

**BOROUGH OF WEST CHESTER**  
**ANNUAL FINANCIAL REPORT**  
*Year Ended December 31, 2017*



## **INTRODUCTORY SECTION**

# BOROUGH OF WEST CHESTER

## TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2017

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

**BOROUGH OF WEST CHESTER**  
TABLE OF CONTENTS  
YEAR ENDED DECEMBER 31, 2017

---

	<b>Page</b>
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	24
Statement of Changes in Fiduciary Net Position	25
Notes to the Basic Financial Statements	26
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedules	
General Fund	59
<i>Police Pension Plan</i>	
Schedule of Changes in the Net Police Pension Plan Liability and Related Ratios	60
Schedule of Police Pension Plan Contributions	61
Schedule of Police Pension Plan Investment Returns	62
<i>Non-Uniformed Pension Plan</i>	
Schedule of Changes in the Net Non-Uniformed Pension Plan Liability and Related Ratios	63
Schedule of Non-Uniformed Pension Plan Contributions	64
Schedule of Non-Uniformed Pension Plan Investment Returns	65
<b>Supplementary Information</b>	
<i>Nonmajor Governmental Funds</i>	
Combining Balance Sheet	66
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	67
<i>Fiduciary Funds</i>	
Combining Statement of Fiduciary Net Position	68
Combining Schedule of Changes in Fiduciary Net Position	69

## **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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Other Matters***

#### *Prior-Year Comparative Information*

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, 2016, 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 on pages 6 through 13, budgetary comparison schedule on page 59 and pension plan information on pages 60 through 65 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.

*Maille LLP*

West Chester, Pennsylvania  
January 25, 2019



# **BOROUGH OF WEST CHESTER**

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

**YEAR ENDED DECEMBER 31, 2017**

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The members of Council of the Borough of West Chester, West Chester, Pennsylvania are pleased to present to readers of the financial statements of the Borough of West Chester (the "Borough") this narrative overview and analysis of the financial activities of the Borough for the year ended December 31, 2017. 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 \$30,888,999 (net position), an increase of \$418,616 from the previous year.

#### **Fund Level**

- As of the close of the year, the Borough reported combined ending fund balances in governmental funds of \$11,550,764, a decrease of \$1,425,054 from the previous year. Of the current ending fund balances, \$32,107 and \$(729,387) are reported as nonspendable and unassigned, respectively, in the General Fund; \$7,463,558 as assigned in the Capital Operating Reserve Fund; \$7,713,691 and \$16,887 as restricted (for municipal building renovation, and stream protection management capital improvement projects) and assigned, respectively, in the Debt Service Fund; and \$89,678, \$666,255 and \$786,827 as nonspendable, restricted and assigned, respectively, in the non-major Governmental Funds such as Urban Development Action Grant Fund, Shade Tree Fund, Fire Fund, Highway Aid Fund and Capital Improvement Fund.

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

- At the end of the current calendar year, the Borough had total bonded debt outstanding of \$40,023,000, a decrease of \$1,713,000 from the previous year. All of the bonded debt is backed by the full faith and credit of the Borough government. Governmental activities report \$11,256,925 and business-type activities report \$28,766,075 of general obligation 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, 2017, the Borough has invested \$67,424,720 net of accumulated depreciation in a broad range of capital assets (see table on following page). Depreciation charges for the calendar year 2017 totaled \$3,591,807.

**BOROUGH OF WEST CHESTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2017**

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,728,054	\$ 1,789,602	\$ 643,605	\$ 582,057	\$ 2,371,659	\$ 2,371,659
Buildings	5,419,982	5,616,351	33,761,972	34,513,157	39,181,954	40,129,508
Improvements other than buildings	128,986	168,296	-	-	128,986	168,296
Infrastructure	7,610,287	7,604,950	10,359,689	11,256,966	17,969,976	18,861,916
Construction in progress	240,953	7,057	-	21,331	240,953	28,388
Furniture and equipment	1,164,546	1,250,181	1,002,822	1,152,219	2,167,368	2,402,400
Vehicles	5,197,723	5,676,088	166,101	230,000	5,363,824	5,906,088
<b>TOTAL CAPITAL ASSETS</b>	<b>\$ 21,490,531</b>	<b>\$ 22,112,525</b>	<b>\$ 45,934,189</b>	<b>\$ 47,755,730</b>	<b>\$ 67,424,720</b>	<b>\$ 69,868,255</b>

Major capital asset events during 2017 for governmental and business activities included the following:

- Installation of terminals and camera equipment at different garages
- Road resurfacing projects throughout the Borough's street system
- Stream protection infrastructure projects
- Acquisition of vehicles for police and public works

**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, 2017

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

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

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

**BOROUGH OF WEST CHESTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2017**

**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	
	2017	2016	2017	2016	2017	2016
<b>ASSETS</b>						
Current and other assets	\$ 13,204,906	\$ 16,092,002	\$ 7,793,953	\$ 4,689,483	\$ 20,998,859	\$ 20,781,485
Capital and related assets	21,490,531	22,112,325	45,934,189	47,755,730	67,424,720	69,868,055
<b>TOTAL ASSETS</b>	<b>34,695,437</b>	<b>38,204,327</b>	<b>53,728,142</b>	<b>52,445,213</b>	<b>88,423,579</b>	<b>90,649,540</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
	3,485,727	1,521,113	236,121	88,816	3,721,848	1,609,929
<b>LIABILITIES</b>						
Long-term liabilities	27,144,235	27,132,283	28,344,855	29,672,498	55,489,090	56,804,781
Other liabilities	1,512,987	3,064,937	1,932,128	1,595,293	3,445,115	4,660,230
<b>TOTAL LIABILITIES</b>	<b>28,657,222</b>	<b>30,197,220</b>	<b>30,276,983</b>	<b>31,267,791</b>	<b>58,934,205</b>	<b>61,465,011</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
	2,150,410	287,278	171,813	36,797	2,322,223	324,075
<b>FUND BALANCES/NET POSITION</b>						
Net investment in capital assets	17,880,715	10,340,777	17,421,941	17,663,819	35,302,656	28,004,596
Restricted	8,379,946	8,848,793	-	-	8,379,946	8,848,793
Unrestricted	(18,887,129)	(9,948,628)	6,093,526	3,565,622	(12,793,603)	(6,383,006)
<b>TOTAL FUND BALANCES/NET POSITION</b>	<b>\$ 7,373,532</b>	<b>\$ 9,240,942</b>	<b>\$ 23,515,467</b>	<b>\$ 21,229,441</b>	<b>\$ 30,888,999</b>	<b>\$ 30,470,383</b>

The largest components of the Borough's current and other assets are cash and investments totaling \$18,459,370. Of the total long-term liabilities, bonds payable account for \$40,023,000.

**BOROUGH OF WEST CHESTER**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2017**

	Governmental Activities		Business- Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
<b>REVENUES</b>						
Program revenues						
Charges for services	\$ 5,826,368	\$ 4,397,770	\$ 10,258,118	\$ 10,122,291	\$ 16,084,486	\$ 14,520,061
Operating grants and contributions	1,435,024	1,852,167	5,110	73,320	1,440,134	1,925,487
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Real estate taxes	5,202,893	5,076,315	-	-	5,202,893	5,076,315
Real estate transfer taxes	573,013	503,019	-	-	573,013	503,019
Earned income taxes	3,553,727	3,507,727	-	-	3,553,727	3,507,727
LST taxes	681,893	645,861	-	-	681,893	645,861
Business privilege taxes	169,663	136,682	-	-	169,663	136,682
Amusement device taxes	1,200	2,000	-	-	1,200	2,000
Franchise fees	362,953	382,106	-	-	362,953	382,106
Grants not subject to restriction	10,167	-	-	-	10,167	-
Gain on sale of assets	76,163	58,453	-	(6,222)	76,163	52,231
Investment income	177,751	117,102	4,230	3,930	181,981	121,032
Other revenues	176,561	118,500	2,075,911	1,085,110	2,252,472	1,203,610
Transfers	3,251,020	2,454,654	(3,251,020)	(2,454,654)	-	-
<b>TOTAL REVENUES</b>	<b>21,498,396</b>	<b>19,252,356</b>	<b>9,092,349</b>	<b>8,823,775</b>	<b>30,590,745</b>	<b>28,076,131</b>
<b>EXPENSES</b>						
Current						
General government	7,585,698	5,270,872	-	-	7,585,698	5,270,872
Public safety	8,364,724	10,864,536	-	-	8,364,724	10,864,536
Public works						
Highways and streets	4,943,590	4,546,245	-	-	4,943,590	4,546,245
Sanitation	612,842	895,371	-	-	612,842	895,371
Interest expense	325,126	371,282	-	-	325,126	371,282
Culture and recreation	1,533,826	1,324,728	-	-	1,533,826	1,324,728
Sewer	-	-	2,649,378	3,431,116	2,649,378	3,431,116
Parking	-	-	4,156,945	3,388,929	4,156,945	3,388,929
<b>TOTAL EXPENSES</b>	<b>23,365,806</b>	<b>23,273,034</b>	<b>6,806,323</b>	<b>6,820,045</b>	<b>30,172,129</b>	<b>30,093,079</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>\$ (1,867,410)</b>	<b>\$ (4,020,678)</b>	<b>\$ 2,286,026</b>	<b>\$ 2,003,730</b>	<b>\$ 418,616</b>	<b>\$ (2,016,948)</b>

The Borough's combined net position increased \$418,616 over the course of this calendar year's operations. The net position of the governmental activity operations decreased by \$1,867,410. The changes in net position of the Borough's business-type activities increased by \$2,286,026.

**BOROUGH OF WEST CHESTER**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2017

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

**Governmental Funds**

**General Fund Budgetary Highlights**

The Borough adopted its calendar year 2017 budget in December 2016. 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. There were two budget amendments to the approved budget.

The budget did not have a tax increase for the 2017 year. There were slight adjustments to revenues such as violation-of-ordinance, police protection revenues, etc.

General Fund revenues and financing sources for 2017 were \$18,298,323. The Borough's largest source of revenue, mainly real estate and earned income taxes, were over budget by \$428,797 as collections increased with the economy continuing to rebound coupled with good collection practices. Licenses and permits were over budget by \$284,900 while fines and costs came in under budget by \$78,870.

General Fund expenditures and other financing uses were \$19,672,542 which was approximately \$444,000 over budget. This was primarily due to the budget spread between interfund transfers in, which came in \$546,819 over budget.

**Capital Operating Reserve Fund**

A net total of \$1,096,601 was transferred to this fund in 2017. 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 sufficient to cover operating expenses.

**Parking Funds**

Parking garage revenues were sufficient to cover the costs to operate the fund before a planned transfer of \$2,219,526 to the General Fund.

## **BOROUGH OF WEST CHESTER**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2017

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

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

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

The Borough is the County seat and serves as a business and financing center for a portion of the County and a portion of neighboring Delaware County. Because it is the County seat and the site of West Chester University, many of its residents are employed in governmental or professional occupations. The Borough's major employers include: Chester County Hospital - 2,102 employees; PA System of Higher Education - 1,797 employees; Chester County Courthouse - 941 employees; Aramark Food & Support Services - 213 employees; Barclay Friends - 179 employees; YMCA of Brandywine Valley - 170 employees; Benchmark Senior Living, LLC - 180 employees; Borough of West Chester - 167 employees and Moody's Analytics - 175. 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 2017 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, 2017

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The Borough of West Chester tax revenues in 2017 continued to show marked improvement with earned income tax collections exceeding prior year by 13%. 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 \$741,569,295 for 2017, which is up from \$716,893,565 in 2016, a 3.4% 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 3.4% 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 2017, the Borough kept the real estate tax rate the same as in 2016. The millage rate for 2017 is 6.96. The Borough's 2017 General Fund budget as adopted reflects revenues and expenditures totaling \$19,228,336.

In 2017, 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](mailto:mperrone@west-chester.com). The Borough's website is [www.west-chester.com](http://www.west-chester.com).



**BOROUGH OF WEST CHESTER**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	Primary Government		Totals	
	Governmental Activities	Business-Type Activities	2017	2016
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 10,467,849	\$ 1,111,010	\$ 11,578,859	\$ 13,034,128
Investments	6,880,511	-	6,880,511	5,941,753
Accounts and other receivables, net	584,068	949,906	1,533,974	1,032,287
Taxes receivable	336,649	-	336,649	409,357
Prepaid expenses	121,785	1,654	123,439	5,908
Internal balances	(5,731,383)	5,731,383	-	-
Loans and notes receivable	39,012	-	39,012	39,603
<b>TOTAL CURRENT ASSETS</b>	<b>12,698,491</b>	<b>7,793,953</b>	<b>20,492,444</b>	<b>20,463,036</b>
<b>NONCURRENT ASSETS</b>				
Loans and notes receivable	506,415	-	506,415	318,449
Depreciable capital assets, net	19,521,524	45,290,584	64,812,108	67,468,008
Land	1,728,054	643,605	2,371,659	2,371,659
Construction in progress	240,953	-	240,953	28,388
<b>TOTAL NONCURRENT ASSETS</b>	<b>21,996,946</b>	<b>45,934,189</b>	<b>67,931,135</b>	<b>70,186,504</b>
<b>TOTAL ASSETS</b>	<b>34,695,437</b>	<b>53,728,142</b>	<b>88,423,579</b>	<b>90,649,540</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pension activity	3,485,727	236,121	3,721,848	1,609,929
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 38,181,164</b>	<b>\$ 53,964,263</b>	<b>\$ 92,145,427</b>	<b>\$ 92,259,469</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable and other liabilities	\$ 562,476	\$ 376,939	\$ 939,415	\$ 2,292,231
Accrued liabilities	442,306	248,588	690,894	624,737
Developer escrow	44,982	-	44,982	24,982
Current portion of long-term debt, net	463,223	1,306,601	1,769,824	1,718,280
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,512,987</b>	<b>1,932,128</b>	<b>3,445,115</b>	<b>4,660,230</b>
<b>NONCURRENT LIABILITIES</b>				
Postemployment benefits	2,982,465	-	2,982,465	2,682,497
Compensated absences	998,806	141,252	1,140,058	1,129,419
Long-term portion of long-term debt, net	10,860,284	27,518,115	38,378,399	40,147,180
Net pension liability	12,302,680	685,488	12,988,168	12,845,685
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>27,144,235</b>	<b>28,344,855</b>	<b>55,489,090</b>	<b>56,804,781</b>
<b>TOTAL LIABILITIES</b>	<b>28,657,222</b>	<b>30,276,983</b>	<b>58,934,205</b>	<b>61,465,011</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pension activity	2,150,410	171,813	2,322,223	324,075
<b>NET POSITION</b>				
Net investment in capital assets	17,880,715	17,421,941	35,302,656	28,004,596
Restricted	8,379,946	-	8,379,946	8,848,793
Unrestricted	(18,887,129)	6,093,526	(12,793,603)	(6,383,006)
<b>TOTAL NET POSITION</b>	<b>7,373,532</b>	<b>23,515,467</b>	<b>30,888,999</b>	<b>30,470,383</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ 38,181,164</b>	<b>\$ 53,964,263</b>	<b>\$ 92,145,427</b>	<b>\$ 92,259,469</b>

See accompanying notes to the basic financial statements.

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>				
General government	\$ 7,585,698	\$ 344,591	\$ 883,648	\$ -
Public safety	8,364,724	3,421,545	120,575	-
Public works				
Highways and streets	4,943,590	1,328,528	429,826	-
Sanitation	612,842	54,300	-	-
Culture and recreation	1,533,826	677,404	975	-
Interest expense	325,126	-	-	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>23,365,806</u>	<u>5,826,368</u>	<u>1,435,024</u>	<u>-</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Sewer	2,649,378	4,821,826	5,110	-
Parking	4,156,945	5,436,292	-	-
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>6,806,323</u>	<u>10,258,118</u>	<u>5,110</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 30,172,129</u>	<u>\$ 16,084,486</u>	<u>\$ 1,440,134</u>	<u>\$ -</u>
<b>GENERAL REVENUES</b>				
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				
<b>TRANSFERS</b>				
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				
CHANGE IN NET POSITION				
NET POSITION AT BEGINNING OF YEAR				
NET POSITION AT END OF YEAR				

*See accompanying notes to the basic financial statements.*

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Totals	
		2017	2016
\$ (6,357,459)	\$ -	\$ (6,357,459)	\$ (4,211,254)
(4,822,604)	-	(4,822,604)	(7,102,788)
(3,185,236)	-	(3,185,236)	(3,972,282)
(558,542)	-	(558,542)	(856,300)
(855,447)	-	(855,447)	(509,191)
(325,126)	-	(325,126)	(371,282)
<u>(16,104,414)</u>	<u>-</u>	<u>(16,104,414)</u>	<u>(17,023,097)</u>
-	2,177,558	2,177,558	1,455,554
-	1,279,347	1,279,347	1,920,012
<u>-</u>	<u>3,456,905</u>	<u>3,456,905</u>	<u>3,375,566</u>
<u>(16,104,414)</u>	<u>3,456,905</u>	<u>(12,647,509)</u>	<u>(13,647,531)</u>
5,202,893	-	5,202,893	5,076,315
573,013	-	573,013	503,019
3,553,727	-	3,553,727	3,507,727
681,893	-	681,893	645,861
169,663	-	169,663	136,682
1,200	-	1,200	2,000
362,953	-	362,953	382,106
10,167	-	10,167	-
177,751	4,230	181,981	121,032
76,163	-	76,163	52,231
176,561	2,075,911	2,252,472	1,203,610
3,251,020	(3,251,020)	-	-
<u>14,237,004</u>	<u>(1,170,879)</u>	<u>13,066,125</u>	<u>11,630,583</u>
(1,867,410)	2,286,026	418,616	(2,016,948)
<u>9,240,942</u>	<u>21,229,441</u>	<u>30,470,383</u>	<u>32,487,331</u>
<u>\$ 7,373,532</u>	<u>\$ 23,515,467</u>	<u>\$ 30,888,999</u>	<u>\$ 30,470,383</u>

**BOROUGH OF WEST CHESTER**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	Major Funds			
	<u>General Fund</u>	<u>Capital Operating Reserve Fund</u>	<u>Equipment and Technology Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 180,650	\$ 434,586	\$ 917	\$ 359,705
Restricted cash	-	-	-	7,713,691
Investments	-	6,880,511	-	-
Accounts receivable	260,267	10,458	-	-
Interest receivable	-	40,834	-	-
Taxes receivable	336,649	-	-	-
Note receivable	240,093	282,553	-	-
Prepaid expenses	32,107	-	-	-
Due from other funds	-	97,169	-	-
	<u>-</u>	<u>97,169</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,049,766</u>	<u>\$ 7,746,111</u>	<u>\$ 917</u>	<u>\$ 8,073,396</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 420,399	\$ -	\$ 36,143	\$ -
Accrued liabilities	189,959	-	-	-
Developer escrow	44,982	-	-	-
Due to other funds	735,345	-	3,552,115	342,818
TOTAL LIABILITIES	<u>1,390,685</u>	<u>-</u>	<u>3,588,258</u>	<u>342,818</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues				
Property taxes	116,268	-	-	-
Note receivable	240,093	282,553	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>356,361</u>	<u>282,553</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable - prepaid expenses	32,107	-	-	-
Restricted	-	-	-	7,713,691
Assigned	-	7,463,558	-	16,887
Unassigned	(729,387)	-	(3,587,341)	-
TOTAL FUND BALANCES	<u>(697,280)</u>	<u>7,463,558</u>	<u>(3,587,341)</u>	<u>7,730,578</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,049,766</u>	<u>\$ 7,746,111</u>	<u>\$ 917</u>	<u>\$ 8,073,396</u>

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Totals	
	2017	2016
\$ 1,778,300	\$ 2,754,158	\$ 4,098,075
-	7,713,691	8,241,504
-	6,880,511	5,941,753
268,209	538,934	310,175
4,300	45,134	35,226
-	336,649	409,357
22,781	545,427	358,052
89,678	121,785	5,908
609,869	707,038	5,740,770
<u>\$ 2,773,137</u>	<u>\$ 19,643,327</u>	<u>\$ 25,140,820</u>
\$ 300,964	\$ 757,506	\$ 2,412,242
-	189,959	119,262
-	44,982	24,982
1,808,143	6,438,421	9,048,818
<u>2,109,107</u>	<u>7,430,868</u>	<u>11,605,304</u>
-	116,268	201,646
22,781	545,427	358,052
<u>22,781</u>	<u>661,695</u>	<u>559,698</u>
89,678	121,785	5,908
666,255	8,379,946	8,848,793
786,827	8,267,272	7,244,301
(901,511)	(5,218,239)	(3,123,184)
<u>641,249</u>	<u>11,550,764</u>	<u>12,975,818</u>
<u>\$ 2,773,137</u>	<u>\$ 19,643,327</u>	<u>\$ 25,140,820</u>

# BOROUGH OF WEST CHESTER

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES YEAR ENDED DECEMBER 31, 2017

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TOTAL GOVERNMENTAL FUNDS BALANCES \$ 11,550,764

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.

21,490,531

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

1,335,317

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

\$ 116,268

Loans and notes receivable

545,427

661,695

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

(998,806)

Postemployment benefits

(2,982,465)

Net pension liability

(12,302,680)

Accrued interest on long-term debt

(57,317)

Long-term debt, net

(11,323,507)

(27,664,775)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 7,373,532

*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, 2017**

	Major Funds			
	General Fund	Capital Operating Reserve Fund	Equipment and Technology Fund	Debt Service Fund
<b>REVENUES</b>				
Taxes	\$ 10,182,389	\$ -	\$ -	\$ -
Licenses and permits	1,290,900	-	-	-
Fines, forfeits and costs	681,130	-	-	-
Interest, dividends and rents	234	171,273	191	61,773
Intergovernmental revenues	927,075	41,201	-	-
Charges for services/fees	1,638,779	-	-	-
Program revenue/other	42,127	51,068	-	-
Refunds of prior year expenditures	-	-	-	-
<b>TOTAL REVENUES</b>	<b>14,762,634</b>	<b>263,542</b>	<b>191</b>	<b>61,773</b>
<b>EXPENDITURES</b>				
Current				
General government	2,033,927	13,437	1,795	641,498
Public safety	8,165,363	-	-	-
Public works				
Highways and streets	3,665,068	-	-	-
Sanitation	368,389	-	-	-
Community development	-	-	-	-
Culture and recreation	536,250	-	-	-
Insurance, employee benefits, payroll taxes	2,976,585	-	-	-
Debt issuance costs	-	-	-	-
Refunds of prior year revenues	4,602	-	-	-
Realized losses	-	36,423	-	-
Unrealized losses	-	59,248	-	-
Capital outlays	29,911	-	198,501	-
Donations	-	-	-	-
Debt service				
Principal	407,000	-	-	-
Interest and other charges	279,985	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>18,467,080</b>	<b>109,108</b>	<b>200,296</b>	<b>641,498</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(3,704,446)</b>	<b>154,434</b>	<b>(200,105)</b>	<b>(579,725)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital asset	76,163	-	-	-
Proceeds from issuance of long-term debt	-	-	-	-
Premiums on bond issuances	-	-	-	-
Transfers in	3,459,526	1,096,601	-	-
Transfers out	(1,205,462)	-	-	(146,958)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>2,330,227</b>	<b>1,096,601</b>	<b>-</b>	<b>(146,958)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,374,219)</b>	<b>1,251,035</b>	<b>(200,105)</b>	<b>(726,683)</b>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<b>676,939</b>	<b>6,212,523</b>	<b>(3,387,236)</b>	<b>8,457,261</b>
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ (697,280)</b>	<b>\$ 7,463,558</b>	<b>\$ (3,587,341)</b>	<b>\$ 7,730,578</b>

See accompanying notes to the basic financial statements.

Nonmajor Governmental Funds	Totals	
	2017	2016
\$ -	\$ 10,182,389	\$ 9,871,604
-	1,290,900	1,267,683
-	681,130	682,622
13,785	247,256	207,001
550,401	1,518,677	1,891,771
651,740	2,290,519	2,164,505
1,729,053	1,822,248	781,109
-	-	-
<u>2,944,979</u>	<u>18,033,119</u>	<u>16,866,295</u>
-	2,690,657	3,596,429
705,121	8,870,484	5,802,856
1,716,689	5,381,757	3,136,683
-	368,389	474,005
57,783	57,783	-
925,216	1,461,466	1,193,808
-	2,976,585	4,974,324
-	-	106,544
5,723	10,325	27,258
-	36,423	34,572
-	59,248	69,975
18,390	246,802	4,654,029
-	-	8,654
-	407,000	482,688
-	279,985	371,282
<u>3,428,922</u>	<u>22,846,904</u>	<u>24,933,107</u>
<u>(483,943)</u>	<u>(4,813,785)</u>	<u>(8,066,812)</u>
-	76,163	62,667
-	-	9,335,000
-	-	71,544
108,861	4,664,988	3,616,883
-	(1,352,420)	(832,459)
<u>108,861</u>	<u>3,388,731</u>	<u>12,253,635</u>
(375,082)	(1,425,054)	4,186,823
<u>1,016,331</u>	<u>12,975,818</u>	<u>8,788,995</u>
<u>\$ 641,249</u>	<u>\$ 11,550,764</u>	<u>\$ 12,975,818</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, 2017

---

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,425,054)

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

Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (560,446)

The disposal of capital assets generated cash flow at the fund level but created an economic gain at the entity-wide level. (61,548)

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	85,378
Notes receivable	16,818

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	\$ <u>450,042</u>	450,042
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due rather than as it accrues.

Compensated absences	(13,812)	
Postemployment benefits	(299,968)	
Pension plan expense	(59,913)	
Accrued interest on long-term debt	<u>1,093</u>	
		<u>(372,600)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,867,410)

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**

	Business-Type Activities		Totals	
	Enterprise Funds		2017	2016
	Sewer Fund	Parking Fund		
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 319,445	\$ 791,565	\$ 1,111,010	\$ 694,549
Accounts receivable, net	662,508	287,398	949,906	686,886
Prepaid expenses	1,654	-	1,654	-
Due from other funds	3,263,427	2,467,956	5,731,383	4,445,942
TOTAL CURRENT ASSETS	<u>4,247,034</u>	<u>3,546,919</u>	<u>7,793,953</u>	<u>5,827,377</u>
<b>NONCURRENT ASSETS</b>				
Land	140,780	502,825	643,605	582,057
Capital assets, net	11,401,455	33,889,129	45,290,584	47,152,342
Construction in progress	-	-	-	21,331
TOTAL NONCURRENT ASSETS	<u>11,542,235</u>	<u>34,391,954</u>	<u>45,934,189</u>	<u>47,755,730</u>
TOTAL ASSETS	15,789,269	37,938,873	53,728,142	53,583,107
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pension activities	182,601	53,520	236,121	88,816
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 15,971,870</u>	<u>\$ 37,992,393</u>	<u>\$ 53,964,263</u>	<u>\$ 53,671,923</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 281,862	\$ 95,077	\$ 376,939	\$ 107,548
Accrued liabilities	52,047	196,541	248,588	219,507
Bonds and notes payable, net	-	1,306,601	1,306,601	1,268,238
Due to other funds	-	-	-	1,137,894
TOTAL CURRENT LIABILITIES	<u>333,909</u>	<u>1,598,219</u>	<u>1,932,128</u>	<u>2,733,187</u>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences	113,646	27,606	141,252	144,425
Bonds and notes payable, net	-	27,518,115	27,518,115	28,823,673
Net pension liability	409,707	275,781	685,488	704,400
TOTAL NONCURRENT LIABILITIES	<u>523,353</u>	<u>27,821,502</u>	<u>28,344,855</u>	<u>29,672,498</u>
TOTAL LIABILITIES	<u>857,262</u>	<u>29,419,721</u>	<u>30,276,983</u>	<u>32,405,685</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pension activities	151,059	20,754	171,813	36,797
<b>NET POSITION</b>				
Net investment in capital assets	11,542,235	5,879,706	17,421,941	17,663,819
Unrestricted	3,421,314	2,672,212	6,093,526	3,565,622
TOTAL NET POSITION	<u>14,963,549</u>	<u>8,551,918</u>	<u>23,515,467</u>	<u>21,229,441</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 15,971,870</u>	<u>\$ 37,992,393</u>	<u>\$ 53,964,263</u>	<u>\$ 53,671,923</u>

See accompanying notes to the basic financial statements.

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	Business-Type Activities		Totals	
	Enterprise Funds		2017	2016
	Sewer Fund	Parking Fund		
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,821,360	\$ 5,435,730	\$ 10,257,090	\$ 10,168,015
Other revenue	1,211,205	19,447	1,230,652	1,016,235
<b>TOTAL OPERATING REVENUES</b>	<b>6,032,565</b>	<b>5,455,177</b>	<b>11,487,742</b>	<b>11,184,250</b>
<b>OPERATING EXPENSES</b>				
Administration	239,389	1,035,182	1,274,571	669,556
Salaries and wages	876,305	677,753	1,554,058	1,619,475
Employee benefits	405,310	381,895	787,205	824,132
Materials and supplies	285,137	-	285,137	297,006
Utilities	250,586	83,069	333,655	536,429
Fuel	29,662	4,175	33,837	40,095
Sludge removal	521,535	-	521,535	535,324
Repairs and maintenance	136,330	112,996	249,326	281,320
Other	32,055	-	32,055	67,668
Depreciation	1,083,808	1,032,584	2,116,392	1,756,391
<b>TOTAL OPERATING EXPENSES</b>	<b>3,860,117</b>	<b>3,327,654</b>	<b>7,187,771</b>	<b>6,627,396</b>
<b>OPERATING INCOME</b>	<b>2,172,448</b>	<b>2,127,523</b>	<b>4,299,971</b>	<b>4,556,854</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	321	4,471	4,792	3,930
Interest expense	-	(848,738)	(848,738)	(982,493)
Bond issuance costs	-	-	-	(272,115)
Gain (loss) on sale of capital assets	-	-	-	(6,222)
Intergovernmental revenues	5,110	-	5,110	73,320
Capital contributions	-	61,548	61,548	329,770
Reimbursements on construction project costs	-	2,075,911	2,075,911	1,085,110
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>5,431</b>	<b>1,293,192</b>	<b>1,298,623</b>	<b>231,300</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>2,177,879</b>	<b>3,420,715</b>	<b>5,598,594</b>	<b>4,788,154</b>
<b>TRANSFERS</b>				
Transfers in	-	146,958	146,958	31,823
Transfers out	(1,240,000)	(2,219,526)	(3,459,526)	(2,816,247)
<b>TOTAL TRANSFERS</b>	<b>(1,240,000)</b>	<b>(2,072,568)</b>	<b>(3,312,568)</b>	<b>(2,784,424)</b>
<b>CHANGE IN NET POSITION</b>	<b>937,879</b>	<b>1,348,147</b>	<b>2,286,026</b>	<b>2,003,730</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>14,025,670</b>	<b>7,203,771</b>	<b>21,229,441</b>	<b>19,225,711</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 14,963,549</b>	<b>\$ 8,551,918</b>	<b>\$ 23,515,467</b>	<b>\$ 21,229,441</b>

See accompanying notes to the basic financial statements.

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	Business-Type Activities		Totals	
	Enterprise Funds		2017	2016
	Sewer Fund	Parking Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 4,037,790	\$ 5,898,318	\$ 9,936,108	\$ 9,866,922
Payments to suppliers for goods and services	(1,299,591)	(1,162,788)	(2,462,379)	(2,395,778)
Payments to employees for services	(1,414,979)	(2,138,897)	(3,553,876)	(2,529,653)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,323,220</u>	<u>2,596,633</u>	<u>3,919,853</u>	<u>4,941,491</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	146,958	146,958	-
Transfers out	(1,240,000)	(2,219,526)	(3,459,526)	(1,434,000)
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(1,240,000)</u>	<u>(2,072,568)</u>	<u>(3,312,568)</u>	<u>(1,434,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Reimbursements on construction project costs	-	2,075,911	2,075,911	606,700
BID contributions	-	-	-	(89,073)
Capital contributions	-	61,548	61,548	-
Purchases of capital assets	(87,066)	(167,568)	(254,634)	(383,842)
Sale of capital assets	-	-	-	16,000
Capital grants	5,110	-	5,110	284,006
Principal paid on capital debt	-	(1,264,452)	(1,264,452)	(1,157,941)
Interest paid on capital debt	-	(819,099)	(819,099)	(1,063,425)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(81,956)</u>	<u>(113,660)</u>	<u>(195,616)</u>	<u>(1,787,575)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income	<u>321</u>	<u>4,471</u>	<u>4,792</u>	<u>4,464</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>1,585</u>	<u>414,876</u>	<u>416,461</u>	<u>1,724,380</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>317,860</u>	<u>376,689</u>	<u>694,549</u>	<u>1,892,941</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 319,445</u>	<u>\$ 791,565</u>	<u>\$ 1,111,010</u>	<u>\$ 3,617,321</u>

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	Business-Type Activities		Totals	
	Enterprise Funds		2017	2016
	Sewer Fund	Parking Fund		
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 2,172,448	\$ 2,127,523	\$ 4,299,971	\$ 3,145,051
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,083,808	1,032,584	2,116,392	1,713,271
Pension expense	(11,754)	(92,046)	(103,800)	(100,224)
(Increase) decrease in				
Accounts receivable	(111,453)	(151,567)	(263,020)	(25,709)
Prepaid expenses	(1,654)	-	(1,654)	-
Due from other funds	(1,876,176)	590,735	(1,285,441)	(915,801)
Increase (decrease) in				
Accounts payable	196,757	72,634	269,391	(39,026)
Accrued liabilities	17,069	12,012	29,081	(4,563)
Due to other funds	(138,679)	(999,215)	(1,137,894)	1,126,372
Compensated absences	(7,146)	3,973	(3,173)	42,120
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,323,220</u>	<u>\$ 2,596,633</u>	<u>\$ 3,919,853</u>	<u>\$ 4,941,491</u>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF WEST CHESTER**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2017**

	Pension Trust Funds	
	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,207,127	\$ 890,224
Investments, at fair value	45,530,501	37,943,072
Member contributions receivable	-	37,883
Borough contributions receivable	-	895,253
Interest receivable	<u>30,222</u>	<u>22,653</u>
TOTAL ASSETS	<u>\$ 46,767,850</u>	<u>\$ 39,789,085</u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Refund of member contributions payable	\$ 25,759	\$ 29,055
NET POSITION		
Assets held in trust for employee pension benefits	<u>46,742,091</u>	<u>39,760,030</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 46,767,850</u>	<u>\$ 39,789,085</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, 2017**

	Pension Trust Funds	
	2017	2016
ADDITIONS		
Contributions		
State aid	\$ 821,297	\$ 787,437
Employer	1,793,262	1,792,141
Employee	297,162	246,266
TOTAL CONTRIBUTIONS	<u>2,911,721</u>	<u>2,825,844</u>
Investment income		
Investment earnings	987,318	964,283
Realized gain on investments	345,179	675,653
Net (depreciation) appreciation in fair value of investments	4,746,585	736,876
Investment expense	(123,032)	(167,218)
NET INVESTMENT INCOME	<u>5,956,050</u>	<u>2,209,594</u>
TOTAL ADDITIONS	<u>8,867,771</u>	<u>5,035,438</u>
DEDUCTIONS		
Benefits	1,875,906	1,725,622
Administrative expenses	9,804	27,380
TOTAL DEDUCTIONS	<u>1,885,710</u>	<u>1,753,002</u>
CHANGE IN NET POSITION	6,982,061	3,282,436
NET POSITION AT BEGINNING OF YEAR	<u>39,760,030</u>	<u>36,477,594</u>
NET POSITION AT END OF YEAR	<u>\$ 46,742,091</u>	<u>\$ 39,760,030</u>

*See accompanying notes to the basic financial statements.*

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

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

**Reporting Entity**

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, 2017

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**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, 2017

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**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.

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

**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, Stormwater Fund, Fire Fund, Parks & Recreation Fund, Highway Aid Fund, (all Special Revenue Funds), and the Capital Improvement Fund (a Capital Projects Fund) 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 type:

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

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

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.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

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, 2017.

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

**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.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

- 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.

**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.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

- **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, 2017, fund balances are composed of the following:

	General Fund	Capital Operating Reserve Fund	Equipment and Technology Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	\$ 32,107	\$ -	\$ -	\$ -	\$ 89,678	\$ 121,785
Restricted						
Highway aid	-	-	-	-	666,255	666,255
Capital projects	-	-	-	7,713,691	-	7,713,691
Assigned						
Capital projects	-	7,463,558	-	-	742,996	8,206,554
Culture and recreation	-	-	-	-	24,791	24,791
Debt service	-	-	-	16,887	-	16,887
Economic development	-	-	-	-	19,040	19,040
Unassigned	(729,387)	-	(3,587,341)	-	(901,511)	(5,218,239)
<b>TOTAL FUND BALANCES</b>	<b>\$ (697,280)</b>	<b>\$ 7,463,558</b>	<b>\$ (3,587,341)</b>	<b>\$ 7,730,578</b>	<b>\$ 641,249</b>	<b>\$ 11,550,764</b>

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.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

**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.

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 is the result of changes in plan assumptions, and the result of differences between expected and actual experience of the pension plan.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan and the result of differences between actual and expected investment earnings.

**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, 2016, from which the summarized information was derived.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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**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.

At December 31, 2017, the carrying amount of the Borough's deposits was \$12,785,986, and the bank balance was \$13,605,662. Of the bank balance, \$1,000,221 was covered by federal depository insurance, \$4,064,962 was uninsured and the collateral held by the depository's agent not in the Borough's name and the remaining balance of \$8,540,479 was uninsured. As of December 31, 2017, \$8,540,479 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, 2017, PLGIT was rated as AAAM by Standard & Poor's, a nationally recognized statistical rating agency.

***Restricted Cash*** - As of December 31, 2017, the Borough's Debt Service Fund held \$7,713,691 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 \$312,468 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.



**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**Investments**

As of December 31, 2017, the Borough held the following investments:

	<u>Fair Value</u>	<u>Maturities</u>		
		<u>0-5 Years</u>	<u>5-10 Years</u>	<u>More Than 10 Years</u>
<b>Governmental Funds</b>				
U.S. Treasury notes	\$ 5,704,463	\$ 5,704,463	\$ -	\$ -
GNMA	1,147,224	17,266	451,677	678,281
Federal Home Loan Mortgage Corporation (FHLMC)	25,350	25,350	-	-
Federal National Mortgage Association (FNMA)	3,474	3,474	-	-
	<u>\$ 6,880,511</u>	<u>\$ 5,750,553</u>	<u>\$ 451,677</u>	<u>\$ 678,281</u>
<b>Fiduciary Funds</b>				
Mutual Funds - Equities	\$ 10,664,205	\$ 10,664,205	\$ -	\$ -
Mutual Funds - Int'l Equities	7,706,482	7,706,482	-	-
Mutual Funds - Govt. Bonds	-	-	-	-
Mutual Funds - Corp. Bonds	15,327,617	15,327,617	-	-
Mutual Funds - Specialty Funds	11,832,197	11,832,197	-	-
	<u>\$ 45,530,501</u>	<u>\$ 45,530,501</u>	<u>\$ -</u>	<u>\$ -</u>

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

**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, 2017, 2.2% 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, 2017, 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, 2017, the Borough's investments in U.S. Treasury Notes and exceeded 25% of the total portfolio.

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

**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, 2017, all of the Borough's investments were considered Level 1.

**NOTE C - EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2017, expenditures over appropriations were as follows:

	<u>General Fund</u>
Highways and streets	\$ 168,438
Culture and recreation	22,806
Refunds of prior year revenues	4,602
Capital outlays	4,911
Debt service, principal	407,000
Interest and other charges	264,985

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, 2017**

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**NOTE D - INTERNAL BALANCES**

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

GOVERNMENTAL ACTIVITIES

General Fund

Due from Capital Improvement Fund	\$ 20,755
Due from Equipment and Technology Fund	3,552,115
Due from Stormwater Fund	1,253,324
Due from Fire Fund	777,602
Due from Parks and Recreation Fund	282,394
Due from Shade Tree Fund	14,755
Due to Capital Operating Reserve Fund	(97,169)
Due to Debt Service Fund	(562,747)
Due to UDAG Fund	(12,671)
Due to Shade Tree Fund	(39,716)
Due to Stormwater Fund	(118,803)
Due to Fire Fund	(581,076)
Due to Capital Improvement Fund	(3,192)
Due to Highway Aid Fund	(451,366)
Due to Sewer Fund	(3,296,301)
Due to Parking Fund	(1,473,249)
Capital Operating Reserve Fund	
Due from General Fund	97,169
Equipment and Technology Fund	
Due to General Fund	(3,552,115)
Debt Service Fund	
Due from General Fund	562,747
Due from Parking Fund	33,486
Due to Parking Fund	(939,051)
UDAG Fund	
Due from General Fund	12,671
Shade Tree Fund	
Due from General Fund	39,716
Due to General Fund	(14,755)
Stormwater Fund	
Due from General Fund	118,803
Due to General Fund	(1,253,324)
Due to Capital Improvement Fund	(99,702)
Fire Fund	
Due from General Fund	581,076
Due to General Fund	(777,602)
Parks and Recreation Fund	
Due to General Fund	(282,394)
Due to Parking Fund	(95,000)
Capital Improvement Fund	
Due from Stormwater Fund	99,702
Due to Sewer Fund	(16,724)
Due from Parking Fund	55,456
Due to General Fund	(17,563)
Highway Aid Fund	
Due from General Fund	<u>451,366</u>

NET GOVERNMENTAL ACTIVITIES \$ (5,731,383)

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

BUSINESS-TYPE ACTIVITIES	
Sewer Fund	
Due from General Fund	\$ 3,296,301
Due from Capital Improvement Fund	16,724
Due to Parking Fund	(49,598)
Parking Fund	
Due from General Fund	1,473,249
Due from Debt Service Fund	939,051
Due from Parks and Recreation Fund	95,000
Due from Sewer Fund	49,598
Due to Debt Service	(33,486)
Due to Capital Improvement Fund	<u>(55,456)</u>
NET BUSINESS-TYPE ACTIVITIES	<u>\$ 5,731,383</u>

Balances represent temporary borrowings. These loans will be repaid in 2018.

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, 2017, are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,459,526	\$ 1,205,462
Capital Operating Reserve Fund	1,096,601	-
Debt Service Fund	-	146,958
Parks and Recreation Fund	60,000	-
Highway Aid Fund	48,861	
Sewer Fund	-	1,240,000
Parking Fund	<u>146,958</u>	<u>2,219,526</u>
	<u>\$ 4,811,946</u>	<u>\$ 4,811,946</u>

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE E - CAPITAL ASSETS**

**Primary Government**

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance January 1, 2017	Increases	Decreases	Balance December 31, 2017
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not being depreciated				
Land	\$ 1,789,602	\$ -	\$ (61,548)	\$ 1,728,054
Construction in progress	7,057	233,896	-	240,953
<b>TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED</b>	<b>1,796,659</b>	<b>233,896</b>	<b>(61,548)</b>	<b>1,969,007</b>
Capital assets being depreciated				
Buildings	8,592,772	-	(21,899)	8,570,873
Improvements other than buildings	793,508	-	(16,215)	777,293
Infrastructure	27,396,937	587,282	-	27,984,219
Furniture and equipment	3,493,084	93,791	-	3,586,875
Vehicles	11,203,496	-	(98,638)	11,104,858
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED</b>	<b>51,479,797</b>	<b>681,073</b>	<b>(136,752)</b>	<b>52,024,118</b>
Accumulated depreciation				
Buildings	(2,976,421)	(196,369)	21,899	(3,150,891)
Improvements other than buildings	(625,212)	(39,310)	16,215	(648,307)
Infrastructure	(19,791,987)	(581,945)	-	(20,373,932)
Furniture and equipment	(2,242,903)	(179,426)	-	(2,422,329)
Vehicles	(5,527,408)	(478,365)	98,638	(5,907,135)
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<b>(31,163,931)</b>	<b>(1,475,415)</b>	<b>136,752</b>	<b>(32,502,594)</b>
<b>TOTAL CAPITAL ASSETS BEING DEPRECIATED, net</b>	<b>20,315,866</b>	<b>(794,342)</b>	<b>-</b>	<b>19,521,524</b>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net, FORWARD</b>				
	<b>\$ 22,112,525</b>	<b>\$ (560,446)</b>	<b>\$ (61,548)</b>	<b>\$ 21,490,531</b>

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

	Balance January 1, 2017	Increases	Decreases	Balance December 31, 2017
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net, FORWARDED	\$ 22,112,525	\$ (560,446)	\$ (61,548)	\$ 21,490,531
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	582,057	61,548	-	643,605
Construction in progress	21,331	-	(21,331)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	603,388	61,548	(21,331)	643,605
Capital assets being depreciated				
Buildings	40,166,665	75,045	-	40,241,710
Infrastructure	34,639,867	60,870	-	34,700,737
Furniture and equipment	2,244,556	16,719	-	2,363,275
Vehicles	409,939	-	-	409,939
TOTAL CAPITAL ASSETS BEING DEPRECIATED	77,461,027	254,634	-	77,715,661
Accumulated depreciation				
Buildings	(5,653,508)	(826,230)	-	(6,479,738)
Infrastructure	(23,382,901)	(958,147)	-	(24,341,048)
Furniture and equipment	(1,092,337)	(268,116)	-	(1,360,453)
Vehicles	(179,939)	(63,899)	-	(243,838)
TOTAL ACCUMULATED DEPRECIATION	(30,308,685)	(2,116,392)	-	(32,425,077)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	47,152,342	(1,861,758)	-	45,290,584
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	47,755,730	(1,800,210)	(21,331)	45,934,189
CAPITAL ASSETS, net	\$ 69,868,255	\$ (2,360,656)	\$ (82,879)	\$ 67,424,720

Depreciation was charged to the following activities:

GOVERNMENTAL ACTIVITIES		
General government		\$ 343,479
Public safety		238,588
Public works		865,913
Culture and recreation		27,435
		<u>\$ 1,475,415</u>
BUSINESS-TYPE ACTIVITIES		
Sewer		\$ 1,083,808
Parking		1,032,584
		<u>\$ 2,116,392</u>

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE F - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended December 31, 2017:

	Maturity Date	Balance January 1, 2017	Additions
<b>GOVERNMENTAL ACTIVITIES</b>			
General obligation bonds and notes			
GON Series 2000	2020	\$ 346,000	\$ -
GOB Series 2012C	2023	1,025,000	-
GOB Series 2013	2024	380,000	-
GON Series 2014	2034	795,984	-
GOB Series 2016	2045	9,158,489	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES		<u>11,705,473</u>	<u>-</u>
Deferred amounts			
Issuance discount		(5,199)	-
Issuance premium		78,925	-
Deferred amount on refunding		(5,650)	-
TOTAL DEFERRED AMOUNTS		<u>68,076</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE		11,773,549	-
Compensated absences		984,994	13,812
Net pension liability		12,141,285	161,395
Postemployment benefits		2,682,497	299,968
TOTAL GOVERNMENTAL ACTIVITIES LONG- TERM LIABILITIES		<u>27,582,325</u>	<u>475,175</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
General obligation bonds and notes			
GOB Series 2012A	2019	760,000	-
GOB Series 2012B	2035	7,670,000	-
GOB Series 2013	2027	2,870,000	-
GON Series 2014	2034	324,016	-
GOB Series 2016	2045	11,336,511	-
GOB Series 2016A	2040	7,070,000	-
TOTAL GENERAL OBLIGATION BONDS AND NOTES		<u>30,030,527</u>	<u>-</u>
Deferred amounts			
Issuance discount		(68,789)	-
Issuance premium		198,515	-
Deferred amount on refunding		(68,342)	-
TOTAL DEFERRED AMOUNTS		<u>61,384</u>	<u>-</u>
TOTAL BONDS AND NOTES PAYABLE		30,091,911	-
Compensated absences		144,425	-
Net pension liability		704,400	-
TOTAL BUSINESS-TYPE ACTIVITIES LONG- TERM LIABILITIES		<u>30,940,736</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES		<u>\$ 58,523,061</u>	<u>\$ 475,175</u>

<u>Reductions</u>	<u>Balance December 31, 2017</u>	<u>Due Within One Year</u>
\$ (84,000)	\$ 262,000	\$ 86,000
(100,000)	925,000	105,000
(45,000)	335,000	45,000
(81,020)	714,964	83,152
(138,528)	9,019,961	140,000
<u>(448,548)</u>	<u>11,256,925</u>	<u>459,152</u>
743	(4,456)	(743)
(3,618)	75,307	3,618
1,381	(4,269)	1,196
<u>(1,494)</u>	<u>66,582</u>	<u>4,071</u>
(450,042)	11,323,507	463,223
-	998,806	-
-	12,302,680	-
-	2,982,465	-
<u>(450,042)</u>	<u>27,607,458</u>	<u>463,223</u>
(355,000)	405,000	365,000
-	7,670,000	-
(235,000)	2,635,000	240,000
(32,980)	291,036	33,858
(171,472)	11,165,039	170,000
(470,000)	6,600,000	495,000
<u>(1,264,452)</u>	<u>28,766,075</u>	<u>1,303,858</u>
3,621	(65,168)	(3,621)
(11,388)	187,127	11,388
5,024	(63,318)	(5,024)
<u>(2,743)</u>	<u>58,641</u>	<u>2,743</u>
(1,267,195)	28,824,716	1,306,601
(3,173)	141,252	-
(18,912)	685,488	-
<u>(1,289,280)</u>	<u>29,651,456</u>	<u>1,306,601</u>
<u>\$ (1,739,322)</u>	<u>\$ 57,258,914</u>	<u>\$ 1,769,824</u>



**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**Long-Term Debt**

The following is a summary of long-term obligations of the Borough at face value for the year ended December 31, 2017:

	Governmental Activities	Business-Type Activities	Totals
OUTSTANDING AT JANUARY 1	\$ 11,773,549	\$ 30,091,911	\$ 41,865,460
Additions	-	-	-
Reductions	<u>(450,042)</u>	<u>(1,267,195)</u>	<u>(1,717,237)</u>
 OUTSTANDING AT DECEMBER 31	 <u>\$ 11,323,507</u>	 <u>\$ 28,824,716</u>	 <u>\$ 40,148,223</u>
 DUE WITHIN ONE YEAR	 <u>\$ 462,223</u>	 <u>\$ 1,306,601</u>	 <u>\$ 1,768,824</u>

The following is a reconciliation between the above schedule and the statement of net position at December 31, 2017.

<b>GOVERNMENTAL ACTIVITIES</b>		
Outstanding debt at face value		\$ 11,256,925
Unamortized premium		75,307
Unamortized discount		(4,456)
Unamortized loss on refunding		<u>(4,269)</u>
 OUTSTANDING DEBT NET OF DEFERRALS		 <u>\$ 11,323,507</u>
 Per statement of net position		
Current portion		\$ 463,223
Long-term portion		<u>10,860,284</u>
 TOTAL PER STATEMENT OF NET POSITION		 <u>\$ 11,323,507</u>
 <b>BUSINESS-TYPE ACTIVITIES</b>		
Outstanding debt at face value		\$ 28,766,075
Unamortized premium		187,127
Unamortized discount		(65,168)
Unamortized loss on refunding		<u>(63,318)</u>
 OUTSTANDING DEBT NET OF DEFERRALS		 <u>\$ 28,824,716</u>
 Per statement of net position		
Current portion		\$ 1,306,601
Long-term portion		<u>27,518,115</u>
 TOTAL PER STATEMENT OF NET POSITION		 <u>\$ 28,824,716</u>

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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

**General Obligation Bonds and Notes**

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

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

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

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

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

**BOROUGH OF WEST CHESTER**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2017

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**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%.

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, 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%.

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**Debt Maturities**

Scheduled repayments of interest and principal maturities as of December 31, 2017, 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
2018	\$ 459,152	\$ 361,093	\$ 1,303,848	\$ 811,082	\$ 1,763,000	\$ 1,172,175
2019	467,284	352,044	1,319,716	782,273	1,787,000	1,134,317
2020	423,139	340,288	1,326,861	754,397	1,750,000	1,094,685
2021	435,560	351,003	1,357,440	721,849	1,793,000	1,072,852
2022	436,271	305,049	1,387,729	689,225	1,824,000	994,274
2023 to 2027	2,345,568	1,392,482	7,429,432	2,884,916	9,775,000	4,277,398
2028 to 2032	2,697,575	1,084,928	6,380,425	1,996,404	9,078,000	3,081,332
2033 to 2037	3,227,415	607,576	5,580,584	815,890	8,807,999	1,423,466
2038 to 2042	454,961	134,607	2,680,040	174,995	3,135,001	309,602
2043 to 2045	310,000	10,614	-	-	310,000	10,614
	<u>\$ 11,256,925</u>	<u>\$ 4,939,684</u>	<u>\$ 28,766,075</u>	<u>\$ 9,631,031</u>	<u>\$ 40,023,000</u>	<u>\$ 14,570,715</u>

**Compensated Absences**

Compensated absences obligations of the Borough for the year ended December 31, 2017, are as follows:

	Governmental Activities	Business-Type Activities	Totals
OUTSTANDING AT JANUARY 1	\$ 984,994	\$ 144,425	\$ 1,129,419
(Deletions)/additions	<u>13,812</u>	<u>(3,173)</u>	<u>10,639</u>
OUTSTANDING AT DECEMBER 31	<u>\$ 998,806</u>	<u>\$ 141,252</u>	<u>\$ 1,140,058</u>

**NOTE G - TAXES**

For 2017, 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, 2017, is \$741,569,295.

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 2016:

- 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, 2017**

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**NOTE H - LOANS AND NOTES RECEIVABLE**

**Governmental Funds**

In November 2005, the Borough entered into a promissory note with the West Chester Library. The Borough loaned \$550,000 to the Library for a period of 20 years in order to facilitate its capital improvement plans. The note payments are due in monthly installments of \$3,630, including principal and interest at a rate of 5%. This loan was made from funds in the Capital Operating Reserve Fund. In December 2010, the Borough entered into a promissory note with an individual in order to facilitate the rehabilitation of a property within the Borough. The UDAG Fund provided the funds for the note. The note payments are due in monthly installments of \$1,020, including principal and interest at the rate of 3%. In August 2017, the Borough entered into a promissory note with a local business to provide \$200,000 of financing. No principal or interest payments are due for the first five years. After that, principal and interest payments are due monthly based on a 20-year amortization schedule at 3.0% interest. In October 2017, the Borough entered into a promissory note with a local business to provide \$41,500 of financing. 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>
2018	\$ 39,011	\$ 9,753	\$ 48,764
2019	51,962	9,048	61,010
2020	52,568	7,257	59,825
2021	42,814	5,949	48,763
2022	47,225	7,085	54,310
2023-2027	155,635	32,213	187,848
2028-2032	46,322	20,230	66,552
2033-2037	53,808	12,743	66,551
2038-2042	56,082	4,075	60,157
	<u>\$ 545,427</u>	<u>\$ 108,353</u>	<u>\$ 653,780</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, 2017**

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

**Plan Description**

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

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

**Plan Membership** - At December 31, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	31
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	41
	<hr/>
	74
	<hr/> <hr/>

**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, 2017**

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

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$1,692,101 to the plan for the year 2017. The Borough's actual contributions for the plan year 2017 were \$1,697,948.

Per the collective bargaining agreement, employees are required to contribute 5% to 8%, reduced to 3% in 2013, 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, 2017:

<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, 2017**

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

**Rate of Return** - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 15.61%. 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, 2017, were as follows:

TOTAL PENSION LIABILITY	\$ 38,827,216
Plan fiduciary net position	<u>(30,244,497)</u>
 NET PENSION LIABILITY	 <u>\$ 8,582,719</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>77.90%</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, 2017**

**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, 2017 (see the plan's investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Equities	6.3%
Fixed income	2.0%
Cash equivalents	0.0%
REIT	4.5%

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

**Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2016	\$ 34,017,847	\$ 25,699,152	\$ 8,318,695
Changes for the year:			
Service cost	783,845	-	783,845
Interest	2,580,018	-	2,580,018
Changes of benefit terms	-	-	-
Differences between expected and actual experience	15,670	-	15,670
Changes of assumptions	2,629,935	-	2,629,935
Contributions			
Employer	-	1,702,757	(1,702,757)
Member	-	188,719	(188,719)
Net investment income	-	3,936,983	(3,936,983)
Benefit payments	(1,200,099)	(1,200,099)	-
Administrative expense	-	(83,015)	83,015
Net changes	4,809,369	4,545,345	264,024
Balances at December 31, 2017	\$ 38,827,216	\$ 30,244,497	\$ 8,582,719

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ <u>13,586,142</u>	\$ <u>8,582,719</u>	\$ <u>4,430,505</u>

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - For the year ended December 31, 2017, the Borough recognized pension expense of \$1,857,867 for the Police Pension Plan. At December 31, 2017, 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	\$ 12,713	\$ 66,736
Change of assumptions	2,133,721	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>1,019,242</u>
	<u>\$ 2,146,434</u>	<u>\$ 1,085,978</u>

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

<u>Year Ending December 31,</u>	
2018	\$ 380,452
2019	380,452
2020	86,049
2021	63,753
2022	149,750
Thereafter	-

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**Summary of Significant Accounting Policies**

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

**Plan Description**

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

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

**Plan Membership** - At December 31, 2017, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	47
Inactive plan members entitled to but not yet receiving benefits	34
Active plan members	<u>66</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, 2017**

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

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer. In accordance with Act 205, the Borough was required to contribute \$784,660 to the plan for the year 2017. The Borough's actual contributions for the plan year 2017 were \$908,827.

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

**Investments**

**Investment Policy** - The plan's policy in regard to the allocation of invested assets is established and may be amended by Borough Council by a majority vote of its members. It is the policy of Borough Council to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of December 31, 2017:

<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, 2017**

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

**Rate of Return** - For the year ended December 31, 2017, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 15.55%. 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, 2017, were as follows:

TOTAL PENSION LIABILITY	\$ 20,903,043
Plan fiduciary net position	<u>(16,497,594)</u>
 NET PENSION LIABILITY	 \$ <u>4,405,449</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>78.9%</u>

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
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, 2017**

**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, 2017 (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	6.3%
Fixed income	2.0%
Cash equivalents	0.0%
REIT	4.5%

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

**Changes in the Net Pension Liability**

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at December 31, 2016	\$ 18,587,867	\$ 14,060,878	\$ 4,526,989
Changes for the year:			
Service cost	302,539	-	302,539
Interest	1,389,969	-	1,389,969
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(634,987)	-	(634,987)
Changes of assumptions	1,933,463	-	1,933,463
Contributions			
Employer	-	916,611	(916,611)
Member	-	108,443	(108,443)
Net investment income	-	2,137,290	(2,137,290)
Benefit payments	(675,808)	(675,808)	-
Administrative expense	-	(49,820)	49,820
Net changes	<u>2,315,176</u>	<u>2,436,716</u>	<u>(121,540)</u>
Balances at December 31, 2017	<u>\$ 20,903,043</u>	<u>\$ 16,497,594</u>	<u>\$ 4,405,449</u>

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

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

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 7,299,166	\$ 4,405,449	\$ 1,997,537

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – For the year ended December 31, 2017, the Borough recognized pension expense of \$790,214 for the Non-Uniformed Pension Plan. At December 31, 2017, 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	\$ -	\$ 691,649
Change of assumptions	1,575,414	-
Net difference between projected and actual earnings on pension plan investments	-	544,596
	<u>\$ 1,575,414</u>	<u>\$ 1,236,245</u>

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

Year Ending <u>December 31,</u>	
2018	\$ 127,823
2019	127,821
2020	(19,955)
2021	7,299
2022	96,181
Thereafter	-

**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

The Borough of West Chester Retiree Health Care Plan (the "Plan") is a single-employer defined-benefit healthcare plan administered by Borough Council. The Plan was established through contracts negotiated by Borough Council. The Plan provides post-employment healthcare and life insurance benefits to eligible retirees of the primary government in accordance with the various labor contracts and personnel policies. At December 31, 2017, seven retired employees were eligible to participate in receiving medical benefits, and 43 retirees were eligible to participate in receiving life insurance benefits. Inasmuch as the Plan has no assets, reporting another employee benefit trust fund in the accompanying financial statements is not required nor was a separate or stand-alone report issued.

**Funding Policy**

The contribution requirements of Plan members and the Borough are established and may be amended by Borough Council, subject to applicable labor contracts. Participants covered by police contracts are not required to contribute for individual coverage. 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. General covered employees have the option to buy hospitalization and medical insurance by paying the full premiums to the Borough.

The Borough may contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For 2017, the Borough made no contributions and instead elected to continue funding on a pay-as-you-go basis, which amounted to \$159,576 for 2017. These costs are recognized as an expense when claims or premiums are paid.

**Annual OPEB Cost and Net OPEB Obligation**

For 2017, the components of the Borough's annual OPEB (other post-employment benefit) cost for the year, the amount actually contributed to the Plan and changes in the Borough's net OPEB obligation to the Plan were as follows:

Annual required contribution	\$ 509,405
Interest on net OPEB obligation	100,594
Adjustment to annual required contribution	(150,455)
ANNUAL OPEB COST	459,544
Contributions made	(159,576)
INCREASE IN NET OPEB OBLIGATION	299,968
Net OPEB obligation, beginning of year	2,682,497
NET OPEB OBLIGATION, END OF YEAR	\$ 2,982,465
Percentage of annual OPEB cost contributed	35%



**BOROUGH OF WEST CHESTER**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**Funded Status and Funding Progress**

The schedule of funding progress is as follows:

Actuarial Valuation Date January 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b)-(a)/c
2017	\$ -	\$ 5,393,929	\$ 5,393,929	0%	\$ 10,481,789	51.46%
2014	-	4,257,260	4,257,260	0%	8,769,271	48.55%
2011	-	4,728,648	4,728,648	0%	8,698,726	54.36%

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumptions about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the Borough are subject to constant changes and modifications as actual results are compared with past expectations, and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as handled by the Borough; the benefits are received by the eligible plan member and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between Borough Council and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 3.75% per year rate of investment return, compounded annually after investment expense, which is the expected long-term investment return on plan assets. There also was an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate is 5% for healthcare-related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 30 years.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BOROUGH OF WEST CHESTER**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 9,753,592	\$ 9,753,592	\$ 10,182,389	\$ 428,797
Licenses and permits	1,006,000	1,006,000	1,290,900	284,900
Fines, forfeits and costs	760,000	760,000	681,130	(78,870)
Interest, dividends and rents	100	100	234	134
Intergovernmental revenues	774,900	774,900	927,075	152,175
Charges for services/fees	1,707,137	1,707,137	1,638,779	(68,358)
Miscellaneous revenue/other	387,333	387,333	42,127	(345,206)
<b>TOTAL REVENUES</b>	<b>14,389,062</b>	<b>14,389,062</b>	<b>14,762,634</b>	<b>373,572</b>
<b>EXPENDITURES</b>				
Current				
General government	2,363,354	2,363,354	2,033,927	329,427
Public safety	5,593,542	5,593,542	8,165,363	(2,571,821)
Public works				
Highways and streets	3,496,630	3,496,630	3,665,068	(168,438)
Sanitation	440,770	440,770	368,389	72,381
Culture and recreation	513,444	513,444	536,250	(22,806)
Insurance, employee benefits, payroll taxes	3,124,627	3,124,627	2,976,585	148,042
Capital outlays	25,000	25,000	29,911	(4,911)
Refunds of prior year revenues	-	-	4,602	(4,602)
Debt service				
Principal	-	-	407,000	(407,000)
Interest and other charges	15,000	15,000	279,985	(264,985)
<b>TOTAL EXPENDITURES</b>	<b>15,572,367</b>	<b>15,572,367</b>	<b>18,467,080</b>	<b>(2,894,713)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>				
	<b>(1,183,305)</b>	<b>(1,183,305)</b>	<b>(3,704,446)</b>	<b>(2,521,141)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	76,163	76,163
Transfers in	3,933,461	3,933,461	3,459,526	(473,935)
Transfers out	(3,655,969)	(3,655,969)	(1,205,462)	(2,450,507)
Appropriated fund balance	905,813	905,813	-	(905,813)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,183,305</b>	<b>1,183,305</b>	<b>2,330,227</b>	<b>1,146,922</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,374,219)</b>	<b>\$ (1,374,219)</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>			<b>676,939</b>	
<b>FUND BALANCE AT END OF YEAR</b>			<b>\$ (697,280)</b>	

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 FOUR FISCAL YEARS**

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

NOTE: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is only available for 2014 through 2017.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 1,692,101	\$ 1,693,324	\$ 1,635,104	\$ 1,371,024
CONTRIBUTIONS IN RELATION TO THE DETERMINED CONTRIBUTION ACTUARIALLY	<u>1,697,948</u>	<u>1,693,324</u>	<u>1,635,104</u>	<u>1,371,024</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (5,847)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<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-EMPLOYEE PAYROLL	<u>37.6%</u>	<u>35.4%</u>	<u>35.2%</u>	<u>29.2%</u>

**NOTES TO SCHEDULE**

Valuation date: 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
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	11 years	13 years
Asset valuation method	4-year smoothing	4-year smoothing
Inflation	3%	3%
Salary increases	5% including inflation	5% including inflation
Investment rate of return	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
Mortality	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

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

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

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

	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 302,539	\$ 303,806	\$ 305,258	\$ 366,334
Interest	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	(675,808)	(655,587)	(662,809)	(597,595)
NET CHANGE IN TOTAL PENSION LIABILITY	<u>2,315,176</u>	<u>968,330</u>	<u>534,310</u>	<u>981,954</u>
Total pension liability, beginning	<u>18,587,867</u>	<u>17,619,537</u>	<u>17,085,227</u>	<u>16,103,273</u>
<b>TOTAL PENSION LIABILITY, ENDING (a)</b>	<u><u>\$ 20,903,043</u></u>	<u><u>\$ 18,587,867</u></u>	<u><u>\$ 17,619,537</u></u>	<u><u>\$ 17,085,227</u></u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions				
Employer	\$ 916,611	\$ 891,062	\$ 940,085	\$ 952,607
Member	108,443	100,381	86,703	98,581
Net investment income	2,137,290	776,943	90,312	559,636
Benefit payments, including refunds of member contributions	(675,808)	(655,587)	(662,809)	(597,595)
Administrative expense	(49,820)	(12,533)	(2,700)	(5,010)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<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>14,060,878</u>	<u>12,960,612</u>	<u>12,509,021</u>	<u>11,500,802</u>
<b>PLAN FIDUCIARY NET POSITON, ENDING (b)</b>	<u><u>\$ 16,497,594</u></u>	<u><u>\$ 14,060,878</u></u>	<u><u>\$ 12,960,612</u></u>	<u><u>\$ 12,509,021</u></u>
<b>NET PENSION LIABILITY, ENDING (a)-(b)</b>	<u><u>\$ 4,405,449</u></u>	<u><u>\$ 4,526,989</u></u>	<u><u>\$ 4,658,925</u></u>	<u><u>\$ 4,576,206</u></u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<u><u>79%</u></u>	<u><u>76%</u></u>	<u><u>74%</u></u>	<u><u>73%</u></u>
<b>COVERED-EMPLOYEE PAYROLL</b>	<u><u>\$ 3,911,268</u></u>	<u><u>\$ 3,952,818</u></u>	<u><u>\$ 3,999,805</u></u>	<u><u>\$ 4,210,452</u></u>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL</b>	<u><u>112.6%</u></u>	<u><u>114.5%</u></u>	<u><u>116.5%</u></u>	<u><u>108.7%</u></u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 784,660	\$ 898,845	\$ 913,361	\$ 952,607
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>908,827</u>	<u>898,845</u>	<u>940,085</u>	<u>952,607</u>
CONTRIBUTION (EXCESS) DEFICIENCY	<u>\$ (124,167)</u>	<u>\$ -</u>	<u>\$ (26,724)</u>	<u>\$ -</u>
COVERED-EMPLOYEE PAYROLL	<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-EMPLOYEE PAYROLL	<u>23.2%</u>	<u>22.7%</u>	<u>23.5%</u>	<u>22.6%</u>

**NOTES TO SCHEDULE**

Valuation date: 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
Amortization method	Level dollar, closed	Level dollar, closed
Remaining amortization period	10 years	11 years
Asset valuation method	4-year smoothing	4-year smoothing
Inflation	3%	3%
Salary increases	5% including inflation	5% including inflation
Investment rate of return	7.5%	7.5%
Retirement age	attained age, if eligible to retire	attained age, if eligible to retire
Mortality	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

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

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

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## **SUPPLEMENTARY INFORMATION SECTION**

**BOROUGH OF WEST CHESTER**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	Urban Development Action Grant Fund	Shade Tree Fund	Stormwater Fund	Fire Fund	Parks and Recreation Fund
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,069	\$ 451	\$ 770,302	\$ 2,916	\$ 218,445
Accounts receivable	-	-	203,481	7,500	-
Interest receivable	4,300	-	-	-	-
Prepaid expenses	-	-	71,855	17,823	-
Note receivable	22,781	-	-	-	-
Due from other funds	12,671	24,961	-	-	-
	<u>12,671</u>	<u>24,961</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>\$ 41,821</b>	<b>\$ 25,412</b>	<b>\$ 1,045,638</b>	<b>\$ 28,239</b>	<b>\$ 218,445</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and other liabilities	\$ -	\$ 621	\$ 191,522	\$ 49,200	\$ 55,290
Due to other funds	-	-	1,234,223	196,526	377,394
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>621</b>	<b>1,425,745</b>	<b>245,726</b>	<b>432,684</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue					
Note receivable	22,781	-	-	-	-
	<u>22,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	71,855	17,823	-
Restricted	-	-	-	-	-
Assigned	19,040	24,791	-	-	-
Unassigned	-	-	(451,962)	(235,310)	(214,239)
<b>TOTAL FUND BALANCE</b>	<b>19,040</b>	<b>24,791</b>	<b>(380,107)</b>	<b>(217,487)</b>	<b>(214,239)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 41,821</b>	<b>\$ 25,412</b>	<b>\$ 1,045,638</b>	<b>\$ 28,239</b>	<b>\$ 218,445</b>

Capital Improvement Fund	Highway Aid Fund	Totals	
		2017	2016
\$ 564,897	\$ 219,220	\$ 1,778,300	\$ 1,807,599
57,228	-	268,209	71,565
-	-	4,300	4,300
-	-	89,678	-
-	-	22,781	45,214
<u>120,871</u>	<u>451,366</u>	<u>609,869</u>	<u>924,534</u>
<u>\$ 742,996</u>	<u>\$ 670,586</u>	<u>\$ 2,773,137</u>	<u>\$ 2,853,212</u>
\$ -	\$ 4,331	\$ 300,964	\$ 215,502
-	-	1,808,143	1,576,165
<u>-</u>	<u>4,331</u>	<u>2,109,107</u>	<u>1,791,667</u>
-	-	22,781	45,214
-	-	89,678	-
-	666,255	666,255	607,289
742,996	-	786,827	816,021
-	-	(901,511)	(406,979)
<u>742,996</u>	<u>666,255</u>	<u>641,249</u>	<u>1,016,331</u>
<u>\$ 742,996</u>	<u>\$ 670,586</u>	<u>\$ 2,773,137</u>	<u>\$ 2,853,212</u>

**BOROUGH OF WEST CHESTER**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2017**

	Urban Development Action Grant Fund	Shade Tree Fund	Stormwater Fund	Fire Fund	Parks and Recreation Fund
<b>REVENUES</b>					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ 120,575	\$ -
Charges for services	-	-	-	651,740	-
Fees, licenses and permits	-	-	-	-	-
Interest, dividends and rents	868	-	6,011	139	712
Program revenue/other	22,433	-	1,032,627	-	555,108
<b>TOTAL REVENUES</b>	<u>23,301</u>	<u>-</u>	<u>1,038,638</u>	<u>772,454</u>	<u>555,820</u>
<b>EXPENDITURES</b>					
Streets and highways	-	-	1,296,586	-	-
Public safety	-	-	-	705,121	-
Community development	57,783	-	-	-	-
Culture and recreation	-	39,184	-	-	886,032
Capital outlay	-	-	-	-	-
Refund of prior year revenues	-	-	-	-	5,723
<b>TOTAL EXPENDITURES</b>	<u>57,783</u>	<u>39,184</u>	<u>1,296,586</u>	<u>705,121</u>	<u>891,755</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(34,482)</u>	<u>(39,184)</u>	<u>(257,948)</u>	<u>67,333</u>	<u>(335,935)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	60,000
Transfers out	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(34,482)</u>	<u>(39,184)</u>	<u>(257,948)</u>	<u>67,333</u>	<u>(275,935)</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>53,522</u>	<u>63,975</u>	<u>(122,159)</u>	<u>(284,820)</u>	<u>61,696</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 19,040</u>	<u>\$ 24,791</u>	<u>\$ (380,107)</u>	<u>\$ (217,487)</u>	<u>\$ (214,239)</u>

Capital Improvement Fund	Highway Aid Fund	Totals	
		2017	2016
\$ -	\$ 429,826	\$ 550,401	\$ 541,801
-	-	651,740	654,938
-	-	-	5,285
5,673	382	13,785	5,908
118,885	-	1,729,053	736,820
<u>124,558</u>	<u>430,208</u>	<u>2,944,979</u>	<u>1,944,752</u>
-	420,103	1,716,689	216,771
-	-	705,121	682,890
-	-	57,783	-
-	-	925,216	740,205
18,390	-	18,390	574,267
-	-	5,723	11,231
<u>18,390</u>	<u>420,103</u>	<u>3,428,922</u>	<u>2,225,364</u>
<u>106,168</u>	<u>10,105</u>	<u>(483,943)</u>	<u>(280,612)</u>
-	48,861	108,861	450,228
-	-	-	(388,000)
-	<u>48,861</u>	<u>108,861</u>	<u>62,228</u>
106,168	58,966	(375,082)	(218,384)
<u>636,828</u>	<u>607,289</u>	<u>1,016,331</u>	<u>1,234,715</u>
<u>\$ 742,996</u>	<u>\$ 666,255</u>	<u>\$ 641,249</u>	<u>\$ 1,016,331</u>

**BOROUGH OF WEST CHESTER**  
**COMBINING STATEMENT OF FIDUCIARY**  
**NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2017**

	Police Pension Fund	Non-Uniformed Pension Fund	Totals	
			2017	2016
<b>ASSETS</b>				
Cash and cash equivalents	\$ 806,545	\$ 400,582	\$ 1,207,127	\$ 890,224
Investments, at fair value	29,431,224	16,099,277	45,530,501	37,943,072
Member contributions receivable	-	-	-	37,883
Borough contributions receivable	-	-	-	895,253
Interest receivable	19,900	10,322	30,222	22,653
<b>TOTAL ASSETS</b>	<b>\$ 30,257,669</b>	<b>\$ 16,510,181</b>	<b>\$ 46,767,850</b>	<b>\$ 39,789,085</b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Refund of member contributions payable	\$ 13,172	\$ 12,587	\$ 25,759	\$ 29,055
<b>NET POSITION</b>				
Assets held in trust for employee pension benefits	30,244,497	16,497,594	46,742,091	39,760,030
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 30,257,669</b>	<b>\$ 16,510,181</b>	<b>\$ 46,767,850</b>	<b>\$ 39,789,085</b>

**BOROUGH OF WEST CHESTER**

## COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

## FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2017

	Police Pension Fund	Non-Uniformed Pension Fund	Totals	
			2017	2016
ADDITIONS				
Contributions				
State aid	\$ 558,482	\$ 262,815	\$ 821,297	\$ 787,437
Employer contributions	1,139,466	653,796	1,793,262	1,792,141
Employee contributions	188,719	108,443	297,162	246,266
TOTAL CONTRIBUTIONS	<u>1,886,667</u>	<u>1,025,054</u>	<u>2,911,721</u>	<u>2,825,844</u>
Investment income				
Interest and dividends	648,903	338,415	987,318	964,283
Realized gain on investments	236,307	108,872	345,179	675,653
Unrealized gain on investments	3,056,582	1,690,003	4,746,585	736,876
Investment expense	(77,439)	(45,593)	(123,032)	(167,218)
NET INVESTMENT INCOME	<u>3,864,353</u>	<u>2,091,697</u>	<u>5,956,050</u>	<u>2,209,594</u>
TOTAL ADDITIONS	<u>5,751,020</u>	<u>3,116,751</u>	<u>8,867,771</u>	<u>5,035,438</u>
DEDUCTIONS				
Benefits paid	1,200,099	675,807	1,875,906	1,725,622
Administrative expenses	5,576	4,228	9,804	27,380
TOTAL DEDUCTIONS	<u>1,205,675</u>	<u>680,035</u>	<u>1,885,710</u>	<u>1,753,002</u>
CHANGE IN NET POSITION	4,545,345	2,436,716	6,982,061	3,282,436
NET POSITION AT BEGINNING OF YEAR	<u>25,699,152</u>	<u>14,060,878</u>	<u>39,760,030</u>	<u>36,477,594</u>
NET POSITION AT END OF YEAR	<u>\$ 30,244,497</u>	<u>\$ 16,497,594</u>	<u>\$ 46,742,091</u>	<u>\$ 39,760,030</u>