging from \$355,000 in 2012, with a final payment of \$1,110,000 due in 2035. This issue bears interest at annual rates ranging from .88% to 3.35%. During the year ended December 31, 2018, the Borough turned the parking garages over to the University in exchange for the University funding the defeasance of this issuance.

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

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

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

In October 2016, the Borough issued debt in the amount of \$7,070,000 to currently refund the General Obligation Bonds, Series of 2011 (the purpose of which was to construct parking facilities on the campus of West Chester University), 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 \$992,632 and an economic gain from refunding of \$127,163. The bonds mature in annual principal amounts ranging from \$470,000 in 2017, with a final payment of \$65,000 due in 2040. This issue bears interest at annual rates ranging from 0.70% to 3.00%. During the year ended December 31, 2018, the Borough turned the parking garages over to the University in exchange for the University funding the defeasance of this issuance.

In the current year, as noted above, certain bonds were defeased in substance by placing an amount in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the Borough's financial statements. As of December 31, 2018, the Borough has defeased debt outstanding of \$12,750,000.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE F - LONG-TERM LIABILITIES (Continued)

Debt Maturities

Scheduled repayments of interest and principal maturities as of December 31, 2018, 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
2019	\$ 467,284	\$ 352,044	\$ 489,716	\$ 782,273	\$ 957,000	\$ 1,134,317
2020	423,139	340,288	481,861	754,397	905,000	1,094,685
2021	435,560	351,003	492,440	721,849	928,000	1,072,852
2022	436,271	305,049	497,729	689,225	934,000	994,274
2023	456,982	284,609	523,018	674,740	980,000	959,349
2024 to 2028	2,350,543	1,107,873	2,846,457	2,210,176	5,197,000	3,318,049
2029 to 2033	2,843,931	1,084,928	3,508,029	1,996,404	6,351,960	3,081,332
2034 to 2038	2,704,063	607,576	4,052,977	815,890	6,757,040	1,423,466
2039 to 2043	470,000	134,607	1,820,000	174,995	2,290,000	309,602
2044 to 2045	210,000	10,614	-	-	210,000	10,614
	<u>\$ 10,797,773</u>	<u>\$ 4,578,591</u>	<u>\$ 14,712,227</u>	<u>\$ 8,819,949</u>	<u>\$ 25,510,000</u>	<u>\$ 13,398,540</u>

Compensated Absences

Compensated absences obligations of the Borough for the year ended December 31, 2018, are as follows:

	Governmental Activities	Business-Type Activities	Totals
OUTSTANDING AT JANUARY 1	\$ 998,806	\$ 141,252	\$ 1,140,058
(Deletions)/additions	<u>(91,990)</u>	<u>8,051</u>	<u>(83,939)</u>
OUTSTANDING AT DECEMBER 31	<u>\$ 906,816</u>	<u>\$ 149,303</u>	<u>\$ 1,056,119</u>

NOTE G - TAXES

For 2018, the following tax was levied on assessed value of real estate:

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

The taxable assessed valuation of property as of December 31, 2018, is \$746,330,495.

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 2018:

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE H - LOANS AND NOTES RECEIVABLE

Governmental Funds

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

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 55,322	\$ 6,014	\$ 61,336
2020	44,633	4,131	48,764
2021	46,035	2,729	48,764
2022	31,351	3,927	35,278
2023	11,743	6,669	18,412
2024-2028	58,259	27,001	85,260
2029-2033	47,731	18,821	66,552
2034-2038	55,445	11,107	66,552
2039-2042	45,165	2,828	47,993
	<u>\$ 395,684</u>	<u>\$ 83,227</u>	<u>\$ 478,911</u>

NOTE I - POLICE PENSION PLAN

Summary of Significant Accounting Policies

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - POLICE PENSION PLAN (Continued)

Plan Description

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

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

Plan Membership - At December 31, 2018, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	32
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>42</u>
	<u>76</u>

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

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

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

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - POLICE PENSION PLAN (Continued)

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$1,673,834 to the plan for the year 2018. The Borough's actual contributions for the plan year 2018 were \$1,723,834.

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

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by Borough Council by a majority vote of its members. It is the policy of Borough Council to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2018:

<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, 2018

NOTE I - POLICE PENSION PLAN (Continued)

Rate of Return - For the year ended December 31, 2018, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -5.26%. 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, 2018, were as follows:

TOTAL PENSION LIABILITY	\$ 40,993,830
Plan fiduciary net position	<u>(29,099,143)</u>
 NET PENSION LIABILITY	 <u>\$ 11,894,687</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>70.98%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	5% annual increase
Investment rate of return	7.0%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled lives. Rates are projected to improve with 75% scale of AA.

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - POLICE PENSION PLAN (Continued)

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2018 (see the plan's investment policy), are summarized in the following table:

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

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

Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at December 31, 2017	\$ 38,827,216	\$ 30,244,497	\$ 8,582,719
Changes for the year:			
Service cost	748,989	-	748,989
Interest	2,725,338	-	2,725,338
Contributions			
Employer	-	1,723,834	(1,723,834)
Member	-	141,488	(141,488)
Net investment income	-	(1,691,226)	1,691,226
Benefit payments	(1,307,713)	(1,307,713)	-
Administrative expense	-	(11,737)	11,737
Net changes	<u>2,166,614</u>	<u>(1,145,354)</u>	<u>3,311,968</u>
Balances at December 31, 2018	<u>\$ 40,993,830</u>	<u>\$ 29,099,143</u>	<u>\$ 11,894,687</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE I - POLICE PENSION PLAN (Continued)

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 17,026,611	\$ 11,894,687	\$ 7,630,541

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2018, the Borough recognized pension expense of \$2,484,448 for the Police Pension Plan. At December 31, 2018, 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	\$ 9,756	\$ 45,881
Change of assumptions	1,637,507	-
Net difference between projected and actual earnings on pension plan investments	2,010,428	-
	\$ 3,657,691	\$ 45,881

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

Year Ending December 31,	
2019	\$ 1,113,403
2020	819,000
2021	796,704
2022	882,703
2023	-
Thereafter	-

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE J - NON-UNIFORMED PENSION PLAN

Summary of Significant Accounting Policies

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

Plan Description

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

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

Plan Membership - At December 31, 2018, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	51
Inactive plan members entitled to but not yet receiving benefits	39
Active plan members	<u>57</u>
	<u><u>147</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, 2018

NOTE J - NON-UNIFORMED PENSION PLAN (Continued)

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$741,719 to the plan for the year 2018. The Borough's actual contributions for the plan year 2018 were \$822,974.

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

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by Borough Council by a majority vote of its members. It is the policy of Borough Council to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2018:

<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, 2018

NOTE J - NON-UNIFORMED PENSION PLAN (Continued)

Rate of Return - For the year ended December 31, 2018, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -5.18%. 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, 2018, were as follows:

TOTAL PENSION LIABILITY	\$ 21,960,889
Plan fiduciary net position	<u>(15,793,245)</u>
 NET PENSION LIABILITY	 <u>\$ 6,167,644</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>71.9%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	4.5% annual increase
Investment rate of return	7.0%

Mortality rates were based on the RP-2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with rates set forward 5 years for disabled lives. Rates are projected to improve with 75% scale of AA.

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE J - NON-UNIFORMED PENSION PLAN (Continued)

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2018 (see the plan's investment policy), are summarized in the following table:

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

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

Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at December 31, 2017	\$ 20,903,043	\$ 16,497,594	\$ 4,405,449
Changes for the year:			
Service cost	310,924	-	310,924
Interest	1,460,427	-	1,460,427
Contributions			
Employer	-	822,974	(822,974)
Member	-	112,953	(112,953)
Net investment income	-	(915,057)	915,057
Benefit payments	(713,505)	(713,505)	-
Administrative expense	-	(11,714)	11,714
Net changes	<u>1,057,846</u>	<u>(704,349)</u>	<u>1,762,195</u>
Balances at December 31, 2018	<u>\$ 21,960,889</u>	<u>\$ 15,793,245</u>	<u>\$ 6,167,644</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE J - NON-UNIFORMED PENSION PLAN (Continued)

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
	<u> </u>	<u> </u>	<u> </u>
Net pension liability	\$ 9,135,580	\$ 6,167,644	\$ 3,693,632

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2018, the Borough recognized pension expense of \$1,120,870 for the Non-Uniformed Pension Plan. At December 31, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual experience	\$ -	\$ 511,827
Change of assumptions	1,217,365	-
Net difference between projected and actual earnings on pension plan investments	<u>1,097,930</u>	<u>-</u>
	<u>\$ 2,315,295</u>	<u>\$ 511,827</u>

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

<u>Year Ending</u> <u>December 31,</u>	
2019	\$ 525,851
2020	378,075
2021	405,329
2022	494,213
2023	-
Thereafter	-

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

Benefits Provided

Eligibility for Benefits:

Police Officers

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

General Employees

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

Benefits Payable upon Retirement:

Police Officers

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

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

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

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

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

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

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

General Employees

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

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

Employees covered by benefit terms - At December 31, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	40
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	136
	176

Total OPEB Liability

The Borough's total OPEB liability of \$5,841,295 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2017.

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Actuarial assumptions and other inputs - The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Discount rate	3.75%
Healthcare cost trend rates	5.0%

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.

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

Changes in the Total OPEB Liability of the Borough

	<u>Total OPEB Liability</u>
BALANCES AT DECEMBER 31, 2017	\$ <u>5,640,532</u>
Changes for the year	
Service cost	204,877
Interest	215,130
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(219,244)
Other changes	-
NET CHANGES	<u>200,763</u>
BALANCES AT DECEMBER 31, 2018	\$ <u><u>5,841,295</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.50% in 2017 to 3.75% in 2018.

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

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Total OPEB liability	\$ <u>6,354,410</u>	\$ <u>5,841,295</u>	\$ <u>5,379,709</u>

BOROUGH OF WEST CHESTER
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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

	1% Decrease (4.0%)	Current Healthcare Cost Trend Rate (5.0%)	1% Increase (6.0%)
Total OPEB liability	\$ <u>5,227,909</u>	\$ <u>5,841,295</u>	\$ <u>6,547,018</u>

OPEB Expense and Deferred Outflows of Resource and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2018, the Borough recognized OPEB expense of \$420,007. At December 31, 2018, the Borough did not have any deferred outflows of resources or deferred inflows of resources related to OPEB.

NOTE L - CONTINGENT LIABILITIES

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

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

NOTE M - PRIOR PERIOD RESTATEMENT

The Borough implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for other postemployment benefit (OPEB) plans. GASB Statement No. 75 states that the Borough must record any unfunded liability of their OPEB plans.

For the government-wide governmental activities, the Borough has treated the beginning of year net OPEB liability of \$5,640,532 as having been recognized in the period incurred. As part of the implementation, the previously recognized liability for other postemployment benefits under GASB 45 in the amount of \$2,982,465 will be reversed. The Borough has adjusted beginning net position for the governmental activities from \$7,373,532 to \$1,733,000.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF WEST CHESTER
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 10,052,547	\$ 10,052,547	\$ 9,916,321	\$ (136,226)
Licenses and permits	968,000	968,000	1,159,363	191,363
Fines, forfeits and costs	760,000	760,000	639,084	(120,916)
Interest, dividends and rents	100	100	9,584	9,484
Intergovernmental revenues	1,467,700	1,467,700	296,355	(1,171,345)
Charges for services/fees	1,784,815	1,784,815	1,595,403	(189,412)
Miscellaneous revenue/other	523,000	523,000	719,513	196,513
TOTAL REVENUES	<u>15,556,162</u>	<u>15,556,162</u>	<u>14,335,623</u>	<u>(1,220,539)</u>
EXPENDITURES				
Current				
General government	3,000,466	3,000,466	3,844,379	(843,913)
Public safety	6,601,120	6,601,120	6,237,549	363,571
Public works				
Highways and streets	3,279,660	3,279,660	3,899,432	(619,772)
Sanitation	415,629	415,629	601,007	(185,378)
Culture and recreation	510,402	510,402	644,715	(134,313)
Insurance, employee benefits, payroll taxes	2,932,591	2,932,591	3,324,955	(392,364)
Capital outlays	15,000	15,000	20,631	(5,631)
Refunds of prior year revenues	7,100	7,100	2,869	4,231
Debt service				
Principal	835,000	835,000	493,000	342,000
Interest and other charges	981,764	981,764	242,260	739,504
TOTAL EXPENDITURES	<u>18,578,732</u>	<u>18,578,732</u>	<u>19,310,797</u>	<u>(732,065)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES				
	<u>(3,022,570)</u>	<u>(3,022,570)</u>	<u>(4,975,174)</u>	<u>(1,952,604)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	10,058	10,058
Transfers in	4,032,842	4,032,842	3,746,883	(285,959)
Transfers out	(2,149,840)	(2,149,840)	(320,000)	1,829,840
Appropriated fund balance	1,139,568	1,139,568	-	(1,139,568)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,022,570</u>	<u>3,022,570</u>	<u>3,436,941</u>	<u>414,371</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,538,233)</u>	<u>\$ (1,538,233)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>(697,280)</u>	
FUND BALANCE AT END OF YEAR			<u>\$ (2,235,513)</u>	

See accompanying notes to the basic financial statements.

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

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

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 2018.

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

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

NOTES TO SCHEDULE

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

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level dollar, closed	Level dollar, closed	Level dollar, closed
Remaining amortization period	10 years	11 years	13 years
Asset valuation method	4-year smoothing	4-year smoothing	4-year smoothing
Inflation	2.75%	3%	3%
Salary increases	5% including inflation	5% including inflation	5% including inflation
Investment rate of return	investment expenses	7.5%, net of investment expenses	7.5%, net of investment expenses
Retirement age	Age 52 and completion of 27 years of service, or age 64 and completion of 25 years of service, if earlier	Age 52 and completion of 27 years of service, or age 64 and completion of 25 years of service, if earlier	Age 52 and completion of 27 years of service, or age 64 and completion of 25 years of service, if earlier
Mortality	Assumed life expectancies are based on the RP-2014 with 50% blue collar adjustment	Assumed life expectancies are based on the RP-2000 combined healthy with blue collar adjustment	Assumed life expectancies are based on the RP-2000 combined healthy with blue collar adjustment

Note: 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.

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 2017.

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

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

NOTE: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is only available for 2014 through 2018.

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

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	\$ 310,924	\$ 302,539	\$ 303,806	\$ 305,258	\$ 366,334
Interest	1,460,427	1,389,969	1,320,111	1,252,809	1,213,215
Differences between expected and actual experience	-	(634,987)	-	(360,948)	-
Changes of assumptions	-	1,933,463	-	-	-
Benefit payments	(713,505)	(675,808)	(655,587)	(662,809)	(597,595)
NET CHANGE IN TOTAL PENSION LIABILITY	<u>1,057,846</u>	<u>2,315,176</u>	<u>968,330</u>	<u>534,310</u>	<u>981,954</u>
Total pension liability, beginning	<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>
TOTAL PENSION LIABILITY, ENDING (a)	<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>
PLAN FIDUCIARY NET POSITION					
Contributions					
Employer	\$ 822,974	\$ 916,611	\$ 891,062	\$ 940,085	\$ 952,607
Member	112,953	108,443	100,381	86,703	98,581
Net investment income	(845,375)	2,137,290	776,943	90,312	559,636
Benefit payments, including refunds of member contributions	(713,505)	(675,808)	(655,587)	(662,809)	(597,595)
Administrative expense	(81,396)	(49,820)	(12,533)	(2,700)	(5,010)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>(704,349)</u>	<u>2,436,716</u>	<u>1,100,266</u>	<u>451,591</u>	<u>1,008,219</u>
Plan fiduciary net position, beginning	<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>
PLAN FIDUCIARY NET POSITON, ENDING (b)	<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>
NET PENSION LIABILITY, ENDING (a)-(b)	<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>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>72%</u>	<u>79%</u>	<u>76%</u>	<u>74%</u>	<u>73%</u>
COVERED PAYROLL	<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>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>176.0%</u>	<u>112.6%</u>	<u>114.5%</u>	<u>116.5%</u>	<u>108.7%</u>

NOTE: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is only available for 2014 through 2018.

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

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

NOTES TO SCHEDULE

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

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

Methods and assumptions used to determine contribution rates:

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

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

NOTE: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is only available for 2014 through 2018.

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

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

NOTE: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is only available for only 2014 through 2018.

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

TOTAL OPEB LIABILITY		
Service cost	\$	204,877
Interest		215,130
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes of assumptions		-
Benefit payments		<u>(219,244)</u>
NET CHANGE IN TOTAL OPEB LIABILITY		200,763
TOTAL OPEB LIABILITY, BEGINNING		<u>5,640,532</u>
TOTAL OPEB LIABILITY, ENDING (a)	\$	<u><u>5,841,295</u></u>

NOTES TO SCHEDULE

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

SUPPLEMENTARY INFORMATION SECTION

BOROUGH OF WEST CHESTER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Urban Development Action Grant Fund	Shade Tree Fund	Fire Fund	Parks and Recreation Fund	Highway Aid Fund
ASSETS					
Cash and cash equivalents	\$ 2,106	\$ 405	\$ 62,308	\$ 42,229	\$ 339,509
Accounts receivable	-	-	7,500	1,250	-
Interest receivable	4,300	-	-	-	-
Prepaid expenses	-	-	17,823	-	-
Note receivable	12,049	-	-	-	-
Due from other funds	20,835	17,446	-	-	451,366
TOTAL ASSETS	\$ 39,290	\$ 17,851	\$ 87,631	\$ 43,479	\$ 790,875
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and other liabilities	\$ -	\$ 621	\$ 278,689	\$ 38,095	\$ 4,331
Due to other funds	-	-	205,325	165,357	-
TOTAL LIABILITIES	-	621	484,014	203,452	4,331
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue					
Note receivable	12,049	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	17,823	-	-
Restricted	-	-	-	-	786,544
Assigned	27,241	17,230	-	-	-
Unassigned	-	-	(414,206)	(159,973)	-
TOTAL FUND BALANCE	27,241	17,230	(396,383)	(159,973)	786,544
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 39,290	\$ 17,851	\$ 87,631	\$ 43,479	\$ 790,875

Totals	
<u>2018</u>	<u>2017</u>
\$ 446,557	\$ 1,778,300
8,750	268,209
4,300	4,300
17,823	89,678
12,049	22,781
<u>489,647</u>	<u>609,869</u>
<u>\$ 979,126</u>	<u>\$ 2,773,137</u>

\$ 321,736	\$ 300,964
370,682	1,808,143
<u>692,418</u>	<u>2,109,107</u>

<u>12,049</u>	<u>22,781</u>
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17,823	89,678
786,544	666,255
44,471	786,827
(574,179)	(901,511)
<u>274,659</u>	<u>641,249</u>

<u>\$ 979,126</u>	<u>\$ 2,773,137</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, 2018

	Urban Development Action Grant Fund	Shade Tree Fund	Fire Fund	Parks and Recreation Fund	Highway Aid Fund
REVENUES					
Intergovernmental revenues	\$ -	\$ -	\$ 111,761	\$ -	\$ 450,147
Charges for services	-	-	660,800	-	-
Interest, dividends and rents	37	-	42	422	590
Program revenue/other	8,164	-	-	382,633	-
TOTAL REVENUES	<u>8,201</u>	<u>-</u>	<u>772,603</u>	<u>383,055</u>	<u>450,737</u>
EXPENDITURES					
Streets and highways	-	-	-	-	330,448
Public safety	-	-	836,983	-	-
Community development	-	-	-	-	-
Culture and recreation	-	7,561	-	640,957	-
Capital outlay	-	-	-	-	-
Refund of prior year revenues	-	-	-	7,832	-
TOTAL EXPENDITURES	<u>-</u>	<u>7,561</u>	<u>836,983</u>	<u>648,789</u>	<u>330,448</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,201</u>	<u>(7,561)</u>	<u>(64,380)</u>	<u>(265,734)</u>	<u>120,289</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	320,000	-
Transfers out	-	-	(114,516)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(114,516)</u>	<u>320,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	8,201	(7,561)	(178,896)	54,266	120,289
FUND BALANCES AT BEGINNING OF YEAR	<u>19,040</u>	<u>24,791</u>	<u>(217,487)</u>	<u>(214,239)</u>	<u>666,255</u>
FUND BALANCES AT END OF YEAR	<u>\$ 27,241</u>	<u>\$ 17,230</u>	<u>\$ (396,383)</u>	<u>\$ (159,973)</u>	<u>\$ 786,544</u>

Totals	
<u>2018</u>	<u>2017</u>
\$ 561,908	\$ 550,401
660,800	651,740
1,091	13,785
<u>390,797</u>	<u>1,729,053</u>
<u>1,614,596</u>	<u>2,944,979</u>
330,448	1,716,689
836,983	705,121
-	57,783
648,518	925,216
-	18,390
<u>7,832</u>	<u>5,723</u>
<u>1,823,781</u>	<u>3,428,922</u>
<u>(209,185)</u>	<u>(483,943)</u>
320,000	108,861
<u>(114,516)</u>	<u>-</u>
<u>205,484</u>	<u>108,861</u>
(3,701)	(375,082)
<u>278,360</u>	<u>1,016,331</u>
<u>\$ 274,659</u>	<u>\$ 641,249</u>

BOROUGH OF WEST CHESTER
COMBINING STATEMENT OF FIDUCIARY
NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Police Pension Fund	Non-Uniformed Pension Fund	Totals	
			2018	2017
ASSETS				
Cash and cash equivalents	\$ 1,608,311	\$ 744,887	\$ 2,353,198	\$ 1,207,127
Investments, at fair value	27,442,742	15,018,556	42,461,298	45,530,501
Member contributions receivable	16,546	13,238	29,784	-
Interest receivable	31,889	16,564	48,453	30,222
TOTAL ASSETS	\$ 29,099,488	\$ 15,793,245	\$ 44,892,733	\$ 46,767,850
LIABILITIES AND NET POSITION				
LIABILITIES				
Refund of member contributions payable	\$ 345	\$ -	\$ 345	\$ 25,759
NET POSITION				
Assets held in trust for employee pension benefits	29,099,143	15,793,245	44,892,388	46,742,091
TOTAL LIABILITIES AND NET POSITION	\$ 29,099,488	\$ 15,793,245	\$ 44,892,733	\$ 46,767,850

BOROUGH OF WEST CHESTER**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****YEAR ENDED DECEMBER 31, 2018**

	Police Pension Fund	Non-Uniformed Pension Fund	Totals	
			2018	2017
ADDITIONS				
Contributions				
State aid	\$ 562,408	\$ 252,676	\$ 815,084	\$ 821,297
Employer contributions	1,161,426	570,298	1,731,724	1,793,262
Employee contributions	141,488	112,953	254,441	297,162
TOTAL CONTRIBUTIONS	<u>1,865,322</u>	<u>935,927</u>	<u>2,801,249</u>	<u>2,911,721</u>
Investment income				
Interest and dividends	839,162	443,769	1,282,931	987,318
Realized gain (loss) on investments	(86,800)	(37,715)	(124,515)	345,179
Unrealized gain (loss) on investments	(2,322,103)	(1,251,429)	(3,573,532)	4,746,585
Investment expense	(121,485)	(69,682)	(191,167)	(123,032)
NET INVESTMENT INCOME	<u>(1,691,226)</u>	<u>(915,057)</u>	<u>(2,606,283)</u>	<u>5,956,050</u>
TOTAL ADDITIONS	<u>174,096</u>	<u>20,870</u>	<u>194,966</u>	<u>8,867,771</u>
DEDUCTIONS				
Benefits paid	1,307,713	713,505	2,021,218	1,875,906
Administrative expenses	11,737	11,714	23,451	9,804
TOTAL DEDUCTIONS	<u>1,319,450</u>	<u>725,219</u>	<u>2,044,669</u>	<u>1,885,710</u>
CHANGE IN NET POSITION	(1,145,354)	(704,349)	(1,849,703)	6,982,061
NET POSITION AT BEGINNING OF YEAR	<u>30,244,497</u>	<u>16,497,594</u>	<u>46,742,091</u>	<u>39,760,030</u>
NET POSITION AT END OF YEAR	<u>\$ 29,099,143</u>	<u>\$ 15,793,245</u>	<u>\$ 44,892,388</u>	<u>\$ 46,742,091</u>