

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the fiscal year ended

December 31, 2015

Prepared by:

Joseph C. Scalise  
Interim Borough Manager

Kathy M. Holliday  
Finance Director



*Certified Public Accountants and Business Consultants*

# BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

## Comprehensive Annual Financial Report Year Ending December 31, 2015

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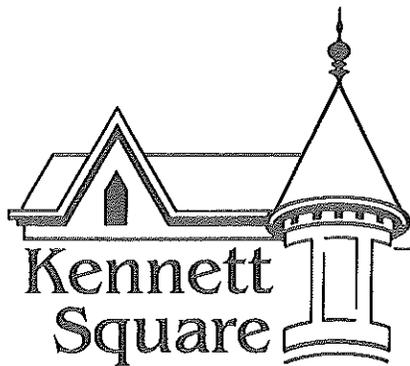
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# **INTRODUCTORY SECTION**



June 30, 2016

To the Honorable Mayor, members of the Borough Council, and citizens of the Borough of Kennett Square:

The Commonwealth of Pennsylvania requires that the Borough of Kennett Square publish annually a complete set of audited financial statements. On behalf of the Finance Department and Borough Manager's office, we are pleased to submit the Borough of Kennett Square's Comprehensive Annual Financial Report for the year ended December 31, 2015.

Borough management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Borough of Kennett Square's MD&A can be found immediately following the report of the independent auditors.

The Borough of Kennett Square's financial statements have been audited by Maillie LLP, a firm of licensed certified public accountants. In the report, the independent auditors rendered an unqualified ("clean") opinion of the Borough's financial statements for the fiscal year ended December 31, 2015. This opinion states that the financial statements are fairly presented, in all material respects, in accordance with generally accepted accounting principles (GAAP).

In conformity with the provisions of the Single Audit Act of 1984, as amended, and U.S. Office of Management and Budget Uniform Grant Guidance, the Borough is also required to undergo an annual "Single Audit" in years in which the Borough expends \$750,000 or more in federal funds. In 2015, the Borough met the expenditures threshold and as a result, a Single Audit will be prepared separately.

### **Profile of the Borough of Kennett Square, Pennsylvania**

The Borough of Kennett Square, incorporated in 1855, lies in the southeastern part of Chester County near the Pennsylvania Delaware state line. The Borough is approximately 30 miles southwest of Center City Philadelphia; 15 miles northwest of Wilmington, Delaware; and 12 miles south of West Chester, the county seat of Chester County. With an area of 1 square mile, the Borough has a 2010 census population of 6,072. This is an increase of 813 people compared to the 2000 census.

The Borough of Kennett Square is empowered to levy a property tax on real properties located within its boundaries. The total taxable assessed value for 2015 is 229,229,340 which is an increase of 10,690,550 over the last ten years. The County of Chester re-assessment last occurred back in 1998. The Borough Council approved a .60 mill increase in real estate taxes in 2004 to help support the Kennett Fire Company. The Borough tax for general purposes increased one mill in 2015. The total millage for general purposes is 5.75 mills, an increase of 4 mills over the last ten years. For 2015, 1 mill equates to \$229,229 in total revenue or approximately \$134.68 annually to the average home owner.

Additional information on the Borough of Kennett Square real estate assessments and rates can be found in the Statistical Section Revenue Capacity schedules 6 through 11.

The Borough of Kennett Square is governed by the council-manager form of government. There are seven council members and a mayor who are elected by the voters at large. Council members serve four-year terms; elections are held each odd year for Council member's service. The Borough Council makes policy and legislates by way of resolutions and ordinances. The day-to-day functions of the Borough are carried out by the Council-appointed Borough Manager. The Mayor is responsible for the public safety of the community. The Borough Manager appoints department heads to oversee operations with each of the various departments within the Borough structure.

The Borough provides a full range of municipal services. The public safety program includes police, building inspection, planning, zoning, and emergency management. Public works provides street sweeping, street lighting, snow removal, traffic signalization and street markings, storm sewer maintenance and essential highway construction and maintenance. The Borough provides water and sewer utilities and operates a parking garage for the downtown area; all are supported by users fees.

An independent contractor provides refuse and recycling services. The Borough supports these services with user fees.

The Borough provides additional services through contributions for fire protection, parks and recreation, and library activities. Tax collection services are provided by an outside independent contractor.

The annual budget serves as the foundation for the Borough of Kennett Square's financial planning and control. All departments of the Borough of Kennett Square are required to submit requests for appropriations to the Borough Manager on or before the first Monday in September of each year. The Borough Manager uses these requests as the starting point for developing a proposed budget. The

Borough Manager then presents his/her proposed budget to the Borough Council for review prior to November 30. The Council then holds public hearings on the proposed budget and is required to adopt a final budget by no later than December 31, the close of the Borough of Kennett Square's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfer of appropriations within their department budget. Transfer of appropriations between departments, however, requires the special approval of the Borough Council.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Borough of Kennett Square operates.

**Local Economy.** The Borough of Kennett Square is currently lucky enough to enjoy a favorable economic environment and local indicators point to continued stability. Kennett Square is a place of ethnic, cultural, and economic diversity. The county unemployment rate decreased from 4.6% to 2.8%, the state rate decreased from 5.6% to 4.7% by the end of December 2015. During this same time the Borough's unemployment rate remained under 2.8%.

As part of the Kennett Consolidated School District, Kennett Square houses the district office, high school, kindergarten center, and synthetic turf multi-purpose fields. Of the 4,206 students enrolled in the school district, 1,573 attend schools located in the Borough.

The headquarters of Genesis Health Care, a health care provider, occupies three facilities located in Kennett Square with two facilities located in its downtown. Genesis HealthCare is one of the largest skilled nursing providers in the Country, with more than 500 skilled nursing centers in 45 States. In December, 2015 Genesis acquired Revera Inc. a provider of 24 senior living facilities across 9 States. Along with Genesis located in downtown Kennett Square, there is a full range of retail and service stores as well as professional offices.

A four block area between State and Cypress Streets, designated as a Main Street Achiever by the Commonwealth, is the primary commercial arterial in the Borough. It features First Friday Art Strolls events with the First Friday in August as our Murder Mystery Art Stroll with the Kennett Amateur Theatrical Society (KATS) presenting a murder mystery where visitors may participate in solving the “whodunit”. In 2015, Kennett Square welcomed two brewing companies, Kennett Brewing and Victory Brewing opened. The Market at Liberty Place added two new vendors Sweet Magnolia Bakery and Chef-a-Topia bringing their total vendors to nine. The town residents celebrated New Year Eve by gathering downtown for “Midnight in the Square” with a lighted mushroom drop at midnight. A new feature, “Third Thursday’s” dining in the streets starting in May and ending in September was added to the many events featuring Main Street in 2015.

**Long-Term Financial Planning.** The Borough supplies the majority of water to its residents from two Borough-owned wells and also purchases additional water from a local municipal authority. The Borough has an agreement with this authority to purchase 200,000 gallons a day. The Borough’s second well became operational in 2015. The new well lets the Borough reduce its monthly water purchase requirement greatly.

The Pennsylvania Department of Transportation completed the upgrading of the traffic signals to a closed loop system in 2015. Total cost of this project was \$1,998,786.

The Borough of Kennett Square along with Historic Kennett Square, Genesis Health Care, Kennett Township and Longwood Gardens received a Vision Partnership Program Grant to hire a professional consultant to help create a plan for future economic development in the Kennett Region. The plan will help set priorities as to where and how the Kennett Region grows, including how to continue to revitalize the Borough.

The Borough Council adopted an Act 167 Ordinance (historic preservation zoning ordinance) and created the Historic Architectural Review Board (HARB) District during 2015.

Beginning in 2012, the largest remaining underutilized parcels in the Borough will be developed. The former Shurfine and NVF properties will be developed into mixed commercial/residential uses; this development should add a significant amount of new residents and tax base to the Borough. Construction started on the “Magnolia Place” (Shurfine) property in 2013. Magnolia Place will include 57 town houses, 22 twin homes, and 33 apartments in a mixed use building with a 250 seat restaurant on the first floor. Magnolia Place should be completed by the end of 2016. The Borough has seen an increase in Real Estate and Act 511 taxes. The NVF property will remain a longer term project.

The five-year Capital Improvement Program (CIP) details the continuation of addressing infrastructure and other needs through the year 2019. The 2015 adopted budget provided \$6.3 million for capital projects and improvements.

**Relevant Financial Policies.** In developing and evaluating the Borough’s accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the evaluation of costs and benefits requires estimates and judgments by management.

The finance department continually reviews established policies and procedures to control and reduce risks. We believe that the Borough’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Over the years, the finance department has instituted a number of financial policies in order to provide assurance that financial operations occur in a consistent manner from department to department. These policies also enhance the safeguards for internal control and budgetary compliance. Some of the more significant policies include those related to the purchasing system, including a checklist for contract compliance and approval; deposits, cash and credit transactions, and fixed assets. For the fiscal year ended December 31, 2015 the Borough of Kennett Square has incorporated GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27*.

## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Borough of Kennett Square for its comprehensive annual financial report for the fiscal year ended December 31, 2013. This was the seventh (7<sup>th</sup>) year that the Borough has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report by June 30<sup>th</sup> of every year. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report would continue to meet the Certificate of Achievement Program's requirements however the reports for fiscal year ended December 31 for 2014 and 2015 were not completed by the June 30<sup>th</sup> dead-line and were not submitted to the GFOA.

## Acknowledgements

The preparation of this comprehensive annual financial report was made possible by the dedicated service of many of the employees of the Borough, particularly those in Administration. All of these employees have our sincere appreciation for their contributions made during the year, which assisted in making the preparation of this report a less complicated task. We also wish to thank our auditors, Maillie LLP, for their expertise and assistance through this process.

In closing, without the leadership of the Mayor, Borough Council and the Borough Manager, preparation of this report would not have been possible.

Respectfully submitted,

*Joseph C. Scalise*

Joseph C. Scalise  
Borough Manager

*Kathy M. Holliday*

Kathy M. Holliday  
Finance Director

# BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

## List of Elected and Appointed Officials

December 31, 2015

### Elected Officials

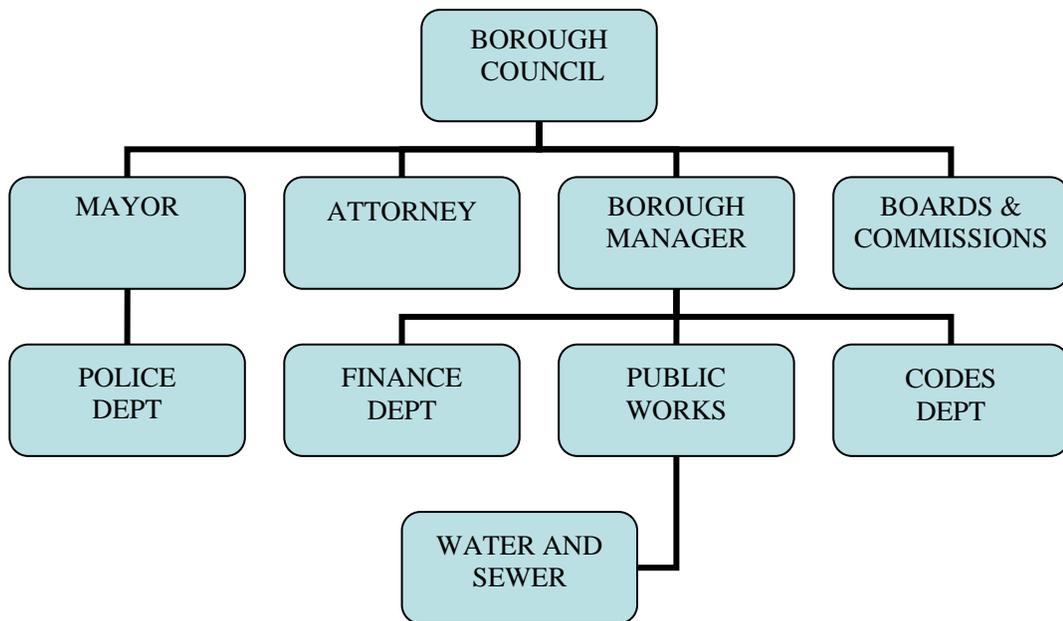
|                                 |                        |
|---------------------------------|------------------------|
| Mayor                           | Matthew W. Fetick      |
| Council Member (President)      | Leon R. Spencer, Jr.   |
| Council Member (Vice President) | Danilo P. Maffei       |
| Council Member                  | Geoffrey R. Bosley     |
| Council Member                  | Brett M. Irwin         |
| Council Member                  | Patrick B. Taylor      |
| Council Member                  | George P. Plumley, III |
| Council Member                  | D. Lynn Sinclair.      |

### Appointed Officials

|                        |                        |
|------------------------|------------------------|
| Borough Manager        | Joseph C. Scalise      |
| Attorney               | Marc D. Jonas          |
| Finance Director       | Kathy M. Holliday      |
| Police Chief           | Edward A. Zunino, Sr.  |
| Fire Chief             | Christopher S. Plumley |
| Codes & Zoning Officer | Russell H. Drumheller  |
| Public Works Director  | Randy Behmki           |

# BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

## ORGANIZATION CHART





## **FINANCIAL SECTION**

## ***Independent Auditors' Report***

To the Honorable Mayor and Members of Council  
Borough of Kennett Square  
Kennett Square, 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 Kennett Square as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough of Kennett Square's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Borough of Kennett Square'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.

### ***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 Kennett Square as of December 31, 2015, 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.

To the Honorable Mayor and Members of Council  
Borough of Kennett Square  
Kennett Square, Pennsylvania

***Emphasis of Matter***

For the year ended December 31, 2015, the Borough of Kennett Square adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 14 through 28, budgetary comparison information on pages 70 and 71 and pension plan information on pages 72 through 77 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 Kennett Square's basic financial statements. The combining and individual nonmajor fund financial statements and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund 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 fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.



Oaks, Pennsylvania  
September 6, 2016

# **BOROUGH OF KENNETT SQUARE**

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

**YEAR ENDED DECEMBER 31, 2015**

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As management of the Borough of Kennett Square, we offer readers of the Borough of Kennett Square's financial statements this narrative overview and analysis of the financial activities of the Borough of Kennett Square for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

### **FINANCIAL HIGHLIGHTS**

- Total assets and deferred outflows of resources of the Borough's governmental-wide activities exceeded its liabilities and deferred inflows of resources at the close of the most recent year end by \$13,920,252 (net position). Of this amount \$3,108,507 (unrestricted net position) may be used to meet the Borough's ongoing obligations to its citizens and creditors.
- The Borough had an adjustment to net position for the prior year, which resulted in a net decrease of \$185,110 this was the effect of implementation of Governmental Accounting Standards Board (GASB) Statement No. 68. All comparative data will encompass this restatement.
- The Borough's governmental activities total net position increased from 2014 by \$2,094,360 or 43.2% and unrestricted net position increased by \$912,607 in 2015.
- The Borough's business-type activities total net position increased from 2014 by \$1,123,712 or 18.2% and unrestricted net position increased by \$294,713 in 2015.
- Net investment in capital assets (net capital assets net of related debt) of the governmental-wide activities was \$10,233,289, an increase of \$1,616,395.
- The total fund balance for the Borough's governmental funds was \$859,937 as of December 31, 2015.
- The General Fund has a total fund balance of \$303,454 as unassigned fund balance. This unassigned fund balance increased by \$250,796 from 2014 to 2015.
- In 2015, the Borough issued a general obligation note in the amount of \$570,000 as our share, for the purchase a new ladder truck for the Kennett Fire Co. #1. The note is for eight years at a variable rate ("Prime Rate" plus .25%) maturing on December 1, 2023.
- As of December 31, 2015, the Borough had \$12,702,599 of debt outstanding. This represents a decrease of \$399,407 or 3.1% from the previous year. The amount of outstanding direct debt per capital decreased from \$2,137.71 to \$2,059.77 a difference of \$77.94.
- During 2015, the Borough implemented GASB Statement No 68, "*Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.*" This Statement further revises existing guidance for the financial reports of the Borough's defined benefit pension plans, and establishes new financial reporting requirements for governments that provide employees with pension benefits.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Borough of Kennett Square's basic financial statements. The Borough of Kennett Square's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**BOROUGH OF KENNETT SQUARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Borough of Kennett Square's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Borough of Kennett Square's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the future financial position of the Borough of Kennett Square is improving or deteriorating.

The *statement of activities* presents information showing how the Borough's net position changed during the most recent fiscal 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 only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused sick leave).

Both of the government-wide financial statements distinguish functions of the Borough of Kennett Square 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*). The governmental activities of the Borough of Kennett Square include general government, public safety (police, fire and codes), highways and streets, community development and culture and recreation. The *business-type activities* include the water, sewer, parking and solid waste operations.

The government-wide financial statements can be found on pages 29 and 30 of this report.

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Borough of Kennett Square, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds are divided into three categories: Governmental Funds, Proprietary Funds and Fiduciary Funds.

**Governmental Funds** - *Governmental Funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *Governmental Funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund balance sheet and the Governmental Fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *Governmental Funds* and *governmental activities*.

# **BOROUGH OF KENNETT SQUARE**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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The Borough of Kennett Square maintains five individual Governmental Funds. Information is presented separately in the Governmental Fund balance sheet and in the Governmental Fund statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Project Fund and the Emergency Management Fund which are considered to be major funds. The other two Funds (Liquid Fuels Fund and the Revolving Loan Fund) are combined into a single, aggregated presentation (Other Governmental Funds).

Individual fund data for each of these Other Governmental Funds can be found under the Supplementary Information Section in this report.

The Borough of Kennett Square adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic Governmental Funds financial statements can be found on pages 31 to 34 of this report.

***Proprietary Funds*** - *Proprietary Funds* have two types, *Enterprise Funds* and *Internal Service Funds*. The *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Borough of Kennett Square uses *Enterprise Funds* to account for its water, sewer, parking and solid waste operations. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the government's various functions. The Borough of Kennett Square has no *Internal Service Funds*.

*Proprietary Funds* provide the same type of information as the government-wide financial statements, only in more detail. The *Proprietary Fund* financial statements provide separate information for the water, sewer, parking and solid waste operations, all of which are considered to be major funds of the Borough of Kennett Square.

The *Proprietary Funds* financial statements can be found on pages 35 to 37 of this report.

***Fiduciary Funds*** - *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the government. *Fiduciary Funds* are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Borough of Kennett Square's own programs. The accounting used for *Fiduciary Funds* is much like that used for *Proprietary Funds*.

The basic *Fiduciary Fund* financial statements can be found on pages 38 and 39 of this report.

## **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40 through 69 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Borough of Kennett Square's progress in funding its obligation to provide pension benefits to its employees and the General Fund's budgetary comparison statement. *Required supplementary information* can be found on pages 70 through 77 of this report.

**BOROUGH OF KENNETT SQUARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2015**

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Borough of Kennett Square, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$13,920,252 at the close of FY 2015.

By far, the largest portion of the Borough of Kennett Square's net position (77%) reflects its net investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Borough of Kennett Square uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Borough of Kennett Square's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Summary of Net Position - December 31, 2015 and 2014**

|   | Governmental Activities |                     |
|---|-------------------------|---------------------|
|   | 2015                    | 2014                |
| <b>ASSETS</b>                                     |                         |                     |
| Current and other assets                          | \$ 2,584,662            | \$ 1,297,650        |
| Capital assets                                    | 8,671,057               | 7,596,399           |
| <b>TOTAL ASSETS</b>                               | <b>11,255,719</b>       | <b>8,894,049</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>             |                         |                     |
| Deferred charge on refunding                      | -                       | -                   |
| Deferred outflows of resources - pension activity | 361,970                 | -                   |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>       | <b>361,970</b>          | <b>-</b>            |
| <b>LIABILITIES</b>                                |                         |                     |
| Other liabilities                                 | 619,622                 | 486,962             |
| Long-term liabilities                             | 3,815,670               | 3,409,869           |
| <b>TOTAL LIABILITIES</b>                          | <b>4,435,292</b>        | <b>3,896,831</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>              |                         |                     |
| Deferred inflows of resources - pension activity  | 241,684                 | -                   |
| <b>NET POSITION</b>                               |                         |                     |
| Net investment in capital assets                  | 5,403,576               | 4,616,182           |
| Restricted  | 139,050                 | 170,787             |
| Assigned for community development                | 439,406                 | 13,310              |
| Unrestricted*                                     | 958,681                 | 46,074              |
| <b>TOTAL NET POSITION, restated *</b>             | <b>\$ 6,940,713</b>     | <b>\$ 4,846,353</b> |

\*As noted in the financial highlights section, net position was restated for 2014 due to the effect of implementation of GASB Statement No. 68. Please see Note P for more detailed information.

An additional portion of the Borough of Kennett Square's net position (0.87%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,532,710 is the unrestricted net position of December 31, 2015.

| Business-Type Activities |                     | Totals               |                      | Total<br>Percentage<br>Change<br>2014-2015 |
|--------------------------|---------------------|----------------------|----------------------|--|
| 2015                     | 2014                | 2015                 | 2014                 |  |
| \$ 2,415,005             | \$ 2,148,111        | \$ 4,999,667         | \$ 3,445,761         | 45.10%                                     |
| 13,596,127               | 13,387,174          | 22,267,184           | 20,983,573           | 6.12%                                      |
| <u>16,011,132</u>        | <u>15,535,285</u>   | <u>27,266,851</u>    | <u>24,429,334</u>    | 11.62%                                     |
| 519,403                  | 581,080             | 519,403              | 581,080              | -10.61%                                    |
| <u>26,749</u>            | <u>-</u>            | <u>388,719</u>       | <u>-</u>             | 100.00%                                    |
| <u>546,152</u>           | <u>581,080</u>      | <u>908,122</u>       | <u>581,080</u>       | 56.28%                                     |
| 245,275                  | 258,749             | 864,897              | 745,711              | 15.98%                                     |
| 9,331,649                | 9,967,544           | 13,147,319           | 13,377,413           | -1.72%                                     |
| <u>9,576,924</u>         | <u>10,226,293</u>   | <u>14,012,216</u>    | <u>14,123,124</u>    | -0.79%                                     |
| <u>821</u>               | <u>-</u>            | <u>242,505</u>       | <u>-</u>             | 100.00%                                    |
| 4,829,713                | 4,000,712           | 10,233,289           | 8,616,894            | 18.76%                                     |
| -                        | 2                   | 139,050              | 170,789              | -18.58%                                    |
| -                        | -                   | 439,406              | 13,310               | 3201.32%                                   |
| <u>2,149,826</u>         | <u>1,855,113</u>    | <u>3,108,507</u>     | <u>1,901,187</u>     | 63.50%                                     |
| \$ <u>6,979,539</u>      | \$ <u>5,855,827</u> | \$ <u>13,920,252</u> | \$ <u>10,702,180</u> | 30.07%                                     |

**BOROUGH OF KENNETT SQUARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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**Changes in Net Position - Years Ended December 31, 2015 and 2014**

|  | <u>Governmental Activities</u> |                            |
|--|--------------------------------|----------------------------|
|  | <u>2015</u>                    | <u>2014</u>                |
| REVENUES   |                                |                            |
| Program revenues   |                                |                            |
| Charges for services   | \$ 578,874                     | \$ 489,789                 |
| Operating grants and contributions   | 1,431,177                      | 1,052,960                  |
| Capital grants and contributions   | 849,627                        | 12,188                     |
| General revenues   |                                |                            |
| Taxes, levied for general purposes   | 3,216,294                      | 2,664,632                  |
| Investment income and rents, net of expense                                  | 70,284                         | 92,912                     |
|  | <u>6,146,256</u>               | <u>4,312,481</u>           |
| EXPENSES   |                                |                            |
| General government   | 795,753                        | 811,076                    |
| Public safety  | 2,988,736                      | 2,416,397                  |
| Public works   |                                |                            |
| Highways and streets   | 743,901                        | 1,307,972                  |
| Culture and recreation   | 115,503                        | 78,736                     |
| Community development  | 75,815                         | 23,587                     |
| Interest on long-term debt   | 125,649                        | 106,967                    |
| Water, sewer and parking   | -                              | -                          |
| TOTAL EXPENSES   | <u>4,845,357</u>               | <u>4,744,735</u>           |
| CHANGE IN NET POSITION BEFORE<br>TRANSFERS AND GAIN ON<br>DISPOSAL OF ASSETS | 1,300,899                      | (432,254)                  |
| TRANSFERS  | 750,000                        | 714,000                    |
| GAIN ON DISPOSAL OF ASSETS   | <u>43,461</u>                  | <u>1,750</u>               |
| CHANGE IN NET POSITION   | 2,094,360                      | 283,496                    |
| NET POSITION AT BEGINNING OF YEAR, restated                                  | 4,846,353                      | 4,713,722                  |
| NET POSITION-ADJUSTMENT TO NET POSITION                                      | <u>-</u>                       | <u>(150,865)</u>           |
| <b>NET POSITION AT END OF YEAR, restated</b>                                 | <b><u>\$ 6,940,713</u></b>     | <b><u>\$ 4,846,353</u></b> |

| Business-Type Activities |                     | Totals               |                      | Total Percentage Change |
|--------------------------|---------------------|----------------------|----------------------|-------------------------|
| 2015                     | 2014                | 2015                 | 2014                 | 2014-2015               |
| \$ 4,238,565             | \$ 4,051,136        | \$ 4,817,439         | \$ 4,540,925         | 6.09%                   |
| -                        | -                   | 1,431,177            | 1,052,960            | 35.92%                  |
| 260,931                  | 673,591             | 1,110,558            | 685,779              | 61.94%                  |
| -                        | -                   | 3,216,294            | 2,664,632            | 20.70%                  |
| <u>(303,773)</u>         | <u>(312,488)</u>    | <u>(233,489)</u>     | <u>(219,576)</u>     | 6.34%                   |
| <u>4,195,723</u>         | <u>4,412,239</u>    | <u>10,341,979</u>    | <u>8,724,720</u>     | 18.54%                  |
| -                        | -                   | 795,753              | 811,076              | -1.89%                  |
| -                        | -                   | 2,988,736            | 2,416,397            | 23.69%                  |
| -                        | -                   | 743,901              | 1,307,972            | -43.13%                 |
| -                        | -                   | 115,503              | 78,736               | 46.70%                  |
| -                        | -                   | 75,815               | 23,587               | 221.43%                 |
| -                        | -                   | 125,649              | 106,967              | 17.47%                  |
| <u>2,322,011</u>         | <u>2,561,722</u>    | <u>2,322,011</u>     | <u>2,561,722</u>     | -9.36%                  |
| <u>2,322,011</u>         | <u>2,561,722</u>    | <u>7,167,368</u>     | <u>7,306,457</u>     | -1.90%                  |
| 1,873,712                | 1,850,517           | 3,174,611            | 1,418,263            | 123.84%                 |
| (750,000)                | (714,000)           | -                    | -                    |                         |
| <u>-</u>                 | <u>-</u>            | <u>43,461</u>        | <u>1,750</u>         | 2383.49%                |
| 1,123,712                | 1,136,517           | 3,218,072            | 1,420,013            | 126.62%                 |
| 5,855,827                | 4,753,555           | 10,702,180           | 9,467,277            | 13.04%                  |
| -                        | (34,245)            | -                    | (185,110)            |                         |
| <u>\$ 6,979,539</u>      | <u>\$ 5,855,827</u> | <u>\$ 13,920,252</u> | <u>\$ 10,702,180</u> | 30.07%                  |

## **BOROUGH OF KENNETT SQUARE**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2015

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At the end of the current fiscal year, the Borough of Kennett Square net position increased from the previous year by \$3,218,072 (or 30%) to \$13,920,252.

The net investment in capital assets portion of the net position increased \$1,616,395 from the prior year. The Borough of Kennett Square's business-type activities had an increased \$829,001, resulting from construction in process for a new water supply well to serve Borough residents. The governmental-activities increased \$787,394 with the completion of the closed loop traffic signal system; and the purchase of vehicles.

The restricted portion of net position decreased \$31,739 from the prior year to \$139,050. The governmental activities portion \$139,050 is comprised of funds for capital projects and road improvements in fiscal year 2015.

The unrestricted portion increased from the prior year of \$1,901,187 to \$3,093,304 for the current year. This \$3,093,304 represents funds available to meet its obligations to the citizens and creditors of the Borough of Kennett Square.

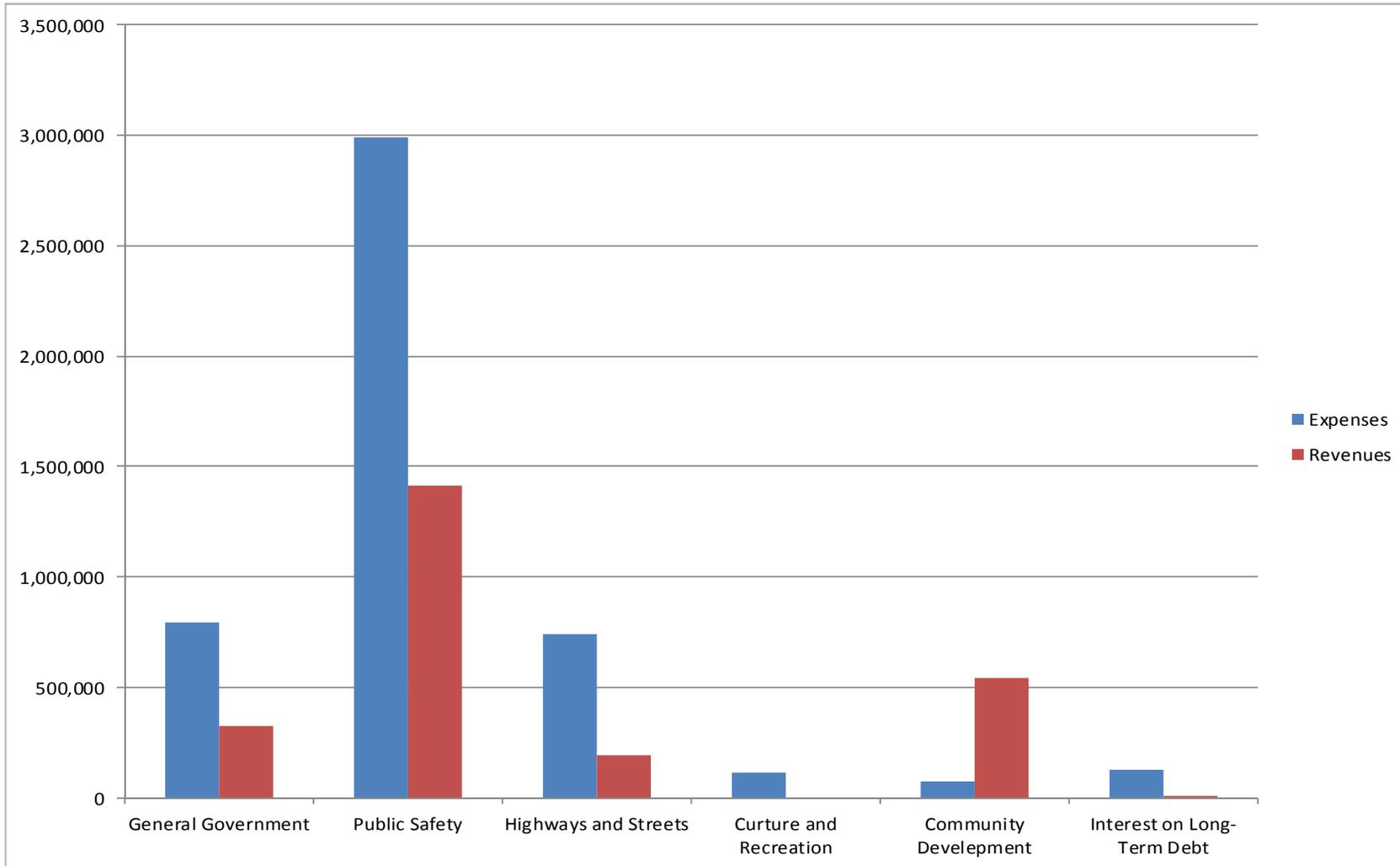
**Governmental Activities** - Governmental activities increased the Borough of Kennett Square's net position by \$2,094,360. Key elements of this increase are as follows:

- The total expenses of the governmental activities increased \$100,622 (or 2%) from the prior fiscal year. General government decreased by \$15,323 due to transition from acting interim manager to manager, public safety increased by \$573,339 for a contribution to the fire company toward the purchasing of their equipment, a decrease of \$564,071 in highway/streets due to the street improvement project not completed in 2015 as planned and being carried over to 2016, culture and recreation increased \$36,767, community development increased \$52,228 with the distribution of Community Reinvestment Grant funds and interest on long-term debt decreased by \$18,682.
- The total revenues increased \$1,833,775 during the current year. Charges for services were increased by \$89,085 with residential building permit fees up for 2015, operating grants and contributions increased by \$378,217, grant reimbursements were received for the closed loop traffic signal project, capital grant contributions were increased by \$837,439, for county grants in 2015 for road and sidewalk improvements, taxes levied for general purposes increased \$551,662, from a 1 mill increase real estate tax and transfer tax collections improved from the prior year and investments income and rents, net of expenses decreased \$22,628 with lost rental revenue from District Court moving outside the Borough.

**BOROUGH OF KENNETT SQUARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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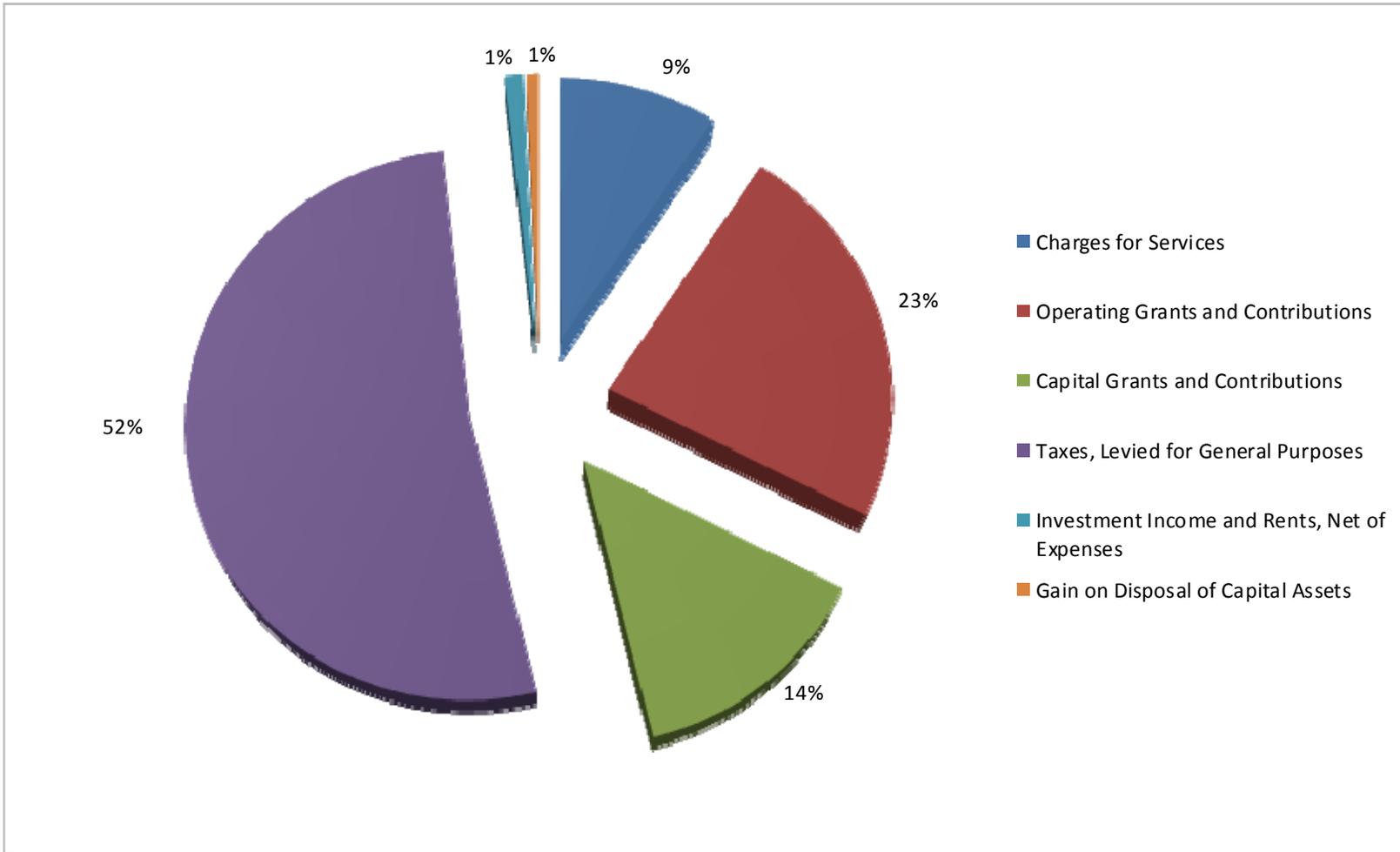
**Expenses and Program Revenues - Governmental Activities**



**BOROUGH OF KENNETT SQUARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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**Revenues by Source - Governmental Activities**



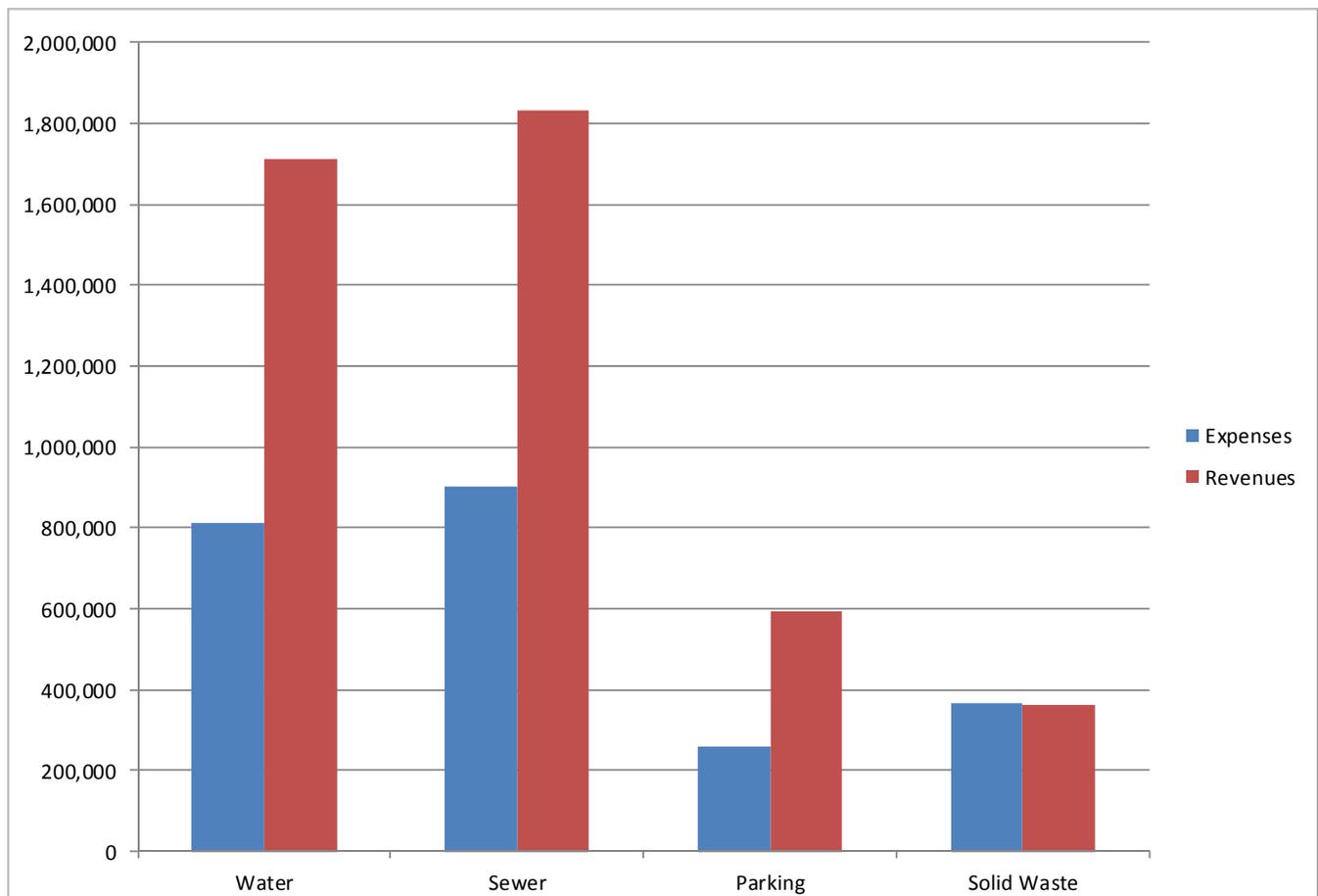
**BOROUGH OF KENNETT SQUARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2015**

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**Business-Type Activities** - Business-type activities increased the Borough of Kennett Square's net position by \$1,123,712. The key elements of the increase are:

- Net Investment in capital assets increased from 2014 by \$829,001 (or 21%) to \$4,829,713 from infrastructure improvements.
- Unrestricted net position increased \$294,713 from 2014 to \$2,149,826 in 2015.
- The transfers out for 2015 are \$750,000 (please see Note C on page 51 for an explanation of interfund receivables, payables and transfers).

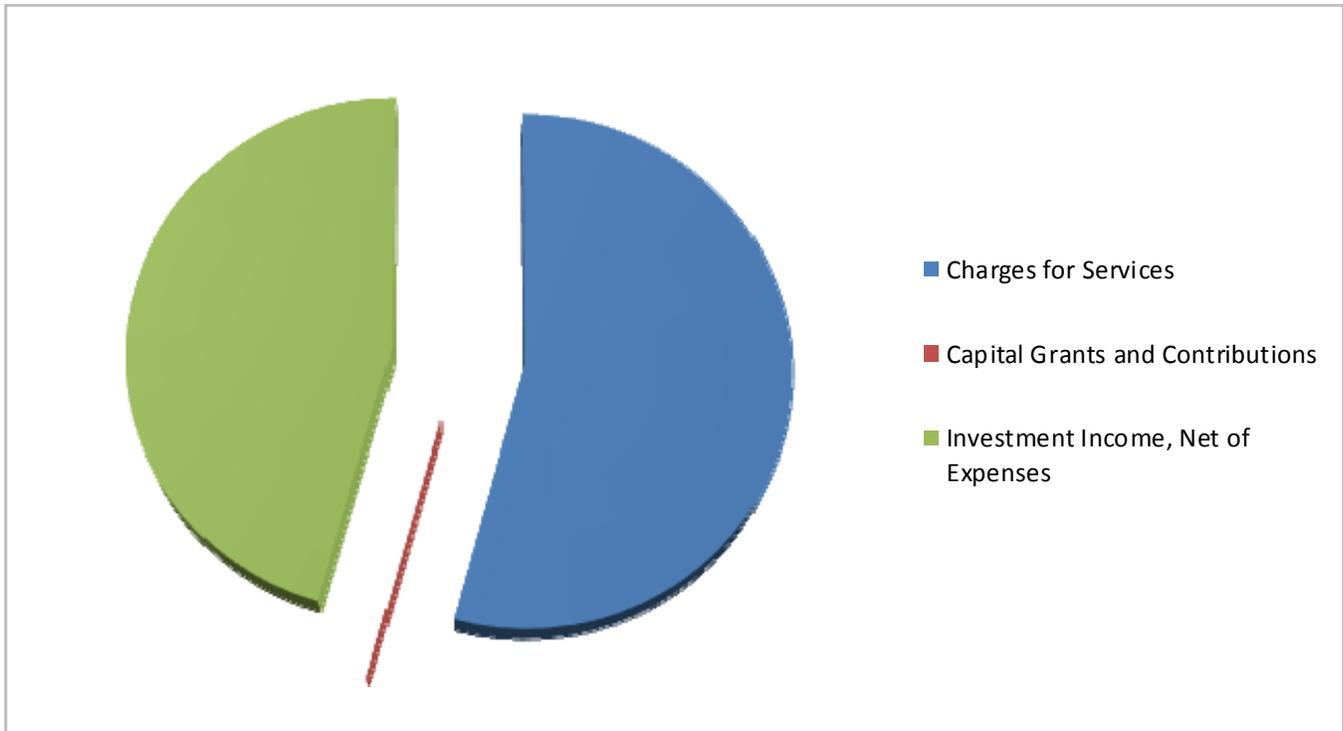
**Expenses and Program Revenues - Business-Type Activities**



**BOROUGH OF KENNETT SQUARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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**Revenues by Source - Business-Type Activities**



**Financial Analysis of the Government's Funds**

As noted earlier, the Borough of Kennett Square uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the Borough of Kennett Square's *Governmental Funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Borough of Kennett Square's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the Borough of Kennett Square's Governmental Funds reported a combined ending fund balance of \$859,937, an increase of \$1,149,153 in comparison with the prior year. Of this, \$281,481 constitutes unassigned fund balance. The restricted fund balance is \$139,050 of which \$23,918 is for capital projects, \$115,132 is for road improvements. The assigned fund balance of \$439,406 is for community development.

The General Fund is the chief operating fund of the Borough of Kennett Square. At the end of the current fiscal year, the total fund balance of the General Fund was \$303,454. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures of \$4,049,925 which represents 7.5% of total General Fund expenditures.

**BOROUGH OF KENNETT SQUARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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The Borough of Kennett Square's General Fund balance increased \$250,797 for the current fiscal year. Key factors of this incline are as follows:

General Fund revenues increased approximately 14.3% or \$507,728:

- General Fund revenues were up by \$507,728 from the prior year. Tax revenues increased by \$499,185 (or 10%) with the increase of real estate tax collections. Charges for services/fees revenues increased by \$73,590 (or 17%) from the prior year due to increases in permit fees.

Expenditures increased approximately 0.5% or \$186,015:

- An increase in general government of \$62,350 from the prior year. Administration expenditures for 2015 were up \$93,104 and Finance, Legal and Municipal expenditures were down \$30,754 from the prior year.
- An increase in public safety of \$98,748 from the prior year. The Police and Codes salaries and benefits expenditures were up from 2014.
- A decrease in public works, highways and streets of \$35,235 from prior year. The salaries and benefits of public works were down from 2014 and no road maintenance program was done in 2015 it was carried over to 2016.

The Capital Project Fund had a fund balance of \$35,700 for the current year down from a deficit of \$456,778 from the prior year, of which \$23,918 is restricted for capital projects and debt service. In 2015, the primary funding came from the Commonwealth of Pennsylvania grant funding for the Closed Loop Traffic Signals upgrades. Expenditures for public works traffic signals in the current year were \$1,312,566. The State funding will continue into 2016.

***Proprietary Funds*** - The Borough of Kennett Square's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

The net position of the Water Fund at the end of the year amounted to \$3,660,791, the net position of the Sewer Fund at the end of the year amounted to \$1,489,753, the net position of the Parking Fund at the end of the year amounted to \$1,815,611 and the net position of the Solid Waste Fund at the end of the year amounted to \$1,819 deficit. The total increase in net position for these funds was \$551,387, \$392,465, \$168,944 respectively and a decrease of \$4,287 for the Solid Waste Fund. Other factors concerning the finances of these four funds have already been addressed in the discussion of the Borough of Kennett Square's business-type activities.

**General Fund Budgetary Highlights**

The budgetary comparison schedule for the General Fund can be found under required supplementary information, page 65. In 2015, the original budget remained the same for the final budget with no budget amendments being adopted. The 2015 General Fund budget was adopted in December 2014 with a millage rate increase of 1 mill bringing the total millage for 2015 to 6.35.

During the year, revenues were over budget estimates by \$259,054, and expenditures exceeded budget estimates by \$78,125 creating excess of revenues over expenditures by \$12,229.

## **BOROUGH OF KENNETT SQUARE**

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

**YEAR ENDED DECEMBER 31, 2015**

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*Tax revenues* exceeded the budget by \$120,591; real estate taxes did not meet its estimate by \$13,838 for the year. Act 501 taxes (earned income, local services tax, real estate transfer and mechanical devices tax) were over their budget by \$134,429. Local services tax and real estate transfer tax collections were the only Act 501 taxes that exceeded expectations for the current fiscal budget.

*Licenses and permits* exceeded the budget by \$3,229 primarily because cable franchise fees increased by \$3,629 and contractor permits collections fell short of budget by \$400.

*Fines and forfeits* exceeded the expectation of the budgeted amount by \$12,052. District Court collection of fines and forfeits was higher than expected.

*Interest and rents* were over budget by \$334.

*Intergovernmental* budget declined by \$794; the Borough's estimate of funding from the Commonwealth of Pennsylvania for its Alcoholic Beverage Tax allocation for fiscal year 2015 received in 2014 was lower than what was expected.

*Charges for services* did exceed its budget by \$105,066 for 2015. The Borough experienced a growth of new construction during 2015 increasing permit fees to exceed the amount of the budget.

*Miscellaneous* revenues did exceed the budgeted amount by \$18,576; a premium reimbursement for the prior year workers' compensation payments was more than anticipated.

*General government* expenditures (administration, finance, legal and municipal building) were under budget by \$19,970; the municipal building planned maintenance and repairs for 2015 were not all completed and were carried over into 2016.

*Public safety* expenditures (police, fire and codes) were \$28,017 over budget. The Police salaries and benefits were the majority of overage.

*Public works* expenditures (public works and highways/streets) were \$19,714 more than budgeted. The snow removal budget was responsible for the overage.

*Culture and recreation* was over budget by \$12,531. The expenses for the Kennett Area Park Authority auditing services were over the amount budgeted.

*Community development* exceeded the budget by \$37,822. The Borough received the Main Street grant that was budgeted for 2014 until 2015.

**BOROUGH OF KENNETT SQUARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**  
**YEAR ENDED DECEMBER 31, 2015**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The Borough of Kennett Square's capital assets for its governmental and business-type activities as of December 31, 2015, amounted to \$22,267,184 (net of accumulated depreciation). This includes land, buildings and improvements, furniture and equipment, automobiles and trucks, land improvements and infrastructure. Infrastructure includes roads, bridges, storm water inlets, water and sewer lines, traffic signals and street lights.

Current year additions included \$2,205,479 for the purchase of public works and police vehicles, construction of roads and, water and sewer infrastructure. Additional information can be found in Note D to the basic financial statements on page 50 and 51.

***Capital Assets at Year-End (Net of Depreciation)***

|   | <u>Governmental<br/>Activities</u> | <u>Business-<br/>Type<br/>Activities</u> | <u>Total<br/>Primary<br/>Government</u> |
|---|------------------------------------|--|---|
| <b>CAPITAL ASSETS NOT BEING DEPRECIATED</b>           |                                    |  |   |
| Land  | \$ 1,382,350                       | \$ 1,619,281                             | \$ 3,001,631                            |
| Construction in progress                              | <u>377,705</u>                     | <u>2,043,629</u>                         | <u>2,421,334</u>                        |
| TOTAL CAPITAL ASSETS NOT<br>BEING DEPRECIATED         | <u>1,760,055</u>                   | <u>3,662,910</u>                         | <u>5,422,965</u>                        |
| <b>CAPITAL ASSETS BEING DEPRECIATED</b>               |                                    |  |   |
| Buildings and improvements, sewer and water<br>system | 3,231,399                          | 17,232,246                               | 20,463,645                              |
| Machinery, equipment, vehicles                        | 1,640,918                          | 1,125,222                                | 2,766,140                               |
| Infrastructure  | <u>7,341,706</u>                   | <u>-</u>                                 | <u>7,341,706</u>                        |
| TOTAL CAPITAL ASSETS BEING<br>DEPRECIATED             | 12,214,023                         | 18,357,468                               | 30,571,491                              |
| Depreciation  | <u>(5,303,021)</u>                 | <u>(8,424,251)</u>                       | <u>(13,727,272)</u>                     |
| TOTAL CAPITAL ASSETS BEING<br>DEPRECIATED, net        | <u>6,911,002</u>                   | <u>9,933,217</u>                         | <u>16,844,219</u>                       |
| CAPITAL ASSETS, net                                   | <u>\$ 8,671,057</u>                | <u>\$ 13,596,127</u>                     | <u>\$ 22,267,184</u>                    |

**Long-Term Debt and Liabilities**

At the end of the fiscal year, the Borough of Kennett Square's total long-term liabilities were \$13,290,581. Of this amount \$12,702,599 is bonds and notes, \$17,881 is for capital leases and \$342,758 is compensated absences and \$227,343 is net pension liability. Total long-term liabilities are further reduced by \$143,263 in deferred issuance discounts bringing the total at the end of 2015 to \$13,147,318.

Article IX, Section 10 of the Constitution of the Commonwealth requires the General Assembly to prescribe the debt limits of units of local government in the Commonwealth, including the Borough, based on a percentage of total revenues of such units over a period immediately preceding the borrowing.

**BOROUGH OF KENNETT SQUARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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Self-liquidating or subsidized debt (revenue bonds) and all debt approved by referendum are not treated as debt to which the constitutional debt limits apply.

Under the Act, the Borough may not incur any new nonelectoral debt if, following the issuance thereof, the aggregate net principal amount of outstanding nonelectoral debt of the Borough will exceed 250% of its borrowing base. In addition, the Borough may not incur any new lease rental debt or nonelectoral debt if, following the issuance thereof, the aggregate net principal amount of outstanding nonelectoral and lease rental debt of the Borough will exceed 350% of its borrowing base. The borrowing base of the Borough is defined in the Act as the arithmetic average of the total revenues of the Borough for the three full fiscal years of the Borough immediately preceding the date on which the new nonelectoral debt or new lease rental debt is incurred.

At the end of 2015, the available borrowing base of nonelectoral debt or general obligation bonds was \$18,632,773 and available nonelectoral and lease rental debt combined was \$27,390,871. More information can be found in Notes E and F in the notes to the basic financial statements and also in the Statistical Section of this report, Schedule 15 page 85.

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

**Economic Factors**

The Borough of Kennett Square serves an area of one square mile and a community of 6,072 residents according to the 2010 Census. The Borough lies in the southeastern part of the County of Chester near the Pennsylvania/Delaware state line. The Borough is approximately 30 miles southwest of Center City Philadelphia; 15 miles northwest of Wilmington, Delaware; and 12 miles south of West Chester, the county seat of the County of Chester.

The 2000 Census identified 1,976 dwelling units in the Borough. A total of 2,084 units were reported in the 2010 Census; this addition of 108 units represented a 5.5% increase in the Borough's housing stock. The majority of housing in the Borough is 64% of the single-family unit type. In the 2010 Census, 54% of housing units were owner-occupied and 46% were rentals. The median value of owner-occupied units in the Borough was \$226,100. The median value of homes for Chester County in 2010-2014 Survey was \$323,600 and for the Commonwealth of Pennsylvania was \$164,900.

The 2010-2014 Survey also reported the Borough's median family income as \$67,378, compared to \$86,093 for the County of Chester and \$53,115 for the Commonwealth of Pennsylvania.

The Borough of Kennett Square's Main Street program, for the economic revitalization of the downtown business district, is one of the Commonwealth of Pennsylvania's most successful programs in the state and has been self-sustaining for five years.

**BOROUGH OF KENNETT SQUARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED DECEMBER 31, 2015

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**Next Year's Budget**

Revenues projected in the 2016 budget are of a conservative nature based on the previous three years of actual collections. The millage rate increased to 6.35 mills for 2015 for the General Fund. The water, sewer and trash rates all increased 3%. The 2015 budget was balanced using no fund balance. During 2016, aggressive management of the budget by all departments will be required to ensure that the departments live within their respective budgets. The Borough must continue looking for ways to increase revenues to cover inflation and to start building its fund balance reserve again in future years.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Borough's finances and to show the Borough's accountability for the funds it receives and disburses. If you have questions about this report or to request additional financial information, please contact the Director of Finance or Borough Manager at 120 Marshall Street, Kennett Square, PA 19348.

**BOROUGH OF KENNETT SQUARE**

## STATEMENT OF NET POSITION

DECEMBER 31, 2015

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Totals</u>               |
|---|------------------------------------|-------------------------------------|-----------------------------|
| <b>ASSETS</b>                                       |                                    |                                     |                             |
| Cash and cash equivalents                           | \$ 1,327,764                       | \$ 1,360,457                        | \$ 2,688,221                |
| Investments   | 62,910                             | -                                   | 62,910                      |
| Receivables, net                                    | 931,229                            | 360,836                             | 1,292,065                   |
| Internal balances                                   | (693,712)                          | 693,712                             | -                           |
| Loan receivable, due beyond one year, net           | 956,471                            | -                                   | 956,471                     |
| Capital assets                                      |                                    |                                     |                             |
| Capital assets not being depreciated                | 1,760,055                          | 3,662,910                           | 5,422,965                   |
| Capital assets being depreciated, net               | <u>6,911,002</u>                   | <u>9,933,217</u>                    | <u>16,844,219</u>           |
| <b>TOTAL ASSETS</b>                                 | <u><b>11,255,719</b></u>           | <u><b>16,011,132</b></u>            | <u><b>27,266,851</b></u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>               |                                    |                                     |                             |
| Deferred charge on refunding                        | -                                  | 519,403                             | 519,403                     |
| Deferred outflows of resources - pension activity   | <u>361,970</u>                     | <u>26,749</u>                       | <u>388,719</u>              |
| <b>TOTAL DEFERRED OUTFLOWS OF<br/>    RESOURCES</b> | <u><b>361,970</b></u>              | <u><b>546,152</b></u>               | <u><b>908,122</b></u>       |
| <b>LIABILITIES</b>                                  |                                    |                                     |                             |
| Accounts payable and accrued expenses               | 436,118                            | 208,889                             | 645,007                     |
| Accrued salaries and benefits                       | 91,665                             | 14,985                              | 106,650                     |
| Accrued interest                                    | 4,055                              | 10,121                              | 14,176                      |
| Other liabilities                                   | 87,784                             | 11,280                              | 99,064                      |
| Long-term liabilities                               |                                    |                                     |                             |
| Portion due or payable within one year              |                                    |                                     |                             |
| Bonds and notes payable                             | 292,815                            | 751,335                             | 1,044,150                   |
| Capital lease payable                               | 8,659                              | -                                   | 8,659                       |
| Compensated absences                                | 9,153                              | -                                   | 9,153                       |
| Portion due or payable after one year               |                                    |                                     |                             |
| Bonds and notes payable                             | 2,980,703                          | 8,534,482                           | 11,515,185                  |
| Capital lease payable                               | 9,222                              | -                                   | 9,222                       |
| Compensated absences                                | 333,607                            | -                                   | 333,607                     |
| Net pension liability                               | <u>181,511</u>                     | <u>45,832</u>                       | <u>227,343</u>              |
| <b>TOTAL LIABILITIES</b>                            | <u><b>4,435,292</b></u>            | <u><b>9,576,924</b></u>             | <u><b>14,012,216</b></u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                |                                    |                                     |                             |
| Deferred inflows of resources - pension activity    | <u>241,684</u>                     | <u>821</u>                          | <u>242,505</u>              |
| <b>NET POSITION</b>                                 |                                    |                                     |                             |
| Net investment in capital assets                    | 5,403,576                          | 4,829,713                           | 10,233,289                  |
| Restricted for                                      |                                    |                                     |                             |
| Capital projects                                    | 23,918                             | -                                   | 23,918                      |
| Road improvements                                   | 115,132                            | -                                   | 115,132                     |
| Assigned for community development                  | 439,406                            | -                                   | 439,406                     |
| Unrestricted  | <u>958,681</u>                     | <u>2,149,826</u>                    | <u>3,108,507</u>            |
| <b>TOTAL NET POSITION</b>                           | <u><b>\$ 6,940,713</b></u>         | <u><b>\$ 6,979,539</b></u>          | <u><b>\$ 13,920,252</b></u> |

*See accompanying notes to the basic financial statements.*

# BOROUGH OF KENNETT SQUARE

## STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

| Functions/Programs                    | Expenses            | Program Services     |                                    |                                  |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
|                                       |                     | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>GOVERNMENTAL ACTIVITIES</b>        |                     |                      |                                    |                                  |
| General government                    | \$ 795,753          | \$ 143,998           | \$ 181,554                         | \$ -                             |
| Public safety                         | 2,988,736           | 397,017              | 1,013,865                          | -                                |
| Public works, highways and streets    | 743,901             | 37,850               | 152,400                            | -                                |
| Culture and recreation                | 115,503             | -                    | -                                  | -                                |
| Community development                 | 75,815              | -                    | 83,358                             | 849,627                          |
| Interest on long-term debt            | 125,649             | 9                    | -                                  | -                                |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>  | <b>4,845,357</b>    | <b>578,874</b>       | <b>1,431,177</b>                   | <b>849,627</b>                   |
| <b>BUSINESS-TYPE ACTIVITIES</b>       |                     |                      |                                    |                                  |
| Water                                 | 799,724             | 1,450,548            | -                                  | 260,931                          |
| Sewer                                 | 899,489             | 1,833,393            | -                                  | -                                |
| Parking                               | 257,952             | 594,065              | -                                  | -                                |
| Solid waste                           | 364,846             | 360,559              | -                                  | -                                |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b> | <b>2,322,011</b>    | <b>4,238,565</b>     | <b>-</b>                           | <b>260,931</b>                   |
| <b>TOTAL BOROUGH ACTIVITIES</b>       | <b>\$ 7,167,368</b> | <b>\$ 4,817,439</b>  | <b>1,431,177</b>                   | <b>\$ 1,110,558</b>              |

### GENERAL REVENUES

Property taxes, levied for general purposes  
 Transfer taxes  
 Earned income taxes  
 Local services taxes  
 Public utility taxes  
 Franchise taxes  
 Investment income and rents, net of interest expense  
 Gain on disposal of capital assets

### TOTAL GENERAL REVENUES

### TRANSFERS

### CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

| <u>Net (Expense) Revenue and Changes in Net Position</u> |                      |                      |
|--|----------------------|----------------------|
| <u>Governmental</u>                                      | <u>Business-Type</u> | <u>Totals</u>        |
| <u>Activities</u>  | <u>Activities</u>    |                      |
| \$ (470,201)   | \$ -                 | \$ (470,201)         |
| (1,577,854)  | -                    | (1,577,854)          |
| (553,651)  | -                    | (553,651)            |
| (115,503)  | -                    | (115,503)            |
| 857,170  | -                    | 857,170              |
| <u>(125,640)</u>   | <u>-</u>             | <u>(125,640)</u>     |
| <u>(1,985,679)</u>                                       | <u>-</u>             | <u>(1,985,679)</u>   |
| -  | 911,755              | 911,755              |
| -  | 933,904              | 933,904              |
| -  | 336,113              | 336,113              |
| -  | (4,287)              | (4,287)              |
| <u>-</u>   | <u>2,177,485</u>     | <u>2,177,485</u>     |
| <u>(1,985,679)</u>                                       | <u>2,177,485</u>     | <u>191,806</u>       |
| 1,484,483  | -                    | 1,484,483            |
| 152,832  | -                    | 152,832              |
| 1,324,225  | -                    | 1,324,225            |
| 160,372  | -                    | 160,372              |
| 2,953  | -                    | 2,953                |
| 91,429   | -                    | 91,429               |
| 70,284   | (303,773)            | (233,489)            |
| 43,461   | -                    | 43,461               |
| <u>3,330,039</u>   | <u>(303,773)</u>     | <u>3,026,266</u>     |
| <u>750,000</u>   | <u>(750,000)</u>     | <u>-</u>             |
| 2,094,360  | 1,123,712            | 3,218,072            |
| <u>4,846,353</u>   | <u>5,855,827</u>     | <u>10,702,180</u>    |
| <u>\$ 6,940,713</u>                                      | <u>\$ 6,979,539</u>  | <u>\$ 13,920,252</u> |

# BOROUGH OF KENNETT SQUARE

## BALANCE SHEET

### GOVERNMENTAL FUNDS

DECEMBER 31, 2015

|   | General<br>Fund     | Capital<br>Project Fund | Emergency<br>Management<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|-------------------------|---------------------------------|--------------------------------|--------------------------------|
| <b>ASSETS</b>   |                     |                         |                                 |                                |                                |
| Cash and cash equivalents   | \$ 675,000          | \$ 13,679               | \$ 84,547                       | \$ 554,538                     | \$ 1,327,764                   |
| Investments   | 38,992              | 23,918                  | -                               | -                              | 62,910                         |
| Taxes receivable, net   | 470,624             | -                       | -                               | -                              | 470,624                        |
| Due from other funds  | 682,908             | 234,315                 | 2,725                           | -                              | 919,948                        |
| Due from other governments  | -                   | -                       | -                               | -                              | -                              |
| Other receivables   | 36,984              | 423,621                 | -                               | -                              | 460,605                        |
| <b>TOTAL ASSETS</b>   | <b>\$ 1,904,508</b> | <b>\$ 695,533</b>       | <b>\$ 87,272</b>                | <b>\$ 554,538</b>              | <b>\$ 3,241,851</b>            |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICIT)</b> |                     |                         |                                 |                                |                                |
| <b>LIABILITIES</b>  |                     |                         |                                 |                                |                                |
| Accounts payable and accrued expenses   | \$ 49,259           | \$ 386,859              | \$ -                            | \$ -                           | \$ 436,118                     |
| Accrued salaries and benefits   | 91,665              | -                       | -                               | -                              | 91,665                         |
| Due to other funds  | 1,219,659           | 272,974                 | 121,027                         | -                              | 1,613,660                      |
| Other liabilities   | 87,784              | -                       | -                               | -                              | 87,784                         |
| <b>TOTAL LIABILITIES</b>  | <b>1,448,367</b>    | <b>659,833</b>          | <b>121,027</b>                  | <b>-</b>                       | <b>2,229,227</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |                         |                                 |                                |                                |
| Unavailable revenue, property taxes   | 152,687             | -                       | -                               | -                              | 152,687                        |
| <b>FUND BALANCES (DEFICIT)</b>  |                     |                         |                                 |                                |                                |
| Restricted for  |                     |                         |                                 |                                |                                |
| Capital projects  | -                   | 23,918                  | -                               | -                              | 23,918                         |
| Road improvements   | -                   | -                       | -                               | 115,132                        | 115,132                        |
| Assigned for community development  | -                   | -                       | -                               | 439,406                        | 439,406                        |
| Unassigned  | 303,454             | 11,782                  | (33,755)                        | -                              | 281,481                        |
| <b>TOTAL FUND BALANCES (DEFICIT)</b>  | <b>303,454</b>      | <b>35,700</b>           | <b>(33,755)</b>                 | <b>554,538</b>                 | <b>859,937</b>                 |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>     | <b>\$ 1,904,508</b> | <b>\$ 695,533</b>       | <b>\$ 87,272</b>                | <b>\$ 554,538</b>              | <b>\$ 3,241,851</b>            |

See accompanying notes to the basic financial statements.

# BOROUGH OF KENNETT SQUARE

## RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2015

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|   |                     |
|---|---------------------|
| TOTAL GOVERNMENTAL FUNDS BALANCES   | \$ 859,937          |
| <p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>   |                     |
| Construction in progress  | 377,705             |
| Land and improvements   | 2,746,357           |
| Buildings and improvements  | 1,867,392           |
| Roads, bridges and lights   | 7,341,706           |
| Machinery, equipment and vehicles   | 1,640,918           |
| Accumulated depreciation  | (5,303,021)         |
| <p>Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore not reported in the Governmental Funds</p>  |                     |
|   | 120,286             |
| <p>Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.</p>   |                     |
|   | 956,471             |
| <p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>  |                     |
| Accrued interest  | (4,055)             |
| Bonds and notes payable   | (3,273,518)         |
| Capital lease payable   | (17,881)            |
| Compensated absences  | (342,760)           |
| Net pension liability   | (181,511)           |
| <p>Some of the Borough's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded as receivables or are deferred in the funds.</p> |                     |
|   | <u>152,687</u>      |
| NET POSITION OF GOVERNMENTAL ACTIVITIES   | <u>\$ 6,940,713</u> |

*See accompanying notes to the basic financial statements.*

**BOROUGH OF KENNETT SQUARE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

|  | General<br>Fund   | Capital<br>Project Fund | Emergency<br>Management<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|-------------------------|---------------------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>  |                   |                         |                                 |                                |                                |
| Taxes  | \$ 3,006,691      | \$ -                    | \$ 65,400                       | \$ -                           | \$ 3,072,091                   |
| Licenses and permits   | 96,629            | -                       | -                               | -                              | 96,629                         |
| Fines, forfeits and costs  | 52,052            | -                       | -                               | -                              | 52,052                         |
| Interest and rents   | 69,934            | 20                      | 22                              | 317                            | 70,293                         |
| Intergovernmental  | 300,006           | 1,382,015               | -                               | 567,770                        | 2,249,791                      |
| Charges for services/fees  | 507,266           | -                       | -                               | -                              | 507,266                        |
| Miscellaneous  | 29,576            | -                       | -                               | -                              | 29,576                         |
| <b>TOTAL REVENUES</b>  | <b>4,062,154</b>  | <b>1,382,035</b>        | <b>65,422</b>                   | <b>568,087</b>                 | <b>6,077,698</b>               |
| <b>EXPENDITURES</b>  |                   |                         |                                 |                                |                                |
| General government   | 788,930           | -                       | -                               | -                              | 788,930                        |
| Public safety  | 2,453,717         | -                       | 633,933                         | -                              | 3,087,650                      |
| Public works, highways and streets                               | 662,014           | 1,080,974               | -                               | 164,697                        | 1,907,685                      |
| Culture and recreation   | 102,331           | -                       | -                               | -                              | 102,331                        |
| Community development  | 42,933            | -                       | -                               | -                              | 42,933                         |
| Debt service   |                   |                         |                                 |                                |                                |
| Principal  | -                 | 284,737                 | -                               | -                              | 284,737                        |
| Interest   | -                 | 102,630                 | -                               | -                              | 102,630                        |
| Bond issue costs   | -                 | 2,516                   | -                               | -                              | 2,516                          |
| <b>TOTAL EXPENDITURES</b>  | <b>4,049,925</b>  | <b>1,470,857</b>        | <b>633,933</b>                  | <b>164,697</b>                 | <b>6,319,412</b>               |
| <b>EXCESS (DEFICIENCY)<br/>OF REVENUES OVER<br/>EXPENDITURES</b> | <b>12,229</b>     | <b>(88,822)</b>         | <b>(568,511)</b>                | <b>403,390</b>                 | <b>(241,714)</b>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                   |                         |                                 |                                |                                |
| Sale of capital assets   | 43,461            | -                       | -                               | -                              | 43,461                         |
| Proceeds from debt issuance                                      | -                 | -                       | 570,000                         | -                              | 570,000                        |
| Proceeds from capital lease                                      | 27,406            | -                       | -                               | -                              | 27,406                         |
| Interfund transfers in   | 750,000           | 581,300                 | -                               | 1,000                          | 1,332,300                      |
| Interfund transfers out  | (582,300)         | -                       | -                               | -                              | (582,300)                      |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>                  | <b>238,567</b>    | <b>581,300</b>          | <b>570,000</b>                  | <b>1,000</b>                   | <b>1,390,867</b>               |
| <b>NET CHANGE IN FUND<br/>BALANCES</b>                           | <b>250,796</b>    | <b>492,478</b>          | <b>1,489</b>                    | <b>404,390</b>                 | <b>1,149,153</b>               |
| <b>FUND BALANCES (DEFICIT) AT<br/>BEGINNING OF YEAR</b>          | <b>52,658</b>     | <b>(456,778)</b>        | <b>(35,244)</b>                 | <b>150,148</b>                 | <b>(289,216)</b>               |
| <b>FUND BALANCES (DEFICIT)<br/>AT END OF YEAR</b>                | <b>\$ 303,454</b> | <b>\$ 35,700</b>        | <b>\$ (33,755)</b>              | <b>\$ 554,538</b>              | <b>\$ 859,937</b>              |

See accompanying notes to the basic financial statements.

## BOROUGH OF KENNETT SQUARE

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2015

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|  |                     |
|--|---------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS   | \$ 1,149,153        |
| Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,467,522) exceed depreciation (\$392,864) in the current period.   | 1,074,658           |
| Because some property taxes will not be collected for several months after the Borough's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year.  | 49,821              |
| Borrowing of long-term debt is a revenue in the Governmental Funds but increases long-term liabilities in the statement of net assets. This is the amount of debt and capital leases entered into in the current year.   | (597,406)           |
| Repayment of bond and note principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.  | 284,737             |
| Repayment of capital lease principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.  | 37,608              |
| Some revenues reported in the statement of activities are not considered as "available" revenues in the Governmental Funds and therefore are not reported as revenues in the Governmental Funds.<br>Revolving loan   | (32,882)            |
| In the statement of net position, certain operating expenses -- compensated absences (vacations and sick leave) and special termination benefits (early retirement) -- are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).   | 52,943              |
| Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of net position. Also, Governmental Funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position. This is the net effect of these differences in the treatment of long-term debt and related items. | (2,172)             |
| 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.<br>Pension expense   | 77,494              |
| Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of net position, however, interest expense is recognized as the interest accrues, regardless of when it is due.   | 406                 |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES  | <u>\$ 2,094,360</u> |

*See accompanying notes to the basic financial statements.*

**BOROUGH OF KENNETT SQUARE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2015**

|   | <u>Water Fund</u>   | <u>Sewer Fund</u>   | <u>Parking Fund</u> | <u>Solid<br/>Waste Fund</u> | <u>Total<br/>Proprietary<br/>Funds</u> |
|---|---------------------|---------------------|---------------------|-----------------------------|--|
| <b>ASSETS</b>                                       |                     |                     |                     |                             |  |
| Cash and cash equivalents                           | \$ 160,064          | \$ 185,542          | \$ 1,014,851        | \$ -                        | \$ 1,360,457                           |
| Receivables, net                                    | 164,521             | 180,151             | 507                 | 15,657                      | 360,836                                |
| Due from other funds                                | 290,717             | 1,579,640           | 54,486              | 46,030                      | 1,970,873                              |
| <b>TOTAL CURRENT ASSETS</b>                         | <b>615,302</b>      | <b>1,945,333</b>    | <b>1,069,844</b>    | <b>61,687</b>               | <b>3,692,166</b>                       |
| PROPERTY AND EQUIPMENT, net                         | 4,165,259           | 5,979,271           | 3,451,597           | -                           | 13,596,127                             |
| <b>TOTAL ASSETS</b>                                 | <b>4,780,561</b>    | <b>7,924,604</b>    | <b>4,521,441</b>    | <b>61,687</b>               | <b>17,288,293</b>                      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>               |                     |                     |                     |                             |  |
| Deferred charge on refunding                        | -                   | 356,328             | 163,075             | -                           | 519,403                                |
| Deferred outflows of resources - pension activities | 8,980               | 14,551              | 3,218               | -                           | 26,749                                 |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>         | <b>8,980</b>        | <b>370,879</b>      | <b>166,293</b>      | <b>-</b>                    | <b>546,152</b>                         |
| <b>LIABILITIES</b>                                  |                     |                     |                     |                             |  |
| <b>CURRENT LIABILITIES</b>                          |                     |                     |                     |                             |  |
| Accounts payable and accrued expenses               | 144,391             | 58,441              | 428                 | 5,629                       | 208,889                                |
| Accrued salaries and benefits                       | 4,890               | 8,566               | 1,529               | -                           | 14,985                                 |
| Accrued interest                                    | 108                 | 6,307               | 3,706               | -                           | 10,121                                 |
| Due to other funds                                  | 913,339             | 13,318              | 292,627             | 57,877                      | 1,277,161                              |
| Other liabilities                                   | 11,280              | 0                   | -                   | -                           | 11,280                                 |
| Bonds and notes payable                             | 25,335              | 501,000             | 225,000             | -                           | 751,335                                |
| <b>TOTAL CURRENT LIABILITIES</b>                    | <b>1,099,343</b>    | <b>587,632</b>      | <b>523,290</b>      | <b>63,506</b>               | <b>2,273,771</b>                       |
| <b>NONCURRENT LIABILITIES</b>                       |                     |                     |                     |                             |  |
| Bonds and notes payable                             | -                   | 6,191,261           | 2,343,221           | -                           | 8,534,482                              |
| Net pension liability                               | 15,387              | 24,932              | 5,513               | -                           | 45,832                                 |
| <b>TOTAL NONCURRENT LIABILITIES</b>                 | <b>15,387</b>       | <b>6,216,193</b>    | <b>2,348,734</b>    | <b>-</b>                    | <b>8,580,314</b>                       |
| <b>TOTAL LIABILITIES</b>                            | <b>1,114,730</b>    | <b>6,803,825</b>    | <b>2,872,024</b>    | <b>63,506</b>               | <b>10,854,085</b>                      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                |                     |                     |                     |                             |  |
| Deferred inflows of resources - pension activities  | 275                 | 447                 | 99                  | -                           | 821                                    |
| <b>NET POSITION</b>                                 |                     |                     |                     |                             |  |
| Net investment in capital assets                    | 4,139,924           | (356,662)           | 1,046,451           | -                           | 4,829,713                              |
| Restricted for debt service                         | -                   | -                   | -                   | -                           | -                                      |
| Unrestricted  | (465,388)           | 1,847,873           | 769,160             | (1,819)                     | 2,149,826                              |
| <b>TOTAL NET POSITION</b>                           | <b>\$ 3,674,536</b> | <b>\$ 1,491,211</b> | <b>\$ 1,815,611</b> | <b>\$ (1,819)</b>           | <b>\$ 6,979,539</b>                    |

*See accompanying notes to the basic financial statements.*

**BOROUGH OF KENNETT SQUARE**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

|  | <u>Water Fund</u>   | <u>Sewer Fund</u>   | <u>Parking Fund</u> | <u>Solid Waste Fund</u> | <u>Total Proprietary Funds</u> |
|--|---------------------|---------------------|---------------------|-------------------------|--------------------------------|
| <b>OPERATING REVENUES</b>                          |                     |                     |                     |                         |                                |
| Charges for services                               | \$ 1,450,548        | \$ 1,833,393        | \$ 594,065          | \$ 360,559              | \$ 4,238,565                   |
| <b>OPERATING EXPENSES</b>                          |                     |                     |                     |                         |                                |
| Water pump/purification                            | 127,550             | (7,801)             | (1,725)             | -                       | 118,024                        |
| Water collection/distribution                      | 492,715             | -                   | -                   | -                       | 492,715                        |
| Water transport/facility                           | 21,349              | -                   | -                   | -                       | 21,349                         |
| Sewer collection and disposal                      | -                   | 658,089             | -                   | -                       | 658,089                        |
| Operating expenditures                             | -                   | -                   | 92,987              | 4,024                   | 97,011                         |
| Contractual and professional services              | -                   | -                   | -                   | 286,516                 | 286,516                        |
| Repairs and maintenance                            | -                   | -                   | -                   | 74,306                  | 74,306                         |
| Legal fees   | -                   | 380                 | -                   | -                       | 380                            |
| Administration                                     | 17,259              | 47,760              | 31,917              | -                       | 96,936                         |
| Depreciation                                       | 140,851             | 201,061             | 134,773             | -                       | 476,685                        |
| <b>TOTAL OPERATING EXPENSES</b>                    | <u>799,724</u>      | <u>899,489</u>      | <u>257,952</u>      | <u>364,846</u>          | <u>2,322,011</u>               |
| <b>OPERATING INCOME (LOSS)</b>                     | <u>650,824</u>      | <u>933,904</u>      | <u>336,113</u>      | <u>(4,287)</u>          | <u>1,916,554</u>               |
| <b>NONOPERATING REVENUES (EXPENSES)</b>            |                     |                     |                     |                         |                                |
| Interest and investment revenue                    | 169                 | 172                 | 1,524               | -                       | 1,865                          |
| Intergovernmental revenues                         | 260,931             | -                   | -                   | -                       | 260,931                        |
| Interest expense                                   | (1,792)             | (195,153)           | (108,693)           | -                       | (305,638)                      |
| <b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>      | <u>259,308</u>      | <u>(194,981)</u>    | <u>(107,169)</u>    | <u>-</u>                | <u>(42,842)</u>                |
| <b>INCOME (LOSS) BEFORE TRANSFERS</b>              | <u>910,132</u>      | <u>738,923</u>      | <u>228,944</u>      | <u>(4,287)</u>          | <u>1,873,712</u>               |
| <b>TRANSFERS</b>                                   |                     |                     |                     |                         |                                |
| Interfund transfers in                             | -                   | -                   | -                   | -                       | -                              |
| Interfund transfers out                            | (345,000)           | (345,000)           | (60,000)            | -                       | (750,000)                      |
| <b>TOTAL TRANSFERS</b>                             | <u>(345,000)</u>    | <u>(345,000)</u>    | <u>(60,000)</u>     | <u>-</u>                | <u>(750,000)</u>               |
| <b>CHANGE IN NET POSITION</b>                      | 565,132             | 393,923             | 168,944             | (4,287)                 | 1,123,712                      |
| <b>NET POSITION AT BEGINNING OF YEAR, restated</b> |                     |                     |                     |                         |                                |
|  | <u>3,109,404</u>    | <u>1,097,288</u>    | <u>1,646,667</u>    | <u>2,468</u>            | <u>5,855,827</u>               |
| <b>NET POSITION AT END OF YEAR</b>                 | <u>\$ 3,674,536</u> | <u>\$ 1,491,211</u> | <u>\$ 1,815,611</u> | <u>\$ (1,819)</u>       | <u>\$ 6,979,539</u>            |

See accompanying notes to the basic financial statements.

# BOROUGH OF KENNETT SQUARE

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

YEAR ENDED DECEMBER 31, 2015

|  | Water Fund        | Sewer Fund        | Parking Fund        | Solid<br>Waste Fund | Total<br>Proprietary<br>Funds |
|--|-------------------|-------------------|---------------------|---------------------|-------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                   |                   |                     |                     |                               |
| Cash received from customers   | \$ 1,449,244      | \$ 1,680,117      | \$ 594,213          | \$ 357,153          | \$ 4,080,727                  |
| Payments to employees  | (131,739)         | (204,438)         | (45,405)            | (45,863)            | (427,445)                     |
| Payments to suppliers and vendors  | (570,818)         | (476,280)         | (79,732)            | (318,349)           | (1,445,179)                   |
| NET CASH PROVIDED (USED)<br>BY OPERATING ACTIVITIES  | <u>746,687</u>    | <u>999,399</u>    | <u>469,076</u>      | <u>(7,059)</u>      | <u>2,208,103</u>              |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING<br/>ACTIVITIES</b>   |                   |                   |                     |                     |                               |
| Transfers to other funds   | (345,000)         | (345,000)         | (60,000)            | -                   | (750,000)                     |
| Loans (to) from other funds  | (150,743)         | (38,386)          | 313,877             | 7,059               | 131,807                       |
| NET CASH PROVIDED (USED)<br>BY NONCAPITAL FINANCING<br>ACTIVITIES  | <u>(495,743)</u>  | <u>(383,386)</u>  | <u>253,877</u>      | <u>7,059</u>        | <u>(618,193)</u>              |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>  |                   |                   |                     |                     |                               |
| Acquisition, construction and improvement<br>of capital assets   | (635,028)         | (37,957)          | (12,653)            | -                   | (685,638)                     |
| Intergovernmental grant proceeds   | 260,931           | -                 | -                   | -                   | 260,931                       |
| Payment of debt  | (25,670)          | (438,520)         | (220,000)           | -                   | (684,190)                     |
| Payment of interest  | (1,881)           | (149,229)         | (90,903)            | -                   | (242,013)                     |
| NET CASH USED BY CAPITAL<br>AND RELATED FINANCING<br>ACTIVITIES  | <u>(401,648)</u>  | <u>(625,706)</u>  | <u>(323,556)</u>    | <u>-</u>            | <u>(1,350,910)</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                   |                   |                     |                     |                               |
| Earnings on investments  | 169               | 172               | 1,524               | -                   | 1,865                         |
| NET INCREASE (DECREASE) IN<br>CASH AND CASH EQUIVALENTS  | (150,535)         | (9,521)           | 400,921             | -                   | 240,865                       |
| <b>CASH AND CASH EQUIVALENTS AT<br/>BEGINNING OF YEAR</b>  |                   |                   |                     |                     |                               |
|  | <u>310,599</u>    | <u>195,063</u>    | <u>613,930</u>      | <u>-</u>            | <u>1,119,592</u>              |
| <b>CASH AND CASH EQUIVALENTS<br/>AT END OF YEAR</b>  |                   |                   |                     |                     |                               |
|  | <u>\$ 160,064</u> | <u>\$ 185,542</u> | <u>\$ 1,014,851</u> | <u>\$ -</u>         | <u>\$ 1,360,457</u>           |
| <b>RECONCILIATION OF OPERATING INCOME<br/>(LOSS) TO NET CASH PROVIDED (USED) BY<br/>OPERATING ACTIVITIES</b> |                   |                   |                     |                     |                               |
| Operating income (loss)  | \$ 650,824        | \$ 933,904        | \$ 336,113          | \$ (4,287)          | \$ 1,916,554                  |
| Adjustments to reconcile operating income<br>(loss) to net cash provided (used) by<br>operating activities   |                   |                   |                     |                     |                               |
| Depreciation   | 140,851           | 201,061           | 134,773             | -                   | 476,685                       |
| Pension activity   | (4,815)           | (7,801)           | (1,725)             | -                   | (14,341)                      |
| (Increase) decrease in receivables, net  | (1,304)           | (153,276)         | 148                 | (3,406)             | (157,838)                     |
| Increase (decrease) in   |                   |                   |                     |                     |                               |
| Accounts payable and accrued expenses  | (40,122)          | (14,070)          | (691)               | 634                 | (54,249)                      |
| Accrued salaries and benefits  | 1,253             | 3,160             | 458                 | -                   | 4,871                         |
| Other liabilities  | -                 | 36,421            | -                   | -                   | 36,421                        |
| NET CASH PROVIDED (USED)<br>BY OPERATING ACTIVITIES  | <u>\$ 746,687</u> | <u>\$ 999,399</u> | <u>\$ 469,076</u>   | <u>\$ (7,059)</u>   | <u>\$ 2,208,103</u>           |

See accompanying notes to the basic financial statements.

**BOROUGH OF KENNETT SQUARE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2015**

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|   | Pension<br>Trust Funds    |
|---|---------------------------|
|   | <u>Police<br/>Pension</u> |
| ASSETS                                    |                           |
| Cash                                      | \$ 281,128                |
| Investments, at fair value                |                           |
| Money market and mutual funds             | 3,181,417                 |
| Receivables                               |                           |
| Member contributions in transit           | 3,432                     |
| Interest on late deposit of state aid     | <u>1,321</u>              |
| TOTAL ASSETS                              | <u>\$ 3,467,298</u>       |
| NET POSITION                              |                           |
| Assets held in trust for pension benefits | <u>\$ 3,467,298</u>       |

*See accompanying notes to the basic financial statements.*

**BOROUGH OF KENNETT SQUARE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

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|                                   | Pension<br>Trust Funds          |
|-----------------------------------|---------------------------------|
|                                   | <u>Police</u><br><u>Pension</u> |
| ADDITIONS                         |                                 |
| Contributions                     |                                 |
| Employer contributions            | \$ -                            |
| Member contributions              | 48,926                          |
| State aid                         | 120,280                         |
| TOTAL CONTRIBUTIONS               | <u>169,206</u>                  |
| Investment income (loss)          | <u>(29,099)</u>                 |
| TOTAL ADDITIONS                   | 140,107                         |
| DEDUCTIONS                        |                                 |
| Benefits paid                     | 81,101                          |
| Administrative expenses and other | 1,850                           |
| TOTAL DEDUCTIONS                  | <u>82,951</u>                   |
| CHANGE IN NET POSITION            | 57,156                          |
| NET POSITION AT BEGINNING OF YEAR | <u>3,410,142</u>                |
| NET POSITION AT END OF YEAR       | <u>\$ 3,467,298</u>             |

*See accompanying notes to the basic financial statements.*

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

The Borough of Kennett Square's (the "Borough") financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and issued by the Borough are described below.

**Reporting Entity**

Financial accountability is defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus--An Amendment of GASB Statements No. 14 and No. 39*. The Borough is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough. The Borough also may be financially accountable if an organization is fiscally dependent on the Borough regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

The Borough has determined that no other outside agency meets the above criteria; therefore, no other agency has been included as a component unit in the Borough's financial statements. In addition, the Borough is not aware of any entity that would result in the Borough being considered a component unit of the entity.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-Wide Financial Statements** - The statement of net position and the statement of activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The statements distinguish between those activities of the Borough that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the Proprietary Funds financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Governmental Funds financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for Governmental Funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Borough's net position is reported in three parts: net investment in capital assets, restricted net position and unrestricted net position. The Borough first utilizes restricted resources to finance qualifying activities.

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

The government-wide statement of net position presents a comparison between direct expenses and program revenues for each function or program of the Borough's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Borough. Expenses reported for functional activities include allocated indirect expenses.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. Interfund services provided and used are not eliminated in the process of consolidation.

**Fund Financial Statements** - Fund financial statements report detailed information about the Borough. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column (Other Governmental Funds).

**Governmental Funds** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments are recorded only when payment is due. The financial statements for Governmental Funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Borough.

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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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 general operating fund of the Borough. It is used to account for all financial resources except those required to be accounted for in another fund. The general tax revenues of the Borough, as well as other resources received and not designated for a specific purpose, are accounted for in the General Fund.

Capital Project Fund - The Capital Project Fund is maintained to account for major capital projects and the accumulation of resources for acquisition of fixed assets.

The Other Governmental Funds of the Borough are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

**Proprietary Funds** - The focus of Proprietary Funds measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

The Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Water Fund, Sewer Fund, Parking Fund and Solid Waste Fund are charges to customers for sales and services. Operating expenses include the costs 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.

The Borough reports the following major Proprietary Funds:

Water Fund - The Water Fund accounts for the Borough's water system.

Sewer Fund - The Sewer Fund accounts for the activities of the Borough's sewer system.

Parking Fund - The Parking Fund accounts for activities of the parking garage.

Solid Waste Fund - The Solid Waste Fund accounts for activities of waste collection.

Additionally, the Borough reports the following Fiduciary Funds to account for assets held by the Borough in a trustee capacity:

Pension Trust Funds - Pension Trust Funds are used to account for financial resources restricted for retirement benefits of the police participating under the Borough's defined benefit pension plan.

The plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due in accordance with Act 205, as amended. Benefits are recognized when due and payable in accordance with the terms of the plan.

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

**Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year-end. Any budget amendments must be approved by the Council.

**Cash and Investments**

The Borough's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Borough to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are carried at fair value.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Borough defines capital assets as assets with an initial individual cost equal to or greater than \$5,000 or purchased with debt proceeds and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

|                                | <u>Years</u> |
|--------------------------------|--------------|
| Buildings                      | 50           |
| Building and land improvements | 20           |
| System infrastructure          | 20-50        |
| Vehicles                       | 8            |
| Roads, bridges and lights      | 45           |
| Equipment                      | 5-20         |

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

**Compensated Absences**

The Borough permits accrual of paid time off (PTO) beyond the end of the current fiscal year for non-uniform employees up to a maximum of 480 hours. PTO includes vacation and short-term sick leave. At the end of any calendar year, an employee may sell unused PTO back to the Borough at the rate of \$75 per day up to five days. Any additional unused time must be carried over to the next year. Upon separation from employment, the Borough will purchase back any unused PTO at a pre-determined percentage based on the employee's time of service. The Borough accrues unused long-term sick pay for non-uniform employees. The Borough purchases long-term sick leave earned but not used at time of retirement for non-uniform employees hired before January 1, 2013 up to a maximum of 200 days. Sick pay may not be accumulated for uniformed employees.

**Long-Term Obligations**

In the government-wide and Proprietary Funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or Proprietary Funds statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**Use of Estimates**

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

**Real Estate Taxes**

Real estate taxes are levied on March 1 and due on June 30 of each year. A 2% discount is provided for taxes paid prior to May 1. A 10% penalty is applied to taxes paid after June 30. Unpaid taxes are lienied by the Borough on January 15 of the subsequent year.

**Receivables and Payables**

External transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

**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, the net difference between projected and actual earnings on pension plan investments, and differences between expected and actual experience of the pension plan.

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 that qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, which arises only under a modified accrual basis of accounting, is reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amount 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 difference between expected and actual experience of the pension plan.

**Net Position Flow Assumption**

Sometimes the Borough will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and Proprietary Funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures.

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

**Restricted Net Position**

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

**Fund Balance and GASB Statement No. 54**

The Borough classifies its fund balance under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Borough's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- ***Nonspendable*** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints.
- ***Restricted*** - Amounts that can be spent only for specific purposes stipulated by external resource providers or through enabling legislation.
- ***Committed*** - Amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and do not lapse at year-end. The governing council is the highest level of decision-making authority for the Borough that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.
- ***Assigned*** - Amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The governing council has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- ***Unassigned*** - Amounts not contained in other classifications.

The details of the fund balances are included in the Governmental Funds balance sheet (page 31). Restricted funds are used first as appropriate, followed by committed resources and then assigned resources, to the extent that expenditure authority has been budgeted by the Borough Council. The Borough does reserve the right to first reduce unassigned fund balance to defer the use of these other classified funds. In the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE B - DEPOSITS AND INVESTMENTS**

**Deposits**

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned to it. Deposits are insured under Act 72 of the 1971 Session of the Pennsylvania General Assembly, whereby financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined in the Act, to cover all public funds deposited in excess of FDIC limits. The Borough has no formal policy in regards to custodial credit risk. As of December 31, 2015, \$2,317,520 of the Borough's bank balance of \$2,817,520 was exposed to custodial credit risk as follows:

|   |                     |
|---|---------------------|
| Uninsured and collateralized with securities held by the pledging bank's trust department not in the Borough's name | \$ <u>2,317,520</u> |
|---|---------------------|

**Investments**

As of December 31, 2015, the Borough had the following investments:

| <u>Investment Type</u>                    | <u>Fair Value</u>   | <u>Investment Maturities Less Than One Year</u> |
|---|---------------------|---|
| <b>GOVERNMENTAL AND PROPRIETARY FUNDS</b> |                     |   |
| State investment pools                    | \$ 62,910           | \$ 62,910                                       |
| <b>PENSION FUNDS</b>                      |                     |   |
| Money market and mutual funds             | <u>3,181,417</u>    | <u>3,181,417</u>                                |
|   | <u>\$ 3,244,327</u> | <u>\$ 3,244,327</u>                             |

**Interest Rate Risk** - The Borough's investment policy does limit investment maturities to remain sufficiently liquid to meet all operating requirements that are reasonably anticipated as a means of managing its exposure to fair value losses arising from increasing interest rates. For the General Fund and other operating funds, maturities will not exceed one year.

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

**Credit Risk** - Pennsylvania statutes authorize the Borough to invest in U.S. Treasury bills, short-term obligations of the U.S. Government, obligations of the U.S. Government or Commonwealth of Pennsylvania, or political subdivisions of the Commonwealth that are backed by the full faith and credit of the issuing government and shares of authorized investment companies provided that all of the company investments are authorized investments for a Borough.

In addition, the Borough may invest in time deposits, savings accounts, or share accounts of institutions insured by the FDIC, FSLIC, or NCUSIF to the extent that such investments are insured and, where amounts exceed the insured maximums, that the depository pledge collateral as provided by Pennsylvania law.

The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20% of a bank's total capital surplus or 20% of a savings and loan's or savings bank's assets, net of its liabilities. The Borough may also invest in shares of registered investment companies provided that investments of the company are authorized investments, as noted above.

The law provides that the Borough's Pension Trust Funds may invest in any form or type of investment, financial instrument, or financial transaction, if determined by the Borough to be prudent.

Investments for the Borough are reported at fair value. The investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. As of December 31, 2015, the Borough's investment in the state investment pool was rated AAAM by Standard & Poor's.

The Borough's investment policy does not limit its investment choices based upon credit quality rating.

**Concentration Risk** - The Borough does not have a policy that would limit the amount it may invest in any one issuer. As of December 31, 2015, the Borough's investments in any single fund did not exceed 5% of the Borough's total investments.

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE C - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund receivables and payables at December 31, 2015, are as follows:

| <u>Receivable Fund</u>    | <u>Payable Fund</u>       | <u>Amount</u>       |
|---------------------------|---------------------------|---------------------|
| General Fund              | Water Fund                | \$ 409,409          |
| General Fund              | Sewer Fund                | 29                  |
| General Fund              | Solid Waste Fund          | 57,877              |
| General Fund              | Parking Fund              | 94,566              |
| General Fund              | Emergency Management Fund | 121,027             |
| Water Fund                | Parking Fund              | 72,188              |
| Water Fund                | Capital Project Fund      | 218,529             |
| Sewer Fund                | General Fund              | 998,592             |
| Sewer Fund                | Water Fund                | 503,930             |
| Sewer Fund                | Parking Fund              | 77,118              |
| Solid Waste Fund          | Parking Fund              | 46,030              |
| Parking Fund              | Capital Project Fund      | 54,445              |
| Parking Fund              | Sewer Fund                | 41                  |
| Capital Projects Fund     | Sewer Fund                | 13,248              |
| Capital Projects Fund     | General Fund              | 221,067             |
| Emergency Management Fund | Parking Fund              | 2,725               |
|                           |                           | <u>\$ 2,890,821</u> |

Transfer balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Interfund transfers at December 31, 2015, are as follows:

| <u>Transfer In</u>   | <u>Transfer Out</u> | <u>Amount</u>       |
|----------------------|---------------------|---------------------|
| General Fund         | Water Fund          | \$ 345,000          |
| General Fund         | Sewer Fund          | 345,000             |
| General Fund         | Parking Fund        | 60,000              |
| Capital Project Fund | General Fund        | 581,300             |
| Liquid Fuels         | General Fund        | 1,000               |
|                      |                     | <u>\$ 1,332,300</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts to pay debt service for general obligations in general activities and (3) use unrestricted revenues collected in the Water and Sewer Funds to finance various programs/reimburse expenses accounted for in the General Fund in accordance with budgetary authorizations.

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015, was as follows:

|   | Balance<br>January 1,<br>2015 | Additions           | Deletions             | Balance<br>December 31,<br>2015 |
|---|-------------------------------|---------------------|-----------------------|---------------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                  |                               |                     |                       |                                 |
| Capital assets not being depreciated            |                               |                     |                       |                                 |
| Land  | \$ 1,382,350                  | \$ -                | \$ -                  | \$ 1,382,350                    |
| Construction in progress                        | <u>1,002,744</u>              | <u>1,373,747</u>    | <u>(1,998,786)</u>    | <u>377,705</u>                  |
| TOTAL CAPITAL ASSETS<br>NOT BEING DEPRECIATED   | <u>2,385,094</u>              | <u>1,373,747</u>    | <u>(1,998,786)</u>    | <u>1,760,055</u>                |
| Capital assets being depreciated                |                               |                     |                       |                                 |
| Buildings and improvements                      | 1,867,392                     | -                   | -                     | 1,867,392                       |
| Land improvements                               | 1,364,007                     | -                   | -                     | 1,364,007                       |
| Roads, bridges and lights                       | 6,016,505                     | 1,998,786           | (673,585)             | 7,341,706                       |
| Machinery, equipment and vehicles               | <u>1,692,282</u>              | <u>93,775</u>       | <u>(145,139)</u>      | <u>1,640,918</u>                |
| TOTAL CAPITAL ASSETS<br>BEING DEPRECIATED       | <u>10,940,186</u>             | <u>2,092,561</u>    | <u>(818,724)</u>      | <u>12,214,023</u>               |
| Accumulated depreciation                        |                               |                     |                       |                                 |
| Buildings and improvements                      | (394,086)                     | (35,938)            | -                     | (430,024)                       |
| Land improvements                               | (454,016)                     | (51,765)            | -                     | (505,781)                       |
| Roads, bridges and lights                       | (3,539,011)                   | (191,531)           | 673,585               | (3,056,957)                     |
| Machinery, equipment and vehicles               | <u>(1,341,768)</u>            | <u>(113,630)</u>    | <u>145,139</u>        | <u>(1,310,259)</u>              |
| TOTAL ACCUMULATED<br>DEPRECIATION               | <u>(5,728,881)</u>            | <u>(392,864)</u>    | <u>818,724</u>        | <u>(5,303,021)</u>              |
| TOTAL CAPITAL ASSETS<br>BEING DEPRECIATED, net  | <u>5,211,305</u>              | <u>1,699,697</u>    | <u>-</u>              | <u>6,911,002</u>                |
| GOVERNMENTAL ACTIVITIES<br>CAPITAL ASSETS, net  | <u>7,596,399</u>              | <u>3,073,444</u>    | <u>(1,998,786)</u>    | <u>8,671,057</u>                |
| <b>BUSINESS-TYPE ACTIVITIES</b>                 |                               |                     |                       |                                 |
| Capital assets not being depreciated            |                               |                     |                       |                                 |
| Land  | 1,619,281                     | -                   | -                     | 1,619,281                       |
| Construction in progress                        | <u>1,470,909</u>              | <u>572,720</u>      | <u>-</u>              | <u>2,043,629</u>                |
| TOTAL CAPITAL ASSETS<br>NOT BEING DEPRECIATED   | <u>3,090,190</u>              | <u>572,720</u>      | <u>-</u>              | <u>3,662,910</u>                |
| Capital assets being depreciated                |                               |                     |                       |                                 |
| Buildings and improvements                      | 17,207,896                    | 24,350              | -                     | 17,232,246                      |
| Machinery, equipment and vehicles               | <u>1,036,654</u>              | <u>88,568</u>       | <u>-</u>              | <u>1,125,222</u>                |
| TOTAL CAPITAL ASSETS<br>BEING DEPRECIATED       | <u>18,244,550</u>             | <u>112,918</u>      | <u>-</u>              | <u>18,357,468</u>               |
| Accumulated depreciation                        |                               |                     |                       |                                 |
| Buildings and improvements                      | (7,067,984)                   | (427,741)           | -                     | (7,495,725)                     |
| Machinery, equipment and vehicles               | <u>(879,582)</u>              | <u>(48,944)</u>     | <u>-</u>              | <u>(928,526)</u>                |
| TOTAL ACCUMULATED<br>DEPRECIATION               | <u>(7,947,566)</u>            | <u>(476,685)</u>    | <u>-</u>              | <u>(8,424,251)</u>              |
| TOTAL CAPITAL ASSETS<br>BEING DEPRECIATED, net  | <u>10,296,984</u>             | <u>(363,767)</u>    | <u>-</u>              | <u>9,933,217</u>                |
| BUSINESS-TYPE ACTIVITIES<br>CAPITAL ASSETS, net | <u>13,387,174</u>             | <u>208,953</u>      | <u>-</u>              | <u>13,596,127</u>               |
| CAPITAL ASSETS, net                             | <u>\$ 20,983,573</u>          | <u>\$ 3,282,397</u> | <u>\$ (1,998,786)</u> | <u>\$ 22,267,184</u>            |

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

Depreciation expense was charged to governmental functions as follows:

GOVERNMENTAL ACTIVITIES

|                        |    |                       |
|------------------------|----|-----------------------|
| General government     | \$ | 84,317                |
| Public safety          |    | 30,030                |
| Highways and streets   |    | 265,345               |
| Culture and recreation |    | <u>13,172</u>         |
|                        | \$ | <u><u>392,864</u></u> |

BUSINESS-TYPE ACTIVITIES

|         |    |                       |
|---------|----|-----------------------|
| Water   | \$ | 140,851               |
| Sewer   |    | 201,061               |
| Parking |    | <u>134,773</u>        |
|         | \$ | <u><u>476,685</u></u> |

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE E - LONG-TERM DEBT**

Long-term debt payable at December 31, 2015, is comprised of the following individual issues:

|   |                      |
|---|----------------------|
| Delaware Valley Regional Finance Authority, Guaranteed Sewer Revenue Note 2001, with interest at variable rates not to exceed 15.00% per annum, payable monthly, maturity date is December 25, 2026 | \$ 651,000           |
| General Obligation Bonds, Series A of 2011, with interest rates of 0.55% to 4.75% per annum, payable on the 15th day of June and December, maturity date is June 15, 2031                           | 5,350,000            |
| Pennsylvania Infrastructure Investment Authority, Loan No. 50048, with interest payable monthly at 3.32% per annum, maturity date is February 1, 2017   | 25,336               |
| General Obligation Bonds, Series of 2012, with interest rates of 0.7% to 3.0% per annum, payable on the 15th day of June and December, maturity date is June 15, 2027                               | 6,125,000            |
| Fulton Bank Promissory Note #8543625, with principal and variable plus prime interest at 3.50% per annum, payable monthly, secured by a vehicle, maturity date is September 1, 2023                 | <u>551,263</u>       |
|   | <u>\$ 12,702,599</u> |

The annual requirements to amortize all debt outstanding as of December 31, 2015, including interest payments, are as follows:

| Year Ending<br>December 31, | Governmental Activities |                   | Business-Type Activities |                     |
|-----------------------------|-------------------------|-------------------|--------------------------|---------------------|
|                             | Principal               | Interest          | Principal                | Interest            |
| 2016                        | \$ 292,815              | \$ 95,416         | \$ 751,336               | \$ 323,232          |
| 2017                        | 300,129                 | 89,741            | 738,000                  | 304,564             |
| 2018                        | 307,471                 | 83,204            | 761,000                  | 284,239             |
| 2019                        | 314,898                 | 76,070            | 773,000                  | 260,886             |
| 2020                        | 332,383                 | 67,853            | 796,000                  | 234,902             |
| 2021 to 2025                | 1,198,566               | 203,735           | 4,343,000                | 702,248             |
| 2026 to 2030                | 455,000                 | 79,881            | 1,233,089                | 45,844              |
| 2031 to 2035                | <u>105,912</u>          | <u>2,494</u>      | <u>-</u>                 | <u>-</u>            |
|                             | <u>\$ 3,307,174</u>     | <u>\$ 698,394</u> | <u>\$ 9,395,425</u>      | <u>\$ 2,155,915</u> |

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE F - CHANGES IN LONG-TERM LIABILITIES**

During the year ended December 31, 2015, the following changes in long-term liabilities occurred:

|   | Beginning<br>Balance        | Additions                | Reductions                   | Ending<br>Balance           | Due Within<br>One Year     |
|---|-----------------------------|--------------------------|------------------------------|-----------------------------|----------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>  |                             |                          |                              |                             |                            |
| General Obligation Note, Series of 2005   | \$ 41,000                   | \$ -                     | \$ (41,000)                  | \$ -                        | \$ -                       |
| General Obligation Bonds, Series A of 2011  | 2,980,911                   | -                        | (225,000)                    | 2,755,911                   | 230,000                    |
| Promissory Note   | -                           | 570,000                  | (18,737)                     | 551,263                     | 62,815                     |
|   | <u>3,021,911</u>            | <u>570,000</u>           | <u>(284,737)</u>             | <u>3,307,174</u>            | <u>292,815</u>             |
| Deferred amounts  |                             |                          |                              |                             |                            |
| Issuance discount   | (35,828)                    | -                        | 2,172                        | (33,656)                    | -                          |
| <b>TOTAL BONDS AND<br/>    NOTE PAYABLE</b>   | <b>2,986,083</b>            | <b>570,000</b>           | <b>(282,565)</b>             | <b>3,273,518</b>            | <b>292,815</b>             |
| Capital leases  | 28,083                      | 27,406                   | (37,608)                     | 17,881                      | 8,659                      |
| Compensated absences  | 395,702                     | 18,540                   | (71,484)                     | 342,758                     | 9,153                      |
| Net pension liability   | 150,865                     | 30,646                   | -                            | 181,511                     | -                          |
| <b>TOTAL GOVERNMENTAL<br/>    ACTIVITIES</b>  | <b><u>3,560,733</u></b>     | <b><u>646,592</u></b>    | <b><u>(391,657)</u></b>      | <b><u>3,815,668</u></b>     | <b><u>310,627</u></b>      |
| <b>BUSINESS-TYPE ACTIVITIES</b>   |                             |                          |                              |                             |                            |
| Pennsylvania Infrastructure Investment Authority, Loan No. 50048                                      | 51,006                      | -                        | (25,670)                     | 25,336                      | 25,336                     |
| General Obligation Note Delaware Valley Regional Finance Authority Guaranteed Sewer Revenue Note 2001 | 695,000                     | -                        | (44,000)                     | 651,000                     | 46,000                     |
| General Obligation Bonds Series A of 2011   | 2,814,089                   | -                        | (220,000)                    | 2,594,089                   | 225,000                    |
| Series of 2012  | 6,520,000                   | -                        | (395,000)                    | 6,125,000                   | 455,000                    |
| <b>TOTAL GENERAL<br/>    OBLIGATION BONDS<br/>    AND NOTES</b>                                       | <b><u>10,080,095</u></b>    | <b><u>-</u></b>          | <b><u>(684,670)</u></b>      | <b><u>9,395,425</u></b>     | <b><u>751,336</u></b>      |
| Deferred amounts  |                             |                          |                              |                             |                            |
| Issuance discount   | (112,548)                   | -                        | 2,941                        | (109,607)                   | -                          |
| <b>TOTAL DEFERRED<br/>    AMOUNTS</b>   | <b><u>(112,548)</u></b>     | <b><u>-</u></b>          | <b><u>2,941</u></b>          | <b><u>(109,607)</u></b>     | <b><u>-</u></b>            |
| Net pension liability   | 34,245                      | 11,587                   | -                            | 45,832                      | -                          |
| <b>TOTAL BUSINESS-TYPE<br/>    ACTIVITIES</b>   | <b><u>10,001,792</u></b>    | <b><u>11,587</u></b>     | <b><u>(681,729)</u></b>      | <b><u>9,331,650</u></b>     | <b><u>751,336</u></b>      |
| <b>TOTAL LONG-TERM<br/>LIABILITIES</b>  | <b><u>\$ 13,562,525</u></b> | <b><u>\$ 658,179</u></b> | <b><u>\$ (1,073,386)</u></b> | <b><u>\$ 13,147,318</u></b> | <b><u>\$ 1,061,963</u></b> |

The General Fund has been used to liquidate compensated absences in prior years.

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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**NOTE G - DERIVATIVE FINANCIAL INSTRUMENTS**

The Borough entered into General Obligation Notes with the Delaware Valley Regional Finance Authority (DVRFA). The DVRFA has entered into an interest rate swap agreement related to the DVRFA Bonds to provide variable and fixed rates on loans, reduce the costs of participants in the loan program and enhance the ability of participants to manage their interest rate risks. The fair value of the interest rate swap is the estimated price that the DVRFA could receive (pay) if the DVRFA terminated the portion of the swap agreements related to that loan on December 31, 2015.

The following is a summary of the Borough's General Obligation Notes with the DVRFA and the Borough's related fair value of the interest rate swap at December 31, 2015:

| <u>General<br/>Obligation Notes</u> | <u>Original<br/>Issue<br/>Amount</u> | <u>Outstanding at<br/>December 31,<br/>2015</u> | <u>Fair Value</u> |
|-------------------------------------|--------------------------------------|---|-------------------|
| 2001 Sewer                          | \$ 6,862,000                         | \$ 651,000                                      | \$ 118,866        |
| 2005                                | <u>350,000</u>                       | <u>-</u>  | <u>-</u>          |
|                                     | <u>\$ 7,212,000</u>                  | <u>\$ 651,000</u>                               | <u>\$ 118,866</u> |

If the termination value was negative and the interest rate swap agreement were terminated, the Borough would be obligated to pay the DVRFA the amount of the termination payment. If the Borough defaults on all or a portion of the above-mentioned General Obligation Notes with the DVRFA, it may owe costs, if any, associated with the liquidation or termination of the respective fixed rate swap used by the DVRFA to provide the fixed rate to the Borough. There is no carrying amount of the related interest rate swap at December 31, 2015, on the Borough's government-wide and fund financial statements. The fair value is \$118,866 at December 31, 2015.

**NOTE H - TAXES**

For 2015, the following tax was levied on the assessed value of real estate:

6.35 mills for general purposes

The taxable assessed valuation of property as of December 31, 2015, was \$229,229,340.

Other taxes levied in 2015:

Real Estate Transfer Tax ..... 1% of sales price  
 Earned Income Tax..... 1% of net income  
 Local Services Tax..... \$52 per employee within the Borough

**BOROUGH OF KENNETT SQUARE**  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

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**NOTE I - POLICE PENSION PLAN**

**Summary of Significant Accounting Policies**

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. Financial information of the Borough's Police Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Plan Description**

**Plan Administration** - The Borough of Kennett Square Police Pension Plan is a single-employer defined benefit pension plan. The Plan was established by Ordinance No. 479, effective April 4, 1960. The Plan was amended and restated by Ordinance No. 851, effective January 1, 2005. The Plan is governed by the Borough Council of the Borough of Kennett Square which may amend plan provisions, and which is responsible for the management of Plan assets. The Borough Council has delegated the authority to manage certain Plan assets to Nationwide Insurance Company. The plan is required to file Form PC-201C biennially with the Public Employee Retirement Commission (PERC). The most recent filing was as of January 1, 2015.

**Plan Membership** - At December 31, 2015, pension plan membership consisted of the following:

|   |             |
|---|-------------|
| Inactive plan members or beneficiaries currently receiving benefits | 4           |
| Inactive plan members entitled to but not yet receiving benefits    | 1           |
| Active plan members   | 11          |
|   | <hr/>       |
|   | 16          |
|   | <hr/> <hr/> |

**Benefits Provided** - The Police Pension Plan provides retirement benefits as well as death and disability benefits under Pennsylvania Act 600. All benefits vest after 12 years of credited service. Officers are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final average monthly compensation. Final average monthly compensation is the employee's average compensation over the last 36 months of employment. Married officers will receive joint and 50% survivor annuity. Normal retirement is age 50 with at least 25 years of service.

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

If a member dies in service, a benefit will be paid per Act 30 equal to 100% of salary. For Total and permanent disablement, a monthly benefit equal to 66% of Final Monthly Average Salary at date of disablement, but no less than 50% of salary at time disability was incurred, offset by any social security disability benefits payable for the same condition. Covered employees are required by statute to contribute 5% of their compensation to the plan. The Borough is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the plan.

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The benefit provisions of the Borough's Police Pension Plan are established by Borough ordinances.

**Contributions** - 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 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.

As a condition of participation, participants are required to make contributions to the Plan. The amount of the contribution is equal to 5% of the participant's pay.

In 2015, the MMO obligation for the Police Pension Plan was \$120,280. Employee contributions in 2015 were \$48,926. Borough and Commonwealth contributions in 2015 were \$0 and \$120,280, respectively.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded through the MMO and/or plan earnings. On-behalf payments of fringe benefits and salaries for the Borough's employees were recognized as revenues and expenditures during the year.

**Investments**

**Investment Policy** - The Plan is authorized to invest in legal investments permitted under the Pennsylvania Fiduciaries Investment Act. The plan has no formally adopted investment policy.

**Concentrations** - The plan places no limit on the amount that may be invested in any one issuer. At December 31, 2015, 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 represent 5% or more of Fiduciary Net Position.

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

**Rate of Return** - For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of investment expense, was -0.85%. 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, 2015, were as follows:

|  |                    |
|--|--------------------|
| Total pension liability  | \$ 3,420,360       |
| Plan fiduciary net position  | <u>(3,467,298)</u> |
| NET PENSION (ASSET) LIABILITY  | <u>\$ (46,938)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>101.37%</u>     |

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                          |
|---------------------------|--------------------------|
| Inflation                 | 3%                       |
| Salary increases          | 5.5% including inflation |
| Investment rate of return | 7.5%                     |

Mortality rates were based on the RP-2000 tables.

There was an experience study performed in 2011 that was used to determine plan assumptions.

The long-term expected rate of return on pension 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 pension 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, 2015 (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> |
|--------------------|---|
| Equity             | 6.3%  |
| Fixed income       | 2.0%  |
| Cash               | 0.0%  |

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

**Discount Rate** - The discount rate is based on the long-term expected rate of return on plan investments that 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 Position (Asset) Liability**

|   | Total<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary Net<br>Position<br>(b) | Net<br>Pension<br>(Asset) Liability<br>(a)-(b) |
|---|--------------------------------------|--|--|
|   | <u>                    </u>          | <u>                    </u>              | <u>                    </u>                    |
| Balances at December 31, 2014                             | \$ 3,390,314                         | \$ 3,410,142                             | \$ (19,828)                                    |
| Changes for the year:                                     |                                      |  |  |
| Service cost  | 138,916                              | -  | 138,916  |
| Interest  | 241,510                              | -  | 241,510  |
| Differences between expected<br>and actual experience     | (269,279)                            | -  | (269,279)                                      |
| Contributions   |                                      |  |  |
| Employer  | -                                    | 120,280                                  | (120,280)                                      |
| Member  | -                                    | 48,926                                   | (48,926)                                       |
| Net investment income                                     | -                                    | (29,099)                                 | 29,099   |
| Benefit payments and refunds<br>of employee contributions | (81,101)                             | (81,101)                                 | -  |
| Administrative expense                                    | -                                    | (1,850)                                  | 1,850  |
| Net changes   | <u>30,046</u>                        | <u>57,156</u>                            | <u>(27,110)</u>                                |
| Balances at December 31, 2015                             | <u>\$ 3,420,360</u>                  | <u>\$ 3,467,298</u>                      | <u>\$ (46,938)</u>                             |

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.5%, 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 (6.5%) or one percentage point higher (8.5%) than the current rate:

|                               | 1%<br>Decrease<br>(6.5%)    | Current<br>Discount<br>Rate (7.5%) | 1%<br>Increase<br>(8.5%)    |
|-------------------------------|-----------------------------|------------------------------------|-----------------------------|
|                               | <u>                    </u> | <u>                    </u>        | <u>                    </u> |
| Net pension (asset) liability | \$ <u>429,198</u>           | \$ <u>(46,938)</u>                 | \$ <u>(441,324)</u>         |

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** - For the year ended December 31, 2015, the Borough recognized pension expense of \$102,128 for the Police Pension Plan. At December 31, 2015, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Difference between expected and actual experience                                | \$ -  | \$ 237,599                                   |
| Net difference between projected and actual earnings on pension plan investments | <u>228,641</u>                                | <u>-</u>                                     |
| Total  | <u>\$ 228,641</u>                             | <u>\$ 237,599</u>                            |

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

| <u>Year Ending<br/>December 31,</u> |           |
|-------------------------------------|-----------|
| 2016                                | \$ 25,480 |
| 2017                                | 25,480    |
| 2018                                | 25,480    |
| 2019                                | 25,481    |
| 2020                                | (31,680)  |
| Thereafter                          | (79,199)  |

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

**Summary of Significant Accounting Policies**

Financial information of the Borough's Non-Uniformed Pension Plan (the "Plan") is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due as required by Act 205 of the Commonwealth of Pennsylvania. For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

Investments are reported at fair value. The plan's assets with PMRS are pooled for investment purposes and, therefore, do not represent specific identifiable investment securities. Disclosures required by GASB for aggregate PMRS investments are included in PMRS's separately issued CAFR.

**Plan Description**

**General** - The Borough of Kennett Square sponsors the Public Employee Retirement System (PERS) to provide pension benefits for non-uniformed employees of the Borough. The plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS was created by the Pennsylvania General Assembly in 1974 with the passage of the Pennsylvania Municipal Retirement Law, Act of 1974, P.L. 34 No. 15, as amended. PMRS issues a separate Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained by contacting the PMRS accounting office.

**Plan Membership**

Membership of the plan consisted of the following at December 31, 2015:

|   |                  |
|---|------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 7                |
| Inactive plan members entitled to but not yet receiving benefits    | 4                |
| Active plan members   | <u>21</u>        |
|   | <u><u>32</u></u> |

**Benefits Provided** - The Non-Uniformed Pension Plan provides retirement benefits as well as death and disability benefits. All benefits vest after five years of credited service. Members are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.0% times credited service times final average salary but in no event is the basic benefit greater than 50% of the final average salary. Final average monthly compensation is the employee's average compensation over the last 36 months of employment. Normal retirement is attained at age 60. Early retirement is available at age 55 with 5 years of credited service or after 20 years of credited service.

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

If a member is eligible for retirement at the time of death, the beneficiary will receive the present value of accrued benefits.

For a service related disability, a 50% disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service. A 30% disability benefit is payable for a non-service related disability provided the member has at least 10 years of credited service.

**Funding Policy and Contribution Information**

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the plan's minimum municipal obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. The MMO includes normal costs, estimated administrative expenses and 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.

In accordance with the plan's governing ordinance, members are required to contribute 3% of compensation to the plan.

The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program, which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

In 2015, the MMO for the Non-uniform Pension Plan was \$127,399. Employee contributions in 2015 was \$40,406. Borough and Commonwealth contributions in 2015 were \$83,004 and \$44,395, respectively.

Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

**Investments**

**Investment Policy** - The plan policy in regard to the allocation of invested assets is established and may be amended by the PMRS. It is the policy of the PMRS to pursue an investment strategy that (1) maintains a fully funded status with regard to accumulated retirement benefits obligations, (2) maximizes return within reasonable and prudent levels of risk in order to minimize municipal and employee contributions, (3) maintains flexibility in determining the future level of contributions and (4) provides the ability to pay all benefit and expense obligations when due. 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 plan's adopted asset allocation policy as of December 31, 2014:

| <u>Asset Class</u>               | <u>Target Allocation</u> |
|----------------------------------|--------------------------|
| Large cap equities               | 25.0%                    |
| Small cap equities               | 15.0%                    |
| Int'l developed markets equities | 15.0%                    |
| Int'l emerging markets equities  | 10.0%                    |
| Fixed income                     | 15.0%                    |
| Real estate                      | 12.5%                    |
| Timberland                       | <u>7.5%</u>              |
|                                  | <u><u>100%</u></u>       |

Investments are reported at fair value. The fair value is the quoted market price. The plan's fair value of investments as of December 31, 2014, was \$3,028,443. Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

**Concentrations** - At December 31, 2014, none of the plan's individual investments exceeded 5% of the total portfolio.

**Rate of Return** - For the year ended December 31, 2014, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

**Net Pension Liability of the Borough**

|  |                    |
|--|--------------------|
| Total pension liability  | \$ 3,302,725       |
| Plan fiduciary net position  | <u>(3,028,443)</u> |
| NET PENSION LIABILITY  | <u>\$ 274,282</u>  |
| Plan fiduciary net position as a percentage of the total pension liability | <u>91.70%</u>      |

**Actuarial Assumptions** - The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 3%   |
| Salary increases          | Age related scale with merit and inflation component |
| Investment rate of return | 5.5%   |

Mortality rates were based on the RP-2000 Mortality Tables for males or females, as appropriate.

The actuarial assumptions used in the December 31, 2014 valuation were based on the PMRS Experience Study for the period covering January 1, 2005 through December 31, 2008, as well as subsequent Board approved changes including the decrease in the regular interest to 5.50% for the January 1, 2013 valuation.

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 included in the Plan's target asset allocation as of December 31, 2014, are summarized in the following table:

| <u>Asset Class</u>               | <u>Long-Term<br/>Real Rate of Return</u> |
|----------------------------------|--|
| Large cap equities               | 8.7%                                     |
| Small cap equities               | 8.4%                                     |
| Int'l developed markets equities | 4.6%                                     |
| Int'l emerging markets equities  | 8.1%                                     |
| Fixed income                     | -1.0%                                    |
| Real estate                      | 6.7%                                     |

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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

**Discount Rate** - While it is often common practice to establish an actuarial Discount Rate that is equal to the Long Term Expected Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a Discount Rate equal to the Regular Interest Rate. The PMRS Board establishes the Regular Interest Rate on the basis of expected stable and consistent earnings on investments to be applied to the accounts of the individual participating municipalities and includes the accounts of plan participants, municipalities, and plan retirees each year. The Board considers the following five quantitative factors in establishing the Regular Interest Rate:

- 1.) Retiree Plan liability as a percentage of total Plan liability,
- 2.) Active Plan participant liability as a percentage of total Plan liability,
- 3.) Smoothed Pension Benefit Guarantee Corporation (PBGC) annuity rates,
- 4.) PMRS System Long-Term Expected Rate of Return, and
- 5.) PMRS administrative expenses.

**Changes in the Net Pension Liability**

|   | Total<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary Net<br>Position<br>(b) | Net<br>Pension<br>Liability<br>(a)-(b) |
|---|--------------------------------------|--|--|
|   | <u>                    </u>          | <u>                    </u>              | <u>                    </u>            |
| Balances at December 31, 2013                             | \$ 3,050,948                         | \$ 2,846,010                             | \$ 204,938                             |
| Changes for the year:                                     |                                      |  |  |
| Service cost  | 143,285                              | -  | 143,285                                |
| Interest  | 172,509                              | -  | 172,509                                |
| Differences between expected<br>and actual experience     | 45,752                               | -  | 45,752                                 |
| Contributions   |                                      |  |  |
| Employer  | -                                    | 92,874                                   | (92,874)                               |
| Member  | -                                    | 40,406                                   | (40,406)                               |
| Net investment income                                     | -                                    | 165,641                                  | (165,641)                              |
| Benefit payments and refunds<br>of employee contributions | (109,769)                            | (109,769)                                | -                                      |
| Administrative expense                                    | -                                    | (6,719)                                  | 6,719                                  |
| Net changes   | <u>251,777</u>                       | <u>182,433</u>                           | <u>69,344</u>                          |
| Balances at December 31, 2014                             | <u>\$ 3,302,725</u>                  | <u>\$ 3,028,443</u>                      | <u>\$ 274,282</u>                      |

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

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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 (asset) liability of the Borough, calculated using the discount rate of 5.5%, 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 (4.5%) or one percentage point higher (6.5%) than the current rate:

|                               | 1%<br>Decrease<br>(4.5%) | Current<br>Discount<br>Rate (5.5%) | 1%<br>Increase<br>(6.5%) |
|-------------------------------|--------------------------|------------------------------------|--------------------------|
| Net pension (asset) liability | \$ <u>684,759</u>        | \$ <u>274,282</u>                  | \$ <u>(76,910)</u>       |

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – For the year ended December 31, 2015, the Borough recognized pension revenues of \$85,830 for the Non-uniform Pension Plan. At December 31, 2015, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience                                | \$ 32,680                            | \$ -                                |
| Net difference between projected and actual earnings on pension plan investments | -                                    | 4,905                               |
| Contributions subsequent to the measurement date                                 | <u>127,398</u>                       | <u>-</u>                            |
| Total  | \$ <u>160,078</u>                    | \$ <u>4,905</u>                     |

\$127,398 reported as deferred outflows of resources related to pensions resulting from Borough contributions made subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended December 31, 2015.

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

| <u>Year Ending</u><br><u>December 31,</u> |    |       |
|---|----|-------|
| 2016                                      | \$ | 4,902 |
| 2017                                      |    | 4,902 |
| 2018                                      |    | 4,900 |
| 2019                                      |    | 6,536 |
| 2020                                      |    | 6,536 |
| Thereafter                                |    | -     |

**NOTE K - COMMITMENTS AND CONTINGENCIES**

**Lease Agreement**

The Borough entered into a lease agreement in July 2003 that was made effective as of November 19, 2002, to lease the old Borough Hall, which is located at the intersection of Broad and Linden Streets, Kennett Square, to Kencourt LP, as witnessed by its sole general partner, Edis Development Corporation. As of December 31, 2015, the property under this lease had a total cost of \$40,000, accumulated depreciation of \$40,000 and no net book value. The lease expired on October 1, 2013, and was not renewed. The Borough is currently determining the best use of the property.

**Parking Lot Lease**

The Borough entered into a lease agreement with an unrelated party in July 2007 that was made effective as of August 2006, to lease a parking lot on East Street, Kennett Square. The Borough re-leased the parking lot to an unrelated party. The operating lease agreement expired on July 31, 2013, however, the Borough continues to lease the property on a month-to-month basis. The total base rental expense incurred on the sublease during 2015 was \$8,892.

**Water Supply**

In 2014, the Borough entered an agreement with a private company to purchase a minimum of 300,000 gallons of water per day. In 2015, due to the operation of an additional well, the Borough successfully renegotiated the agreement to reduce the minimum purchase from 300,000 gallons to 200,000 gallons per day.

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE K - COMMITMENTS AND CONTINGENCIES (Continued)**

**Refuse Collections**

In 2015, the Borough entered into a five-year agreement for the calendar year 2015-2019 with a private company to provide refuse collections. No amendments have been made to the existing contract in 2015. The future minimum payments under the contract are as follows:

| <u>Year Ending</u><br><u>December 31,</u> |                   |
|---|-------------------|
| 2016                                      | \$ 186,221        |
| 2017                                      | 191,807           |
| 2018                                      | 197,562           |
| 2019                                      | <u>203,488</u>    |
|   | <u>\$ 779,078</u> |

**Rental Income**

The Borough also collects approximately \$5,900 per month from several companies for allowing telephone antennas on the Borough's water towers. Total rental income in 2015 was \$69,216.

**Construction**

As of December 31, 2015, the Borough is committed under a construction contract for the Cypress Street Project, which was started in 2015.

**Litigation**

The Borough is also party to litigation involving various Borough matters. Borough officials believe that the outcome of any lawsuits will not have a material effect on the financial condition of the Borough.

**NOTE L - RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the policy of the Borough to purchase commercial insurance for the risks of loss to which it is exposed, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**BOROUGH OF KENNETT SQUARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE M - REVOLVING LOAN FUND**

In 2010, the Borough passed through a DCED grant to a local contractor for construction of a restaurant in Kennett Square. In 2012, the Borough passed through a DCED grant to a local contractor for the construction of an office building. All funds disbursed to the contractors are to be repaid in the future and are considered a loan receivable for the Borough. At December 31, 2015, the Borough's loan receivable relating to the Revolving Loan Fund of \$456,471 was reported on the statement of net position.

**NOTE N - JOINT VENTURE**

The Borough is in a joint venture agreement with Kennett Area Community Development (KACD), which provides the opportunity to further enhance the Borough and the surrounding communities and to facilitate the purchase and sale of certain assets in the Borough. As part of the agreement, the Borough is entitled to appoint one director of KACD. The Borough may withdraw from participation in this joint venture agreement, without liability or other obligation to KACD or to any member of KACD, until such time as KACD funds are applied to the construction of any facility or other improvement benefitting the Borough. During the year ended December 31, 2015, no contributions were made to KACD.

**NOTE O - CAPITAL LEASE**

The Borough entered into capital leases in 2012, 2013, 2014 and 2015 in order to finance the purchase of vehicles. The amount of the capital leases at inception in 2012, 2013, 2014 and 2015 was \$28,007, \$29,350, \$28,416 and \$27,406 respectively.

The assets acquired through the capital leases are as follows:

|                          |                  |
|--------------------------|------------------|
| Vehicles                 | \$ 113,179       |
| Accumulated depreciation | <u>(47,663)</u>  |
|                          | <u>\$ 65,516</u> |

Future minimum lease payments together with the present value of the net minimum lease payments are as follows:

| <u>Year Ending December 31,</u>                          |                         |
|--|-------------------------|
| 2016   | \$ 9,821                |
| 2017   | 9,821                   |
| Thereafter   | <u>-</u>                |
|  | 19,642                  |
| Amount representing interest                             | <u>(1,761)</u>          |
| <b>TOTAL PRESENT VALUE OF<br/>MINIMUM LEASE PAYMENTS</b> | <b>\$ <u>17,881</u></b> |

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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**NOTE P - PRIOR PERIOD ADJUSTMENT**

The Borough implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27*, effective January 1, 2015.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting of state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record any unfunded liability of their pension plans.

For the government-wide governmental activities, the Borough has treated the beginning of year net pension liability of \$150,865 as having been recognized in the period incurred. Accordingly, the Borough has adjusted beginning net position for the governmental activities from \$4,997,218 to \$4,846,353.

For the business-type activities, the Borough has treated the beginning of year net pension liabilities of \$11,497, \$18,629, and \$4,119 for the water fund, sewer fund, and parking fund, respectively, as having been recognized in the period incurred. Accordingly, the Borough has adjusted the beginning net position for the water fund from \$3,120,901 to \$3,109,404, for the sewer fund from \$1,115,917 to \$1,097,288, and for the parking fund from \$1,650,786 to \$1,646,667.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BOROUGH OF KENNETT SQUARE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2015**

|  | Budgeted Amounts |                  | Actual            | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|--|------------------|------------------|-------------------|---|
|  | Original         | Final            |                   |   |
| <b>REVENUES</b>  |                  |                  |                   |   |
| Taxes  | \$ 2,886,100     | \$ 2,886,100     | \$ 3,006,691      | \$ 120,591  |
| Licenses and permits   | 93,400           | 93,400           | 96,629            | 3,229   |
| Fines, forfeits and costs  | 40,000           | 40,000           | 52,052            | 12,052  |
| Interest and rents   | 69,600           | 69,600           | 69,934            | 334   |
| Intergovernmental  | 300,800          | 300,800          | 300,006           | (794)   |
| Charges for services/fees  | 402,200          | 402,200          | 507,266           | 105,066   |
| Miscellaneous  | 11,000           | 11,000           | 29,576            | 18,576  |
| <b>TOTAL REVENUES</b>  | <b>3,803,100</b> | <b>3,803,100</b> | <b>4,062,154</b>  | <b>259,054</b>  |
| <b>EXPENDITURES</b>  |                  |                  |                   |   |
| General government   | 808,900          | 808,900          | 788,930           | 19,970  |
| Public safety  | 2,425,700        | 2,425,700        | 2,453,717         | (28,017)  |
| Public works, highways and streets                               | 642,300          | 642,300          | 662,014           | (19,714)  |
| Culture and recreation   | 89,800           | 89,800           | 102,331           | (12,531)  |
| Community development  | 5,100            | 5,100            | 42,933            | (37,833)  |
| <b>TOTAL EXPENDITURES</b>  | <b>3,971,800</b> | <b>3,971,800</b> | <b>4,049,925</b>  | <b>(78,125)</b>   |
| <b>EXCESS (DEFICIENCY)<br/>OF REVENUES OVER<br/>EXPENDITURES</b> | <b>(168,700)</b> | <b>(168,700)</b> | <b>12,229</b>     | <b>180,929</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                  |                  |                   |   |
| Sale of capital assets   | -                | -                | 43,461            | 43,461  |
| Proceeds from capital lease                                      | -                | -                | 27,406            | 27,406  |
| Interfund transfers in   | 750,000          | 750,000          | 750,000           | -   |
| Interfund transfers out  | (581,300)        | (581,300)        | (582,300)         | (1,000)   |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>                  | <b>168,700</b>   | <b>168,700</b>   | <b>238,567</b>    | <b>69,867</b>   |
| <b>NET CHANGE IN FUND<br/>BALANCE</b>                            | <b>-</b>         | <b>-</b>         | <b>250,796</b>    | <b>250,796</b>  |
| <b>FUND BALANCE AT BEGINNING OF<br/>YEAR</b>                     | <b>52,658</b>    | <b>52,658</b>    | <b>52,658</b>     | <b>-</b>  |
| <b>FUND BALANCE AT END<br/>OF YEAR</b>                           | <b>\$ 52,658</b> | <b>\$ 52,658</b> | <b>\$ 303,454</b> | <b>\$ 250,796</b>                                       |

See accompanying notes to the budgetary comparison schedule.

**BOROUGH OF KENNETT SQUARE**  
NOTES TO THE BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2015

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**NOTE A - BUDGET POLICY**

The members of Council annually adopt the budget for the General Fund of the Borough. Management may not amend the budget without approval of the governing body. Revisions to the budget are made throughout the year. Council may increase the amount in the budget through supplemental appropriation contingent on available revenues. Uncommitted appropriations lapse at year-end. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2015, expenditures exceeded appropriations in the following General Fund department levels (the legal level of budgetary control):

|                                    |    |                      |
|------------------------------------|----|----------------------|
| Public safety                      | \$ | 28,017               |
| Public works, highways and streets |    | 19,714               |
| Culture and recreation             |    | 12,531               |
| Community development              |    | <u>37,833</u>        |
|                                    | \$ | <u><u>98,095</u></u> |

These excess expenditures were funded by available fund balance in the General Fund.

**BOROUGH OF KENNETT SQUARE**  
**SCHEDULE OF CHANGES IN THE NET POLICE**  
**PENSION PLAN (ASSET) LIABILITY AND RELATED RATIOS**  
**LAST TWO FISCAL YEARS**

|   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| TOTAL PENSION LIABILITY   |                     |                     |
| Service cost  | \$ 138,916          | \$ 147,423          |
| Interest  | 241,510             | 239,413             |
| Changes of benefit terms  | -                   | -                   |
| Differences between expected and actual experience                            | (269,279)           | -                   |
| Changes of assumptions  | -                   | -                   |
| Benefit payments  | <u>(81,101)</u>     | <u>(81,101)</u>     |
| NET CHANGE IN TOTAL PENSION LIABILITY   | 30,046              | 305,735             |
| Total pension liability, beginning  | <u>3,390,314</u>    | <u>3,084,579</u>    |
| TOTAL PENSION LIABILITY, ENDING (a)   | <u>\$ 3,420,360</u> | <u>\$ 3,390,314</u> |
| PLAN FIDUCIARY NET POSITION   |                     |                     |
| Contributions   |                     |                     |
| Employer  | \$ 120,280          | \$ 97,176           |
| Member  | 48,926              | 46,245              |
| Net investment income   | (29,099)            | 250,324             |
| Benefit payments, including refunds of member contributions                   | (81,101)            | (81,101)            |
| Administrative expense  | (1,850)             | (6,495)             |
| Other   | -                   | -                   |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION                                     | <u>57,156</u>       | <u>306,149</u>      |
| Plan fiduciary net position, beginning  | <u>3,410,142</u>    | <u>3,103,993</u>    |
| PLAN FIDUCIARY NET POSITION, ENDING (b)                                       | <u>\$ 3,467,298</u> | <u>\$ 3,410,142</u> |
| NET PENSION (ASSET), ENDING (a)-(b)   | <u>\$ (46,938)</u>  | <u>\$ (19,828)</u>  |
| PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE<br>TOTAL PENSION LIABILITY | <u>101.37%</u>      | <u>100.58%</u>      |
| COVERED-EMPLOYEE PAYROLL  | <u>\$ 981,476</u>   | <u>\$ 945,276</u>   |
| NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-<br>EMPLOYEE PAYROLL         | <u>-4.78%</u>       | <u>-2.10%</u>       |

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is available for only 2015 and 2014.

**BOROUGH OF KENNETT SQUARE**  
**SCHEDULE OF POLICE PENSION PLAN**  
**CONTRIBUTIONS**  
**LAST TWO FISCAL YEARS**

---

|  | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| ACTUARIALLY DETERMINED CONTRIBUTION                                  | \$ 120,291        | \$ 97,078         |
| CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION | <u>120,291</u>    | <u>97,078</u>     |
| CONTRIBUTION (EXCESS) DEFICIENCY                                     | <u>\$ -</u>       | <u>\$ -</u>       |
| COVERED-EMPLOYEE PAYROLL   | <u>\$ 981,476</u> | <u>\$ 945,276</u> |
| CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL             | <u>12.26%</u>     | <u>10.27%</u>     |

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         |
| Amortization method           | Level dollar, closed     |
| Remaining amortization period | 11 years (aggregate)     |
| Asset valuation method        | 4-year smoothing         |
| Inflation                     | 3.0%                     |
| Salary increases              | 5.5% including inflation |
| Investment rate of return     | 7.5%                     |
| Retirement age                | Normal retirement age    |
| Mortality                     | RP-2000 Table            |

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 available for only 2015 and 2014.

**BOROUGH OF KENNETT SQUARE**  
SCHEDULE OF POLICE PENSION PLAN  
INVESTMENT RETURNS  
LAST TWO FISCAL YEARS

---

|   | <u>2015</u>   | <u>2014</u>  |
|---|---------------|--------------|
| ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE | <u>-0.85%</u> | <u>7.82%</u> |

Note: GASB Statement No. 67 requires this information to be presented for the last ten fiscal years, or shorter period for which the information is available. The information is available for only 2015 and 2014.

**BOROUGH OF KENNETT SQUARE**  
**SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED**  
**PENSION PLAN LIABILITY AND RELATED RATIOS**  
**YEAR ENDED DECEMBER 31, 2015**

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|   |                            |
|---|----------------------------|
| TOTAL PENSION LIABILITY   |                            |
| Service cost  | \$ 143,285                 |
| Interest  | 172,509                    |
| Changes of benefit terms  | -                          |
| Differences between expected and actual experience                            | 45,752                     |
| Changes of assumptions  | -                          |
| Benefit payments  | (109,769)                  |
| NET CHANGE IN TOTAL PENSION LIABILITY   | <u>251,777</u>             |
| Total pension liability, beginning  | <u>3,050,948</u>           |
| TOTAL PENSION LIABILITY, ENDING (a)   | <u><u>\$ 3,302,725</u></u> |
| PLAN FIDUCIARY NET POSITION   |                            |
| Contributions   |                            |
| Employer  | \$ 92,874                  |
| Member  | 40,406                     |
| Net investment income   | 165,641                    |
| Benefit payments, including refunds of member contributions                   | (109,769)                  |
| Administrative expense  | (6,719)                    |
| Other   | -                          |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION                                     | <u>182,433</u>             |
| Plan fiduciary net position, beginning  | <u>2,846,010</u>           |
| PLAN FIDUCIARY NET POSITION, ENDING (b)                                       | <u><u>\$ 3,028,443</u></u> |
| NET PENSION LIABILITY, ENDING (a)-(b)   | <u><u>\$ 274,282</u></u>   |
| PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE<br>TOTAL PENSION LIABILITY | <u><u>91.70%</u></u>       |
| COVERED-EMPLOYEE PAYROLL  | <u><u>\$ 1,072,980</u></u> |
| NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-<br>EMPLOYEE PAYROLL         | <u><u>25.56%</u></u>       |

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

**BOROUGH OF KENNETT SQUARE**  
**SCHEDULE OF NON-UNIFORMED PENSION PLAN**  
**CONTRIBUTIONS**  
**YEAR ENDED DECEMBER 31, 2015**

---

|  |                     |
|--|---------------------|
| ACTUARIALLY DETERMINED CONTRIBUTION                                  | \$ 92,854           |
| CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION | <u>92,874</u>       |
| CONTRIBUTION (EXCESS)  | <u>\$ (20)</u>      |
| COVERED-EMPLOYEE PAYROLL   | <u>\$ 1,072,980</u> |
| CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL             | <u>8.66%</u>        |

**NOTES TO SCHEDULE**

Valuation date: January 1, 2011

Actually 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  |
| Amortization method                           | Level dollar, closed                                 |
| Remaining amortization period                 | Amortization periods in Act 205                      |
| Asset valuation method                        | Based upon municipal reserves                        |
| Discount rate                                 | 5.5%   |
| Inflation                                     | 3.0%   |
| Salary increases                              | Age related scale with merit and inflation component |
| COLA increases                                | 3.0% for those eligible for a COLA                   |
| Retirement age                                | Normal retirement age                                |
| Pre-retirement mortality - males              | RP-2000 table with 1 year set back                   |
| Pre-retirement mortality - females            | RP-2000 table with 5 year set back                   |
| Post-retirement mortality - males and females | RP-2000 sex-distinct mortality table                 |

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 available for only 2014.

**BOROUGH OF KENNETT SQUARE**  
SCHEDULE OF NON-UNIFORMED PENSION PLAN  
INVESTMENT RETURNS  
YEAR ENDED DECEMBER 31, 2015

---

ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF  
INVESTMENT EXPENSE

5.50%

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 available only for 2014.

## **SUPPLEMENTARY INFORMATION SECTION**

**BOROUGH OF KENNETT SQUARE**

## COMBINING BALANCE SHEET

## OTHER GOVERNMENTAL FUNDS

DECEMBER 31, 2015

|  | <u>Special Revenue Funds</u> |                                | <u>Total Other<br/>Governmental<br/>Funds</u> |
|--|------------------------------|--------------------------------|---|
|  | <u>Liquid<br/>Fuels Fund</u> | <u>Revolving<br/>Loan Fund</u> |   |
| ASSETS                                 |                              |                                |   |
| Cash and cash equivalents              | \$ 115,132                   | \$ 439,406                     | \$ 554,538                                    |
| Due from other funds                   | <u>-</u>                     | <u>-</u>                       | <u>-</u>                                      |
| TOTAL ASSETS                           | <u>\$ 115,132</u>            | <u>\$ 439,406</u>              | <u>\$ 554,538</u>                             |
| LIABILITIES AND FUND BALANCES          |                              |                                |   |
| LIABILITIES                            |                              |                                |   |
| Due to other funds                     | \$ <u>-</u>                  | \$ <u>-</u>                    | \$ <u>-</u>                                   |
| TOTAL LIABILITIES                      | <u>-</u>                     | <u>-</u>                       | <u>-</u>                                      |
| FUND BALANCES                          |                              |                                |   |
| Restricted for                         |                              |                                |   |
| Road improvements                      | 115,132                      | -                              | 115,132                                       |
| Assigned for community development     | -                            | 439,406                        | 439,406                                       |
| Unassigned                             | <u>-</u>                     | <u>-</u>                       | <u>-</u>                                      |
| TOTAL FUND BALANCES                    | <u>115,132</u>               | <u>439,406</u>                 | <u>554,538</u>                                |
| TOTAL LIABILITIES AND FUND<br>BALANCES | <u>\$ 115,132</u>            | <u>\$ 439,406</u>              | <u>\$ 554,538</u>                             |

**BOROUGH OF KENNETT SQUARE**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2015

|   | Special Revenue Funds |                        | Total Other<br>Governmental<br>Funds |
|---|-----------------------|------------------------|--------------------------------------|
|   | Liquid<br>Fuels Fund  | Revolving<br>Loan Fund |                                      |
| REVENUES  |                       |                        |                                      |
| Taxes   | \$ -                  | \$ -                   | \$ -                                 |
| Interest and rents                                      | 227                   | 90                     | 317                                  |
| Intergovernmental                                       | 141,764               | 426,006                | 567,770                              |
| Miscellaneous   | -                     | -                      | -                                    |
| TOTAL REVENUES  | <u>141,991</u>        | <u>426,096</u>         | <u>568,087</u>                       |
| EXPENDITURES  |                       |                        |                                      |
| Public safety   | -                     | -                      | -                                    |
| Public works, highways and<br>streets                   | 164,697               | -                      | 164,697                              |
| Community development                                   | -                     | -                      | -                                    |
| TOTAL EXPENDITURES                                      | <u>164,697</u>        | <u>-</u>               | <u>164,697</u>                       |
| EXCESS (DEFICIENCY)<br>OF REVENUES OVER<br>EXPENDITURES | (22,706)              | 426,096                | 403,390                              |
| OTHER FINANCING SOURCES                                 |                       |                        |                                      |
| Interfund transfers in                                  | 1,000                 | -                      | 1,000                                |
| Interfund transfers out                                 | -                     | -                      | -                                    |
| TOTAL OTHER FINANCING<br>SOURCES                        | <u>1,000</u>          | <u>-</u>               | <u>1,000</u>                         |
| NET CHANGE IN FUND<br>BALANCES                          | (21,706)              | 426,096                | 404,390                              |
| FUND BALANCES AT BEGINNING<br>OF YEAR                   | <u>136,838</u>        | <u>13,310</u>          | <u>150,148</u>                       |
| FUND BALANCES<br>AT END OF YEAR                         | <u>\$ 115,132</u>     | <u>\$ 439,406</u>      | <u>\$ 554,538</u>                    |

## **STATISTICAL SECTION**

# STATISTICAL SECTION

This part of the Borough of Kennett Square's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Borough's overall financial health.

## Contents

## Schedules

### **Financial Trends**

1 through 5

These schedules contain trend information to help readers understand how the Borough's financial performance and well-being have changed over time.

### **Revenue Capacity**

6 through 12

These schedules contain information to help the reader assess the Borough's most significant local revenue sources – its property and earned income tax.

### **Debt Capacity**

13 through 19

These schedules present information to help readers assess the affordability of the Borough's current levels of outstanding debt and the Borough's ability to issue additional debt in the future.

### **Demographic and Economic Information**

20 through 21

These schedules offer demographic and economic indicators to help readers understand the environment within which the Borough's financial activities take place.

### **Operating Information**

22 through 25

These schedules contain service and infrastructure data to help the reader understand how the information in the Borough's financial report relates to the services the Borough provides and the activities it performs.

**Sources:** Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Borough implemented GASB Statement No. 34 in 2004; schedules presenting government-wide information include information beginning in that year. The Borough implemented GASB Statements No. 63 and 65 in 2012; schedules affected by GASB Statements No. 63 and 65 begin in 2011.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**NET POSITION BY COMPONENTS**  
**LAST TEN FISCAL YEARS (Unaudited)**

SCHEDULE 1

|   | Fiscal Year         |                     |                     |                     |                     |                     |                     |                     |                      |                      |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
|   | 2006                | 2007                | 2008                | 2009                | 2010                | 2011                | 2012                | 2013                | 2014                 | 2015                 |
| (Accrual basis of accounting)                           |                     |                     |                     |                     |                     |                     |                     |                     |                      |                      |
| <b>GOVERNMENTAL ACTIVITIES</b>                          |                     |                     |                     |                     |                     |                     |                     |                     |                      |                      |
| Net investment in capital assets                        | \$ 2,123,466        | \$ 3,169,488        | \$ 3,189,700        | \$ 3,048,655        | \$ 2,984,264        | \$ 1,511,333        | \$ 1,790,798        | \$ 3,581,605        | \$ 4,616,182         | \$ 5,403,576         |
| Restricted  | 1,057,373           | 52,681              | 40,992              | 46,054              | 106,136             | 1,308,499           | 478,336             | 570,960             | 170,787              | 139,050              |
| Unrestricted  | (81,092)            | 590,278             | 598,165             | 126,650             | 369,921             | 408,980             | 1,602,203           | 561,157             | 59,384               | 1,398,087            |
| <b>TOTAL GOVERNMENTAL ACTIVITIES NET POSITION</b>       | <b>\$ 3,099,747</b> | <b>\$ 3,812,447</b> | <b>\$ 3,828,857</b> | <b>\$ 3,221,359</b> | <b>\$ 3,460,321</b> | <b>\$ 3,228,812</b> | <b>\$ 3,871,337</b> | <b>\$ 4,713,722</b> | <b>\$ 4,846,353</b>  | <b>\$ 6,940,713</b>  |
| <b>BUSINESS-TYPE ACTIVITIES</b>                         |                     |                     |                     |                     |                     |                     |                     |                     |                      |                      |
| Net investment in capital assets                        | \$ 1,896,334        | \$ 3,725,314        | \$ 3,459,803        | \$ 3,764,532        | \$ 3,747,353        | \$ 3,354,333        | \$ 2,887,044        | \$ 3,005,037        | \$ 4,000,712         | \$ 4,829,713         |
| Restricted  | 1,041,754           | 1,131,396           | 1,079,017           | 1,171,679           | 1,098,318           | 681,946             | 5,753               | 6                   | 2                    | -                    |
| Unrestricted  | 2,693,116           | 858,264             | (189,465)           | (495,076)           | (432,336)           | 159,769             | 1,372,370           | 1,748,512           | 1,855,113            | 2,149,826            |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION</b>      | <b>\$ 5,631,204</b> | <b>\$ 5,714,974</b> | <b>\$ 4,349,355</b> | <b>\$ 4,441,135</b> | <b>\$ 4,413,335</b> | <b>\$ 4,196,048</b> | <b>\$ 4,265,167</b> | <b>\$ 4,753,555</b> | <b>\$ 5,855,827</b>  | <b>\$ 6,979,539</b>  |
| <b>PRIMARY GOVERNMENT ACTIVITIES NET POSITION</b>       |                     |                     |                     |                     |                     |                     |                     |                     |                      |                      |
| Net investment in capital assets                        | \$ 4,019,800        | \$ 6,894,802        | \$ 6,649,503        | \$ 6,813,187        | \$ 6,731,617        | \$ 4,865,666        | \$ 4,677,842        | \$ 6,586,642        | \$ 8,616,894         | \$ 10,233,289        |
| Restricted  | 2,099,127           | 1,184,077           | 1,120,009           | 1,217,733           | 1,204,454           | 1,990,445           | 484,089             | 570,966             | 170,789              | 139,050              |
| Unrestricted  | 2,612,024           | 1,448,542           | 408,700             | (368,426)           | (62,415)            | 568,749             | 2,974,573           | 2,309,669           | 1,914,497            | 3,547,913            |
| <b>TOTAL PRIMARY GOVERNMENT ACTIVITIES NET POSITION</b> | <b>\$ 8,730,951</b> | <b>\$ 9,527,421</b> | <b>\$ 8,178,212</b> | <b>\$ 7,662,494</b> | <b>\$ 7,873,656</b> | <b>\$ 7,424,860</b> | <b>\$ 8,136,504</b> | <b>\$ 9,467,277</b> | <b>\$ 10,702,180</b> | <b>\$ 13,920,252</b> |

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**

**SCHEDULE 2**

**CHANGES IN NET POSITION**

**LAST TEN FISCAL YEARS (Unaudited)**

|                                    | Fiscal Year  |              |              |              |              |              |              |              |              |              |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                    | 2006         | 2007         | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         |
| (Accrual basis of accounting)      |              |              |              |              |              |              |              |              |              |              |
| <b>EXPENSES</b>                    |              |              |              |              |              |              |              |              |              |              |
| Governmental activities:           |              |              |              |              |              |              |              |              |              |              |
| General government                 | \$ 414,116   | \$ 433,556   | \$ 610,859   | \$ 515,741   | \$ 751,465   | \$ 735,750   | \$ 781,722   | \$ 747,318   | \$ 811,076   | \$ 795,753   |
| Public safety                      | 1,853,796    | 1,873,347    | 2,030,336    | 1,978,975    | 1,961,627    | 2,297,746    | 2,292,283    | 2,444,901    | 2,416,397    | 2,988,736    |
| Public works:                      |              |              |              |              |              |              |              |              |              |              |
| Sanitation                         | 331,033      | 320,729      | 324,611      | 326,847      | -            | -            | -            | -            | -            | -            |
| Highways and streets               | 929,873      | 1,020,908    | 1,127,657    | 1,446,362    | 892,420      | 948,714      | 793,108      | 889,774      | 1,307,972    | 743,901      |
| Culture and recreation             | 95,185       | 70,075       | 74,680       | 81,703       | 97,021       | 84,662       | 82,922       | 76,126       | 78,736       | 115,503      |
| Community development              | 97,385       | 289,508      | 281,548      | 28,270       | 299          | 10,887       | 15,575       | 19,371       | 23,587       | 75,815       |
| Interest on long-term debt         | 124,208      | 111,052      | 102,694      | 94,971       | 91,463       | 198,755      | 115,027      | 111,219      | 106,967      | 125,649      |
| Miscellaneous                      | 113,528      | 125,852      | -            | -            | -            | -            | -            | -            | -            | -            |
| <b>TOTAL GOVERNMENTAL</b>          |              |              |              |              |              |              |              |              |              |              |
| ACTIVITIES EXPENSES                | 3,959,124    | 4,245,027    | 4,552,385    | 4,472,869    | 3,794,295    | 4,276,514    | 4,080,637    | 4,288,709    | 4,744,735    | 4,845,357    |
| Business-type activities:          |              |              |              |              |              |              |              |              |              |              |
| Water                              | 927,836      | 947,896      | 1,003,304    | 968,863      | 839,307      | 893,007      | 882,741      | 879,114      | 974,593      | 799,724      |
| Sewer                              | 1,009,684    | 1,003,125    | 1,059,832    | 1,096,581    | 939,023      | 975,818      | 980,826      | 871,884      | 955,896      | 899,489      |
| Parking                            | 226,741      | 212,419      | 222,424      | 242,445      | 220,158      | 379,063      | 244,200      | 238,076      | 259,387      | 257,952      |
| Solid Waste                        | -            | -            | -            | -            | 338,519      | 310,756      | 386,459      | 351,569      | 371,846      | 364,846      |
| <b>TOTAL BUSINESS-TYPE</b>         |              |              |              |              |              |              |              |              |              |              |
| ACTIVITIES EXPENSES                | 2,164,261    | 2,163,440    | 2,285,560    | 2,307,889    | 2,337,007    | 2,558,644    | 2,494,226    | 2,340,643    | 2,561,722    | 2,322,011    |
| <b>TOTAL PRIMARY GOVERNMENT</b>    |              |              |              |              |              |              |              |              |              |              |
| <b>EXPENSES</b>                    | \$ 6,123,385 | \$ 6,408,467 | \$ 6,837,945 | \$ 6,780,758 | \$ 6,131,302 | \$ 6,835,158 | \$ 6,574,863 | \$ 6,629,352 | \$ 7,306,457 | \$ 7,167,368 |
| <b>PROGRAM REVENUES</b>            |              |              |              |              |              |              |              |              |              |              |
| Governmental activities:           |              |              |              |              |              |              |              |              |              |              |
| Charges for services:              |              |              |              |              |              |              |              |              |              |              |
| General government                 | \$ 120,125   | \$ 117,919   | \$ 108,160   | \$ 44,748    | \$ 76,036    | \$ 134,067   | \$ 92,034    | \$ 83,186    | \$ 77,307    | \$ 143,998   |
| Public safety                      | 335,542      | 266,631      | 262,423      | 257,751      | 244,504      | 391,429      | 294,148      | 277,325      | 386,828      | 397,017      |
| Public works:                      |              |              |              |              |              |              |              |              |              |              |
| Sanitation                         | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Highways and streets               | 43,255       | 57,427       | 172,008      | 50,507       | 34,482       | 36,226       | 44,236       | 35,244       | 25,643       | 37,850       |
| Culture and recreation             | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Community development              | -            | -            | -            | -            | -            | 111          | -            | -            | -            | -            |
| Interest on long-term debt         | -            | -            | -            | -            | -            | 233          | -            | 87           | 11           | 9            |
| Miscellaneous                      | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Operating grants and contributions | 346,454      | 341,373      | 311,349      | 341,597      | 317,030      | 405,501      | 333,069      | 459,521      | 1,052,980    | 1,431,177    |
| Capital grants and contributions   | -            | 1,009,908    | 256,386      | 255,135      | 500,000      | -            | 497,664      | 564,371      | 12,188       | 849,627      |
| <b>TOTAL GOVERNMENTAL</b>          |              |              |              |              |              |              |              |              |              |              |
| ACTIVITIES PROGRAM                 | 845,376      | 1,793,258    | 1,110,326    | 949,738      | 1,172,052    | 967,334      | 1,261,384    | 1,419,734    | 1,554,937    | 2,859,678    |
| <b>REVENUES</b>                    | \$ 845,376   | \$ 1,793,258 | \$ 1,110,326 | \$ 949,738   | \$ 1,172,052 | \$ 967,334   | \$ 1,261,384 | \$ 1,419,734 | \$ 1,554,937 | \$ 2,859,678 |

(continued)

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS (Unaudited)**

SCHEDULE 2.2

|   | Fiscal Year           |                       |                       |                       |                       |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2006                  | 2007                  | 2008                  | 2009                  | 2010                  | 2011                  | 2012                  | 2013                  | 2014                  | 2015                  |
| (Accrual basis of accounting)                           |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| <b>PROGRAM REVENUES</b>                                 |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Business-type activities:                               |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Charges for services:                                   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Water   | \$ 994,458            | \$ 984,384            | \$ 976,433            | \$ 1,035,189          | \$ 1,164,058          | \$ 1,199,073          | \$ 1,235,741          | \$ 1,259,644          | \$ 1,444,077          | \$ 1,450,548          |
| Sewer   | 1,467,876             | 1,214,422             | 1,307,616             | 1,727,799             | 1,580,328             | 1,531,793             | 1,567,049             | 1,750,098             | 1,704,567             | 1,833,393             |
| Parking   | 347,511               | 433,315               | 470,718               | 513,818               | 499,909               | 584,603               | 565,707               | 557,029               | 554,382               | 594,065               |
| Solid Waste   | -                     | -                     | -                     | -                     | 304,527               | 313,412               | 323,170               | 324,966               | 348,110               | 360,559               |
| Operating grants and contributions                      | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Capital grants and contributions                        | 291,844               | 562,498               | 25,565                | 210,000               | -                     | -                     | -                     | 226,409               | 673,691               | 260,931               |
| <b>TOTAL BUSINESS-TYPE REVENUES</b>                     | <b>3,101,689</b>      | <b>3,194,619</b>      | <b>2,780,332</b>      | <b>3,486,806</b>      | <b>3,548,822</b>      | <b>3,628,881</b>      | <b>3,691,667</b>      | <b>4,118,146</b>      | <b>4,724,827</b>      | <b>4,499,496</b>      |
| <b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES</b>        | <b>\$ 4,894,987</b>   | <b>\$ 4,304,945</b>   | <b>\$ 3,730,070</b>   | <b>\$ 4,658,858</b>   | <b>\$ 4,516,156</b>   | <b>\$ 4,890,265</b>   | <b>\$ 5,111,401</b>   | <b>\$ 5,673,082</b>   | <b>\$ 4,724,727</b>   | <b>\$ 7,359,174</b>   |
| <b>NET (EXPENSE) REVENUE</b>                            | <b>\$ (3,113,748)</b> | <b>\$ (2,451,769)</b> | <b>\$ (3,442,059)</b> | <b>\$ (3,523,131)</b> | <b>\$ (2,622,243)</b> | <b>\$ (2,819,253)</b> | <b>\$ (2,819,253)</b> | <b>\$ (2,868,975)</b> | <b>\$ (3,189,798)</b> | <b>\$ (1,985,679)</b> |
| Governmental activities                                 | 937,468               | 1,031,179             | 494,772               | 1,178,917             | 1,211,815             | 1,134,655             | 1,351,024             | 1,556,423             | 2,163,005             | 2,177,485             |
| Business-type activities                                | (2,176,280)           | (1,420,590)           | (2,947,287)           | (2,344,214)           | (1,410,428)           | (1,684,598)           | (1,468,229)           | (1,312,552)           | (1,026,793)           | (191,806)             |
| <b>TOTAL PRIMARY GOVERNMENT NET EXPENSE</b>             | <b>\$ (1,238,812)</b> | <b>\$ (389,411)</b>   | <b>(2,452,515)</b>    | <b>(1,165,297)</b>    | <b>(198,613)</b>      | <b>(549,943)</b>      | <b>(117,229)</b>      | <b>(756,129)</b>      | <b>(863,788)</b>      | <b>(14,321)</b>       |
| <b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b> |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities:                                |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Taxes, levied for general purposes                      | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  | \$ -                  |
| Property taxes, levied for general purposes             | 524,732               | 496,881               | 618,631               | 897,201               | 876,708               | 1,080,446             | 1,087,576             | 1,187,653             | 1,211,273             | 1,484,483             |
| Transfer taxes  | 141,962               | 100,350               | 84,021                | 80,662                | 92,733                | 63,790                | 92,075                | 92,767                | 135,106               | 152,832               |
| Earned income taxes                                     | 1,138,095             | 1,620,966             | 1,049,893             | 994,635               | 866,072               | 906,200               | 1,245,755             | 1,071,853             | 1,069,701             | 1,324,225             |
| Local services taxes                                    | 180,152               | 176,802               | 134,871               | 148,219               | 113,896               | 108,542               | 118,028               | 168,328               | 157,414               | 160,372               |
| Public utility taxes                                    | 2,862                 | 2,907                 | 3,241                 | 2,619                 | 3,003                 | 2,759                 | 3,158                 | 3,218                 | 2,928                 | 2,963                 |
| Franchise taxes   | 44,987                | 46,275                | 57,288                | 100,591               | 61,980                | 99,757                | 75,799                | 83,323                | 88,210                | 91,429                |
| Investment income and rents, net of interest expense    | 177,137               | 161,767               | 133,615               | 116,876               | 134,839               | 134,066               | 132,902               | 113,618               | 92,912                | 70,284                |
| Other   | 15,195                | 52,804                | (7,440)               | 37,000                | 1,025                 | -                     | 16,502                | 17,800                | 1,750                 | 43,461                |
| Gain (loss) on disposal of capital assets               | 79,507                | 5,717                 | (1,384,349)           | 537,830               | 710,949               | 682,111               | 689,983               | 972,800               | 714,000               | 750,000               |
| Transfer  | 500,000               | 500,000               | 1,384,349             | 537,830               | 710,949               | 682,111               | 689,983               | 972,800               | 714,000               | 750,000               |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>                    | <b>2,804,629</b>      | <b>3,164,469</b>      | <b>3,458,469</b>      | <b>2,915,633</b>      | <b>2,861,205</b>      | <b>3,077,671</b>      | <b>3,461,778</b>      | <b>3,711,360</b>      | <b>3,473,294</b>      | <b>4,080,039</b>      |
| Business-type activities:                               |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Investment income and rents, net of interest expense    | (465,677)             | (447,409)             | (532,319)             | (549,307)             | (528,686)             | (535,460)             | (438,339)             | (316,314)             | (312,488)             | (303,773)             |
| Gain on disposal of capital assets                      | -                     | -                     | 56,277                | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Transfer  | (500,000)             | (500,000)             | (1,384,349)           | (537,830)             | (710,949)             | (682,111)             | (689,983)             | (972,800)             | (714,000)             | (750,000)             |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b>                   | <b>(965,677)</b>      | <b>(947,409)</b>      | <b>(1,860,391)</b>    | <b>(1,087,137)</b>    | <b>(1,239,615)</b>    | <b>(1,217,571)</b>    | <b>(1,128,322)</b>    | <b>(1,289,114)</b>    | <b>(1,026,488)</b>    | <b>(1,053,773)</b>    |
| <b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET ASSETS</b>    | <b>\$ 1,838,952</b>   | <b>\$ 2,217,060</b>   | <b>\$ 1,598,078</b>   | <b>\$ 1,828,496</b>   | <b>\$ 1,621,590</b>   | <b>\$ 1,860,100</b>   | <b>\$ 2,333,456</b>   | <b>\$ 2,422,246</b>   | <b>\$ 2,446,806</b>   | <b>\$ 3,026,266</b>   |
| <b>Governmental activities</b>                          | <b>\$ (309,118)</b>   | <b>\$ 712,700</b>     | <b>\$ 16,410</b>      | <b>\$ (607,498)</b>   | <b>\$ 238,962</b>     | <b>\$ (231,509)</b>   | <b>\$ 642,525</b>     | <b>\$ 842,385</b>     | <b>\$ 283,496</b>     | <b>\$ 2,094,360</b>   |
| <b>Business-type activities</b>                         | <b>(28,209)</b>       | <b>83,770</b>         | <b>(1,365,619)</b>    | <b>91,780</b>         | <b>(27,800)</b>       | <b>(147,334)</b>      | <b>69,119</b>         | <b>488,388</b>        | <b>1,136,517</b>      | <b>1,123,712</b>      |
| <b>TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION</b>  | <b>\$ (337,327)</b>   | <b>\$ 796,470</b>     | <b>\$ (1,349,209)</b> | <b>\$ (515,718)</b>   | <b>\$ 211,162</b>     | <b>\$ (378,843)</b>   | <b>\$ 711,644</b>     | <b>\$ 1,330,773</b>   | <b>\$ 1,420,013</b>   | <b>\$ 3,218,072</b>   |

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS (Unaudited)**

SCHEDULE 3

(Accrual basis of accounting)

| Fiscal Year      | Property Taxes | Earned Income | Local Services Tax | Property Transfer | Total        |
|------------------|----------------|---------------|--------------------|-------------------|--------------|
| 2006             | \$ 524,732     | \$ 1,138,096  | \$ 180,152         | \$ 141,962        | \$ 1,984,942 |
| 2007             | 496,881        | 1,620,966     | 176,002            | 100,350           | 2,394,199    |
| 2008             | 618,631        | 1,049,893     | 134,871            | 84,021            | 1,887,416    |
| 2009             | 897,201        | 994,635       | 148,219            | 80,662            | 2,120,717    |
| 2010             | 876,708        | 866,072       | 113,896            | 92,733            | 1,949,409    |
| 2011             | 1,080,446      | 906,200       | 108,542            | 63,790            | 2,158,978    |
| 2012             | 1,087,576      | 1,245,755     | 118,028            | 92,075            | 2,543,434    |
| 2013             | 1,187,653      | 1,071,853     | 168,328            | 92,767            | 2,520,601    |
| 2014             | 1,211,273      | 1,069,701     | 157,414            | 135,106           | 2,573,494    |
| 2015             | 1,484,483      | 1,324,225     | 160,372            | 152,832           | 3,121,912    |
| Change 2006-2015 | 182.90%        | 16.55%        | 79.02%             | 7.66%             | 57.28%       |

(1) Beginning in 2005, occupational privilege tax (OPT) was eliminated and replaced with the emergency municipal service (EMS). Beginning in 2008, the EMS was renamed local services tax. The Borough did not adopt the increase from \$10 to \$52 until 2006.

# BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

## SCHEDULE 4

### FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (Unaudited)

(Modified accrual basis of accounting)

|  | Fiscal Year         |                   |                   |                   |                   |                     |                   |                   |                     |                   |
|--|---------------------|-------------------|-------------------|-------------------|-------------------|---------------------|-------------------|-------------------|---------------------|-------------------|
|  | 2006                | 2007              | 2008              | 2009              | 2010              | 2011                | 2012              | 2013              | 2014                | 2015              |
| <b>GENERAL FUND</b>                              |                     |                   |                   |                   |                   |                     |                   |                   |                     |                   |
| Non-spendable                                    | \$ -                | \$ -              | \$ -              | \$ -              | \$ -              | \$ -                | \$ -              | \$ -              | \$ -                | \$ -              |
| Restricted                                       | -                   | -                 | -                 | -                 | -                 | 14,930              | 14,943            | -                 | -                   | -                 |
| Assigned   | 538,000             | 538,000           | 300,000           | 175,000           | 300,000           | -                   | -                 | -                 | -                   | -                 |
| Unassigned                                       | 261,843             | 478,238           | 24,583            | 17,783            | (563,618)         | 279,139             | 276,650           | 36,005            | 52,658              | 303,454           |
| <b>TOTAL GENERAL FUND</b>                        | <b>799,843</b>      | <b>1,016,238</b>  | <b>324,583</b>    | <b>192,783</b>    | <b>(263,618)</b>  | <b>294,069</b>      | <b>291,593</b>    | <b>36,005</b>     | <b>52,658</b>       | <b>303,454</b>    |
| <b>ALL OTHER GOVERNMENTAL FUNDS</b>              |                     |                   |                   |                   |                   |                     |                   |                   |                     |                   |
| Restricted                                       | 257,530             | 52,681            | 40,992            | 46,054            | 106,136           | 1,293,563           | 463,393           | 570,960           | 148,853             | 139,050           |
| Assigned, reported in:<br>Special Revenue Fund   | -                   | -                 | -                 | -                 | 372,619           | 7                   | 7                 | -                 | -                   | -                 |
| Unassigned, reported in:<br>Special Revenue Fund | -                   | -                 | 583,247           | 213,635           | 188,699           | -                   | 1,016             | -                 | -                   | 439,406           |
| Capital Projects Fund                            | -                   | (356,565)         | (271,905)         | (262,559)         | (128,773)         | -                   | -                 | (466,989)         | (488,577)           | (21,973)          |
| <b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b>        | <b>257,530</b>      | <b>(303,884)</b>  | <b>352,334</b>    | <b>(2,870)</b>    | <b>538,681</b>    | <b>1,293,570</b>    | <b>464,416</b>    | <b>103,971</b>    | <b>(339,724)</b>    | <b>556,483</b>    |
| <b>TOTAL GOVERNMENTAL FUNDS</b>                  | <b>\$ 1,057,373</b> | <b>\$ 712,354</b> | <b>\$ 676,917</b> | <b>\$ 189,913</b> | <b>\$ 275,063</b> | <b>\$ 1,587,639</b> | <b>\$ 756,009</b> | <b>\$ 139,976</b> | <b>\$ (287,066)</b> | <b>\$ 859,937</b> |

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS (Unaudited)**

**SCHEDULE 5**

|   | 2006             | 2007             | 2008               | 2009               | 2010             | 2011             | 2012               | 2013               | 2014               | 2015             |
|---|------------------|------------------|--------------------|--------------------|------------------|------------------|--------------------|--------------------|--------------------|------------------|
| <b>Revenues</b>   |                  |                  |                    |                    |                  |                  |                    |                    |                    |                  |
| Taxes   | \$ 1,971,447     | \$ 2,403,344     | \$ 1,862,655       | \$ 2,087,570       | \$ 1,842,250     | \$ 2,308,493     | \$ 2,531,594       | \$ 2,520,601       | \$ 2,549,663       | \$ 3,072,091     |
| Licenses and permits  | 65,687           | 66,775           | 79,588             | 116,968            | 66,580           | 106,542          | 81,599             | 87,423             | 93,510             | 96,629           |
| Fines, forfeits and cost  | 71,701           | 60,421           | 69,988             | 58,518             | 52,805           | 48,227           | 43,770             | 39,665             | 38,608             | 52,052           |
| Interest, dividends and rents                                   | 177,137          | 161,767          | 133,615            | 116,876            | 134,839          | 134,177          | 133,135            | 113,705            | 92,923             | 70,293           |
| Intergovernmental revenues                                      | 346,271          | 1,351,638        | 550,161            | 578,388            | 812,608          | 408,260          | 833,091            | 1,027,110          | 1,066,776          | 2,249,791        |
| Charges for services and fees                                   | 406,521          | 361,056          | 410,766            | 271,656            | 283,240          | 490,183          | 375,807            | 346,896            | 433,676            | 507,266          |
| Miscellaneous   | 3,388            | 14,804           | 60,352             | 27,418             | 21,802           | 16,527           | 5,841              | 13,494             | 13,494             | 29,576           |
| <b>TOTAL REVENUES</b>   | <b>3,042,152</b> | <b>4,419,805</b> | <b>3,167,125</b>   | <b>3,257,394</b>   | <b>3,214,124</b> | <b>3,512,409</b> | <b>4,004,837</b>   | <b>4,140,494</b>   | <b>4,288,650</b>   | <b>6,077,698</b> |
| <b>Expenditures</b>   |                  |                  |                    |                    |                  |                  |                    |                    |                    |                  |
| General government  | 383,125          | 403,729          | 612,554            | 481,781            | 719,423          | 643,306          | 808,910            | 721,894            | 726,580            | 788,930          |
| Public safety   | 1,848,170        | 1,894,618        | 2,048,431          | 1,971,016          | 1,945,431        | 2,143,469        | 2,258,012          | 2,371,922          | 2,407,804          | 3,087,650        |
| Public works:   |                  |                  |                    |                    |                  |                  |                    |                    |                    |                  |
| Sanitation  | 331,033          | 320,729          | 324,611            | 326,847            | -                | -                | -                  | -                  | -                  | -                |
| Highways and streets  | 764,516          | 1,955,847        | 994,331            | 1,179,648          | 672,701          | 839,865          | 1,487,183          | 2,194,704          | 1,855,661          | 1,907,885        |
| Culture and recreation  | 91,835           | 65,124           | 71,672             | 78,695             | 96,918           | 84,567           | 82,922             | 76,126             | 71,596             | 102,331          |
| Community development   | 97,385           | 289,508          | 281,548            | 28,270             | 152,157          | 352,994          | 545,845            | 21,371             | 12,940             | 42,933           |
| Debt service:   |                  |                  |                    |                    |                  |                  |                    |                    |                    |                  |
| Principal   | 145,000          | 151,000          | 152,000            | 158,000            | 164,000          | 135,000          | 247,000            | 252,089            | 251,850            | 284,737          |
| Interest  | 117,613          | 111,254          | 103,074            | 94,971             | 90,318           | 99,701           | 113,086            | 109,021            | 105,011            | 102,630          |
| Issuance Cost   | -                | -                | -                  | -                  | -                | 99,606           | -                  | -                  | -                  | 2,516            |
| Miscellaneous   | 113,528          | 131,865          | -                  | -                  | -                | -                | -                  | -                  | -                  | -                |
| Capital outlay  | 3,892,205        | 5,313,674        | 4,588,221          | 4,319,228          | 3,840,948        | 4,398,508        | 5,542,958          | 5,747,127          | 5,431,442          | 6,319,412        |
| <b>TOTAL EXPENDITURES</b>                                       | <b>(850,053)</b> | <b>(893,869)</b> | <b>(1,421,096)</b> | <b>(1,061,834)</b> | <b>(626,824)</b> | <b>(886,099)</b> | <b>(1,538,121)</b> | <b>(1,606,633)</b> | <b>(1,142,792)</b> | <b>(241,714)</b> |
| <b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>                 |                  |                  |                    |                    |                  |                  |                    |                    |                    |                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                           |                  |                  |                    |                    |                  |                  |                    |                    |                    |                  |
| Sales of capital assets   | 99,000           | 5,717            | 1,310              | -                  | 1,025            | -                | 16,502             | 17,800             | 1,750              | 43,461           |
| Settlement recovery   | 75,000           | 43,133           | -                  | 37,000             | -                | -                | -                  | -                  | -                  | -                |
| Refund of prior year expenditures                               | 15,411           | -                | -                  | -                  | -                | -                | -                  | -                  | -                  | -                |
| Refund of prior year revenues                                   | (589)            | -                | -                  | -                  | -                | -                | -                  | -                  | -                  | -                |
| Proceeds from debt issuance                                     | -                | -                | -                  | -                  | -                | -                | -                  | -                  | -                  | -                |
| Proceeds from capital lease                                     | -                | -                | -                  | -                  | -                | -                | -                  | -                  | -                  | -                |
| Transfer in   | 778,460          | 735,120          | 1,992,969          | 1,126,820          | 1,172,400        | 1,195,070        | 1,102,915          | 1,790,007          | 1,268,771          | 27,406           |
| Transfer out  | (278,460)        | (235,120)        | (608,620)          | (588,990)          | (461,451)        | (512,959)        | (412,932)          | (817,207)          | (554,771)          | 1,332,300        |
| Bond issuance   | -                | -                | -                  | -                  | -                | 3,720,000        | -                  | -                  | -                  | (582,300)        |
| Debt service principal  | -                | -                | -                  | (2,160,000)        | -                | (43,431)         | -                  | -                  | -                  | -                |
| Bond discount   | -                | -                | -                  | -                  | -                | -                | -                  | -                  | -                  | -                |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                     | <b>688,822</b>   | <b>548,850</b>   | <b>1,385,659</b>   | <b>574,830</b>     | <b>711,974</b>   | <b>2,198,680</b> | <b>706,485</b>     | <b>990,600</b>     | <b>715,750</b>     | <b>1,390,867</b> |
| <b>NET CHANGE IN FUND BALANCES</b>                              |                  |                  |                    |                    |                  |                  |                    |                    |                    |                  |
|   | \$ (161,231)     | \$ (345,019)     | \$ (35,437)        | \$ (487,004)       | \$ 85,150        | \$ 1,312,581     | \$ (831,636)       | \$ (616,033)       | \$ (427,042)       | \$ 1,149,153     |
| <b>DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES</b> |                  |                  |                    |                    |                  |                  |                    |                    |                    |                  |
|   | 9.8%             | 6.4%             | 7.5%               | 8.1%               | 9.7%             | 7.3%             | 8.5%               | 8.1%               | 8.7%               | 7.8%             |

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST TEN FISCAL YEARS (Unaudited)**

SCHEDULE 6

(Accrual basis of accounting)

| Fiscal Year | Property Taxes | Earned Income | Local Services Tax | Property Transfer | Mechanical Device | Total        |
|-------------|----------------|---------------|--------------------|-------------------|-------------------|--------------|
| 2006        | \$ 524,732     | \$ 1,138,096  | \$ 180,152         | \$ 141,962        | \$ 1,250          | \$ 1,986,192 |
| 2007        | 496,881        | 1,620,966     | 176,802            | 100,350           | 800               | 2,395,799    |
| 2008        | 618,631        | 1,049,893     | 134,871            | 84,021            | 1,660             | 1,889,076    |
| 2009        | 897,201        | 994,635       | 148,219            | 80,662            | 2,545             | 2,123,262    |
| 2010        | 876,708        | 866,072       | 113,896            | 92,733            | 1,375             | 1,950,784    |
| 2011        | 1,080,446      | 906,200       | 108,542            | 63,790            | 2,600             | 2,161,578    |
| 2012        | 1,087,576      | 1,245,755     | 118,028            | 92,075            | 2,445             | 2,545,879    |
| 2013        | 1,187,653      | 1,071,853     | 168,328            | 92,767            | 2,600             | 2,523,201    |
| 2014        | 1,211,273      | 1,069,701     | 157,414            | 135,106           | 2,928             | 2,576,422    |
| 2015        | 1,484,483      | 1,324,225     | 160,372            | 152,832           | 2,000             | 3,123,912    |

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS (Unaudited)**

| Fiscal Year Ended December 31, | Real Property        |                     | Less: Tax Exempt Real Property | Total Taxable Assessed Value | Total Direct Tax Rate (Mills) | Estimated Actual Taxable Value | Assessed Value (1) as a Percentage of Actual Value |
|--------------------------------|----------------------|---------------------|--------------------------------|------------------------------|-------------------------------|--------------------------------|--|
|                                | Residential Property | Commercial Property |                                |                              |                               |                                |  |
| 2006                           | \$ 194,130,330       | \$ 65,563,480       | \$ 41,155,020                  | \$ 218,538,790               | 2.350                         | \$ 398,067,013                 | 54.9%  |
| 2007                           | 194,809,260          | 62,513,860          | 40,754,420                     | 216,568,700                  | 2.350                         | 418,086,293                    | 51.8%  |
| 2008                           | 196,132,070          | 62,310,730          | 40,648,760                     | 217,794,040                  | 2.850                         | 421,265,068                    | 51.7%  |
| 2009                           | 197,345,120          | 69,486,580          | 40,605,700                     | 226,226,000                  | 3.850                         | 426,841,509                    | 53.0%  |
| 2010                           | 198,032,490          | 69,808,180          | 40,749,030                     | 227,091,640                  | 3.850                         | 409,912,708                    | 55.4%  |
| 2011                           | 198,208,140          | 66,890,890          | 40,840,920                     | 224,258,110                  | 4.850                         | 400,460,911                    | 56.0%  |
| 2012                           | 197,727,700          | 67,085,380          | 40,840,920                     | 223,972,160                  | 4.850                         | 379,613,830                    | 59.0%  |
| 2013                           | 198,065,730          | 67,415,320          | 40,872,630                     | 224,608,420                  | 5.350                         | 373,103,687                    | 60.2%  |
| 2014                           | 199,478,610          | 67,252,990          | 42,400,920                     | 224,330,680                  | 5.350                         | 392,873,345                    | 57.1%  |
| 2015                           | 204,417,890          | 67,216,580          | 42,405,130                     | 229,229,340                  | 6.350                         | 414,905,105                    | 55.3%  |

Source: Pennsylvania State Tax Equalization Board

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
 ALL DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 LAST TEN FISCAL YEARS (Unaudited)

(Per \$1,000 of Assessed Value)

| Year | Overlapping Rates |                  |               |                 |                  |               |                         |                  |               |         |
|------|-------------------|------------------|---------------|-----------------|------------------|---------------|-------------------------|------------------|---------------|---------|
|      | Borough           |                  |               | School District |                  |               | County                  |                  |               |         |
|      | Fire              | General Purposes | Total Millage | Other           | General Purposes | Total Millage | Debt, Parks & Libraries | General Purposes | Total Millage | Total   |
| 2006 | 0.60              | 1.75             | 2.35          | -               | 21.5700          | 21.5700       | 0.940                   | 2.759            | 3.699         | 27.6190 |
| 2007 | 0.60              | 1.75             | 2.35          | -               | 21.9500          | 21.9500       | 1.104                   | 2.700            | 3.804         | 28.1040 |
| 2008 | 0.60              | 2.25             | 2.85          | -               | 23.1400          | 23.1400       | 1.026                   | 2.778            | 3.804         | 29.7940 |
| 2009 | 0.60              | 3.25             | 3.85          | -               | 23.9537          | 23.9537       | 1.026                   | 2.939            | 3.965         | 31.7687 |
| 2010 | 0.60              | 3.25             | 3.85          | -               | 24.7781          | 24.7781       | 1.235                   | 2.730            | 3.965         | 32.5931 |
| 2011 | 0.60              | 4.25             | 4.85          | -               | 25.7293          | 25.7293       | 1.235                   | 2.730            | 3.965         | 34.5443 |
| 2012 | 0.60              | 4.25             | 4.85          | -               | 26.7303          | 26.7303       | 1.259                   | 2.706            | 3.965         | 35.5453 |
| 2013 | 0.60              | 4.75             | 5.35          | -               | 27.4520          | 27.4520       | 1.838                   | 2.780            | 4.163         | 36.9650 |
| 2014 | 0.60              | 4.75             | 5.35          | -               | 27.9406          | 27.9406       | 1.383                   | 2.780            | 4.163         | 37.4536 |
| 2015 | 0.60              | 5.75             | 6.35          | -               | 28.6017          | 28.6017       | 1.383                   | 2.780            | 4.163         | 39.1147 |

Source: County Board of Assessment, Kennett Consolidated School District annual budgets and Borough of Kennett Square ordinances.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO (Unaudited)**

SCHEDULE 9

| Taxpayer                                   | 2015                   |      |  | 2006                   |      |  |
|--|------------------------|------|--|------------------------|------|--|
|  | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| State Street Associates LP                 | \$ 11,329,460          | 1    | 4.94%                                      | \$ 15,181,070          | 1    | 7.00%                                      |
| Kennett Center LP                          | 7,597,700              | 2    | 3.31%                                      | -                      |      |  |
| Kennett Square Realty LP                   | 2,805,410              | 3    | 1.22%                                      |                        |      |  |
| Tritco LLC                                 | 2,184,000              | 4    | 0.95%                                      | 1,916,250              | 4    | 0.90%                                      |
| Ruane Patrick J & Strine Walter M          | 1,916,250              | 5    | 0.84%                                      | 1,798,080              | 5    | 0.80%                                      |
| Everts Richard & Donna                     | 1,798,080              | 6    | 0.78%                                      | -                      |      |  |
| Race Park LLC                              | 1,349,790              | 7    | 0.59%                                      | -                      |      |  |
| LGB - 148 West State Street                | 1,251,870              | 8    | 0.55%                                      | -                      |      |  |
| Rockhopper                                 | 1,163,400              | 9    | 0.51%                                      | 1,127,620              | 7    | 0.50%                                      |
| Mar Ann Holding Assoc                      | 1,127,620              | 10   | 0.49%                                      | 1,532,100              | 6    | 0.70%                                      |
| NVF Company                                | -                      |      |  | 3,711,288              | 2    | 1.70%                                      |
| Argyris Louis                              | -                      |      |  | 2,184,000              | 3    | 1.00%                                      |
| Cohen J Jerome Tru Cohen Sander H Tru ETAL | -                      |      |  | 875,000                | 9    | 0.40%                                      |
| Falini Emidio J & Elaine                   | -                      |      |  | 800,410                | 10   | 0.40%                                      |
| Alliance for Better Housing                | -                      |      |  | 1,088,580              | 8    | 0.50%                                      |
| <b>TOTALS</b>                              | <b>\$ 32,523,580</b>   |      | <b>14.19%</b>                              | <b>\$ 30,214,398</b>   |      | <b>13.90%</b>                              |

Source: Chester County Board of Assessments

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS (Unaudited)

| Fiscal Year<br>Ended<br>December 31, | Total Tax<br>Levy for<br>Fiscal Year | Collected with the      |                       | Collections in<br>Subsequent<br>Years | Total Collections to Date |                       |
|--------------------------------------|--------------------------------------|-------------------------|-----------------------|---------------------------------------|---------------------------|-----------------------|
|                                      |                                      | Fiscal Year of the Levy | Percentage<br>of Levy |                                       | Amount                    | Percentage<br>of Levy |
| 2006                                 | \$ 513,566                           | \$ 485,004              | 94.4%                 | \$ 28,491                             | \$ 513,495                | 99.9%                 |
| 2007                                 | 508,938                              | 472,997                 | 93.0%                 | 35,941                                | 508,938                   | 100.0%                |
| 2008                                 | 620,504                              | 593,603                 | 95.7%                 | 26,901                                | 620,504                   | 100.0%                |
| 2009                                 | 870,403                              | 815,557                 | 93.7%                 | 54,846                                | 870,403                   | 100.0%                |
| 2010                                 | 873,242                              | 840,527                 | 92.8%                 | 32,715                                | 873,242                   | 100.0%                |
| 2011                                 | 1,087,641                            | 1,032,527               | 94.9%                 | 54,585                                | 1,087,112                 | 99.9%                 |
| 2012                                 | 1,086,267                            | 1,036,652               | 95.4%                 | 49,615                                | 1,086,267                 | 100.0%                |
| 2013                                 | 1,200,925                            | 1,187,653               | 98.9%                 | 13,272                                | 1,200,925                 | 100.0%                |
| 2014                                 | 1,200,171                            | 1,150,309               | 95.9%                 | 17,300                                | 1,167,609                 | 95.9%                 |
| 2015                                 | 1,455,317                            | 1,440,839               | 94.7%                 | -                                     | 1,440,839                 | 94.7%                 |

Source: Borough of Kennett Square, Pennsylvania annual financial statements and Tax Collector reports.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**

SCHEDULE 11

**EARNED INCOME TAX COLLECTIONS****LAST TEN FISCAL YEARS (Unaudited)**

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| <u>Fiscal Year</u> | <u>Tax</u> | <u>Current Year Collections (2)</u> | <u>Prior Year Collections</u> | <u>Total</u> |
|--------------------|------------|-------------------------------------|-------------------------------|--------------|
| 2006               | 1%         | \$ 796,684                          | \$ 341,412                    | \$ 1,138,096 |
| 2007               | 1%         | 1,360,592                           | 260,374                       | 1,620,966    |
| 2008               | 1%         | 741,976                             | 307,917                       | 1,049,893    |
| 2009               | 1%         | 692,016                             | 302,619                       | 994,635      |
| 2010               | 1%         | 574,225                             | 291,847                       | 866,072      |
| 2011               | 1%         | 848,714                             | 57,486                        | 906,200      |
| 2012               | 1%         | 1,245,755                           | -                             | 1,245,755    |
| 2013               | 1%         | 1,071,853                           | -                             | 1,071,853    |
| 2014               | 1%         | 1,069,701                           | -                             | 1,069,701    |
| 2015               | 1%         | 1,324,225                           | -                             | 1,324,225    |

(1) Borough of Kennett Square and the Kennett Consolidated School District each get 1/2%.

(2) Collections were not recorded by current year and prior year for 2012.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**

SCHEDULE 12

**EARNED INCOME OF RESIDENTS**

DECEMBER 31, 2015 (Unaudited)

| <u>Income</u>        | <u>Individuals</u> | <u>Total<br/>Income</u> | <u>Average<br/>Income</u> |
|----------------------|--------------------|-------------------------|---------------------------|
| 0 - 12,000           | 412                | \$ 1,469,533            | \$ 3,567                  |
| 12,001 - 22,000      | 272                | 4,612,291               | 16,957                    |
| 22,001 - 40,000      | 407                | 12,240,124              | 30,074                    |
| 40,001 - 100,000     | 418                | 25,249,086              | 60,405                    |
| 100,001 - 500,000    | 59                 | 9,033,462               | 153,110                   |
| 500,001 - 1,000,000  | 2                  | 1,085,270               | 542,635                   |
| <u>1,000,001 - +</u> | <u>1</u>           | <u>1,492,364</u>        | <u>1,492,364</u>          |
| Totals               | <u>1,571</u>       | <u>\$ 55,182,130</u>    | <u>\$ 35,125</u>          |

Source: Borough of Kennett Square's tax collector.

Note: Tax rate to the Borough is .5% on all residents except those working in Philadelphia and out of state.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 LAST TEN FISCAL YEARS (Unaudited)

| Fiscal Year | Governmental Activities  |                 | Business-Type Activities |                     |                       |                          | Total Primary Government | Percentage of Personal Income (1) | Per Capita (1) |
|-------------|--------------------------|-----------------|--------------------------|---------------------|-----------------------|--------------------------|--------------------------|-----------------------------------|----------------|
|             | General Obligation Bonds | Promissory Note | Water Revenue Bonds      | Sewer Revenue Bonds | Parking Revenue Bonds | General Obligation Bonds |                          |                                   |                |
| 2006        | \$ 2,975,000             | \$ -            | \$ 890,199               | \$ 9,280,000        | \$ 4,040,000          | \$ -                     | \$ 17,185,199            | 12.2%                             | \$ 3,247       |
| 2007        | 2,824,000                | -               | 771,772                  | 8,980,000           | 3,885,000             | -                        | 16,460,772               | 10.3%                             | 3,102          |
| 2008        | 2,672,000                | -               | 648,566                  | 8,669,000           | 3,725,000             | -                        | 15,714,566               | 9.4%                              | 2,980          |
| 2009        | 2,514,000                | -               | 519,546                  | 8,346,000           | 3,565,000             | -                        | 14,944,546               | 12.7%                             | 2,835          |
| 2010        | 2,350,000                | -               | 384,680                  | 8,011,000           | 3,395,000             | -                        | 14,140,680               | 10.5%                             | 2,330          |
| 2011        | 3,775,000                | -               | 244,931                  | 7,665,000           | -                     | 3,165,000                | 14,849,931               | 10.2%                             | 2,446          |
| 2012        | 3,546,078                | -               | 99,262                   | 777,000             | -                     | 9,695,000                | 14,117,340               | 9.7%                              | 2,304          |
| 2013        | 3,304,195                | -               | 75,634                   | 737,000             | -                     | 9,554,089                | 13,670,918               | 11.9%                             | 2,231          |
| 2014        | 3,024,061                | -               | 51,006                   | 695,000             | -                     | 9,331,939                | 13,102,006               | 7.9%                              | 2,138          |
| 2015        | 2,755,911                | 551,263         | 25,336                   | 651,000             | -                     | 8,719,089                | 12,702,599               | 7.8%                              | 2,060          |

(1) See Schedule 20 for personal income and population data.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**RATIO OF GENERAL OBLIGATION BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS (Unaudited)**

SCHEDULE 14

| Fiscal<br>Year | General<br>Obligation<br>Bonds | Percentage of<br>Estimated<br>Actual Taxable<br>Value (1) of<br>Property | Per<br>Capita (2) |
|----------------|--------------------------------|--|-------------------|
| 2006           | \$ 2,975,000                   | 0.8%   | \$ 562            |
| 2007           | 2,824,000                      | 0.7%   | 532               |
| 2008           | 2,672,000                      | 0.7%   | 507               |
| 2009           | 2,514,000                      | 0.6%   | 475               |
| 2010           | 2,350,000                      | 0.6%   | 387               |
| 2011           | 3,775,000                      | 0.9%   | 622               |
| 2012           | 3,528,000                      | 0.9%   | 576               |
| 2013           | 3,275,911                      | 0.9%   | 534               |
| 2014           | 3,024,061                      | 0.8%   | 493               |
| 2015           | 2,755,911                      | 0.7%   | 447               |

Note: Details regarding the Borough's outstanding debt can be found in the notes to the financial statements.

- (1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 87 for property value data.
- (2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 100.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**

SCHEDULE 15

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT****DECEMBER 31, 2015 (Unaudited)**

|  | <u>Net<br/>Debt<br/>Outstanding</u> | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>Debt<br/>Applicable to<br/>Kennett Square</u> |
|--|-------------------------------------|--|--|
| <b>DIRECT DEBT OF THE BOROUGH AND<br/>RELATED ENTITIES</b> |                                     |  |  |
| Borough of Kennett Square (1)                              | \$ 3,307,174                        | 100.0%   | \$ 3,307,174                                     |
| <b>OVERLAPPING DEBT</b>                                    |                                     |  |  |
| County of Chester (2)                                      | 514,335,000                         | 0.7%   | 3,600,345  |
| Kennett Consolidated School District (3)                   | 67,535,000                          | 11.5%  | <u>7,766,525</u>                                 |
| <b>TOTAL OVERLAPPING DEBT</b>                              |                                     |  | <u><u>11,366,870</u></u>                         |
| <b>TOTAL DIRECT AND<br/>OVERLAPPING DEBT</b>               |                                     |  | <u><u>\$ 14,674,044</u></u>                      |

(1) Includes all long-term debt instruments of the governmental activities.

(2) County debt as of December 31, 2015, based on the ratio of Kennett Square's assessed valuation to Chester County's 2015 assessed valuation.

(3) The school district debt as of June 30, 2015, based on the ratio of Kennett Square's assessed valuation to the school district assessed valuation.

Sources: Borough of Kennett Square annual financial statements, the County of Chester 2014 annual budget, and the Kennett Consolidated School District 2013-14 annual budget.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS (Unaudited)**

|  | Fiscal Year   |               |               |               |               |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          |
| Total three years net adjusted revenues:                       | \$ 17,669,580 | \$ 18,778,590 | \$ 18,743,560 | \$ 19,508,018 | \$ 18,626,199 | \$ 19,594,024 | \$ 21,247,504 | 22,949,952    | \$ 23,717,606 | \$ 26,714,795 |
| Debt limit for general obligation bonds:                       |               |               |               |               |               |               |               |               |               |               |
| Average borrowing base revenues                                | 5,889,860     | 6,259,530     | 6,247,853     | 6,502,673     | 6,208,706     | 6,531,341     | 7,082,501     | 7,649,984     | 7,905,869     | 8,904,932     |
| Debt limit percent   | 250%          | 250%          | 250%          | 250%          | 250%          | 250%          | 250%          | 250%          | 250%          | 250%          |
| Debt limit   | 14,724,650    | 15,648,825    | 15,619,632    | 16,256,683    | 15,521,765    | 16,328,353    | 17,706,253    | 19,124,960    | 19,764,673    | 22,262,330    |
| Total amount of debt applicable to debt limit                  | 2,975,000     | 2,824,000     | 2,672,000     | 2,514,000     | 2,350,000     | 3,775,000     | 3,528,000     | 3,275,911     | 3,027,122     | 3,307,174     |
| LEGAL DEBT MARGIN  | \$ 11,749,650 | \$ 12,824,825 | \$ 12,947,632 | \$ 13,742,683 | \$ 13,171,765 | \$ 12,553,353 | \$ 14,178,253 | \$ 15,849,049 | \$ 16,737,551 | \$ 18,955,156 |
| Debt limit for general obligation bonds and lease rental debt: |               |               |               |               |               |               |               |               |               |               |
| Average borrowing base revenues                                | 5,889,860     | 6,259,530     | 6,247,853     | 6,502,673     | 6,208,706     | 6,531,341     | 7,082,501     | 7,649,984     | 7,905,869     | 8,904,932     |
| Debt limit percent   | 350%          | 350%          | 350%          | 350%          | 350%          | 350%          | 350%          | 350%          | 350%          | 350%          |
| Debt limit   | 20,614,510    | 21,908,355    | 21,867,486    | 22,759,356    | 21,730,471    | 22,859,695    | 24,788,754    | 26,774,944    | 27,670,541    | 31,167,262    |
| Total amount of debt applicable to debt limit                  | 2,975,000     | 2,824,000     | 2,672,000     | 2,514,000     | 2,350,000     | 3,775,000     | 3,546,078     | 3,304,195     | 3,055,205     | 3,325,055     |
| LEGAL DEBT MARGIN  | \$ 17,639,510 | \$ 19,084,355 | \$ 19,195,486 | \$ 20,245,356 | \$ 19,380,471 | \$ 19,084,695 | \$ 21,242,676 | \$ 23,470,749 | \$ 24,615,336 | \$ 27,842,207 |

Source: Borough of Kennett Square annual financial statements.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**PLEGGED-REVENUE COVERAGE OF WATER FUND**  
**LAST TEN FISCAL YEARS (Unaudited)**

SCHEDULE 17

| Fiscal Year | Gross Revenues (1) | Less: Operating Expenses (2) | Net Available Revenue | Debt Service Requirements (3) |           |            | Coverage |
|-------------|--------------------|------------------------------|-----------------------|-------------------------------|-----------|------------|----------|
|             |                    |                              |                       | Principal                     | Interest  | Total      |          |
| 2006        | \$ 1,244,833       | \$ 801,853                   | \$ 442,980            | \$ 170,246                    | \$ 59,971 | \$ 230,217 | 1.92     |
| 2007        | 993,558            | 803,142                      | 190,416               | 173,427                       | 68,950    | 242,377    | (0.79)   |
| 2008        | 959,872            | 860,533                      | 99,339                | 123,206                       | 31,874    | 155,080    | (0.64)   |
| 2009        | 1,035,189          | 833,730                      | 201,459               | 129,020                       | 26,606    | 155,626    | 1.29     |
| 2010        | 1,160,477          | 713,967                      | 446,510               | 134,866                       | 20,274    | 155,140    | 2.88     |
| 2011        | 1,199,212          | 769,271                      | 429,941               | 139,749                       | 14,101    | 153,850    | 2.80     |
| 2012        | 1,196,463          | 759,287                      | 437,176               | 145,669                       | 7,514     | 153,183    | 2.85     |
| 2013        | 1,161,616          | 879,114                      | 282,502               | 23,628                        | 3,923     | 27,551     | 10.25    |
| 2014        | 1,180,821          | 844,361                      | 336,460               | 24,628                        | 2,923     | 27,551     | 12.21    |
| 2015        | 1,591,985          | 672,618                      | 919,367               | 25,670                        | 1,881     | 27,551     | 33.37    |

(1) Total Revenues (including investment earnings) exclusive of tap fees.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of guaranteed water revenue bonds and notes only.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**PLEDGED-REVENUE COVERAGE OF SEWER FUND**  
**LAST TEN FISCAL YEARS (Unaudited)**

SCHEDULE 18

| Fiscal Year | Gross Revenues (1) | Less: Operating Expenses (2) | Net Available Revenue | Debt Service Requirements (3) |            | Coverage |
|-------------|--------------------|------------------------------|-----------------------|-------------------------------|------------|----------|
|             |                    |                              |                       | Principal                     | Interest   |          |
| 2006        | \$ 1,467,876       | \$ 807,317                   | \$ 660,559            | \$ 239,000                    | \$ 464,936 | (0.94)   |
| 2007        | 1,342,631          | 798,879                      | 543,752               | 300,000                       | 380,723    | (0.80)   |
| 2008        | 1,300,905          | 850,556                      | 450,349               | 311,000                       | 379,102    | (0.65)   |
| 2009        | 1,727,799          | 857,638                      | 870,161               | 323,000                       | 356,503    | 1.28     |
| 2010        | 1,578,091          | 727,354                      | 850,737               | 335,000                       | 344,504    | 1.25     |
| 2011        | 1,531,992          | 681,644                      | 850,348               | 346,000                       | 297,056    | 1.32     |
| 2012        | 1,529,489          | 595,033                      | 934,456               | 38,000                        | 262,983    | 3.10     |
| 2013        | 1,575,327          | 871,884                      | 703,443               | 40,000                        | 172,516    | 3.31     |
| 2014        | 1,549,047          | 743,615                      | 805,432               | 47,000                        | 151,264    | 4.06     |
| 2015        | 1,714,070          | 699,886                      | 1,014,184             | 439,000                       | 149,289    | 1.72     |

(1) Total Revenues (including investment earnings) exclusive of tap fees.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of guaranteed sewer revenue bonds and notes only. The Guaranteed Sewer Revenue Bonds, Series of 2005 were refunded by the General Obligation Bonds, Series of 2012.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**PLEDGED-REVENUE COVERAGE OF PARKING FUND**  
**LAST TEN FISCAL YEARS (Unaudited)**

SCHEDULE 19

| Fiscal Year | Gross Revenues (1) | Less: Operating Expenses (2) | Net Available Revenue | Debt Service Requirements (3) |            | Coverage |
|-------------|--------------------|------------------------------|-----------------------|-------------------------------|------------|----------|
|             |                    |                              |                       | Principal                     | Interest   |          |
| 2006        | \$ 347,511         | \$ 103,937                   | \$ 243,574            | \$ 155,000                    | \$ 157,902 | (0.78)   |
| 2007        | 465,402            | 89,103                       | 376,299               | 155,000                       | 177,206    | 1.13     |
| 2008        | 470,718            | 98,596                       | 372,122               | 160,000                       | 174,572    | 1.11     |
| 2009        | 513,818            | 118,617                      | 395,201               | 160,000                       | 170,252    | 1.20     |
| 2010        | 499,909            | 96,330                       | 403,579               | 170,000                       | 165,932    | 1.20     |
| 2011        | 585,730            | 256,837                      | 328,893               | -                             | 83,010     | 3.96     |
| 2012        | 567,370            | 125,149                      | 442,221               | -                             | 117,962    | 3.75     |
| 2013        | 557,029            | 238,076                      | 318,953               | 135,000                       | 99,056     | 1.36     |
| 2014        | 556,203            | 126,960                      | 429,243               | 217,150                       | 96,174     | 1.37     |
| 2015        | 595,589            | 123,179                      | 472,410               | 220,000                       | 90,903     | 1.52     |

(1) Total Revenues (including investment earnings) exclusive of tap fees.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of parking revenue bonds only. The Guaranteed Parking Revenue Bonds, Series of 2004 were refunded by the General Obligation Bonds, Series A of 2011.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS (Unaudited)**

SCHEDULE 20

| Fiscal Year | Population (1) | Personal Income (2) | Per Capita Income (3) | Median Age (4) | Education Level in Years of Formal Schooling (5) | School Enrollment (6) | Unemployment Rate (7) |
|-------------|----------------|---------------------|-----------------------|----------------|--|-----------------------|-----------------------|
| 2006        | 5,292          | \$ 140,585,888      | \$ 26,566             | 35.2           | 15.5   | 4,064                 | 3.0%                  |
| 2007        | 5,308          | 159,698,500         | 30,086                | 35.2           | 15.5   | 4,102                 | 3.3%                  |
| 2008        | 5,273          | 166,769,171         | 31,627                | 34.7           | 15.5   | 4,088                 | 3.5%                  |
| 2009        | 5,270          | 117,478,840         | 22,292                | 34.7           | 15.5   | 4,291                 | 3.9%                  |
| 2010        | 6,072          | 135,308,448         | 22,284                | 34.0           | 12   | 4,070                 | 5.2%                  |
| 2011        | 6,072          | 146,074,104         | 24,057                | 40.1           | 12   | 4,287                 | 4.6%                  |
| 2012        | 6,127          | 146,024,791         | 23,833                | 33.5           | 12   | 4,297                 | 4.2%                  |
| 2013        | 6,129          | 114,597,270         | 18,698                | 29.0           | 12   | 4,237                 | 5.6%                  |
| 2014        | 6,129          | 167,321,700         | 27,300                | 35.0           | 12   | 4,236                 | 3.8%                  |
| 2015        | 6,167          | 162,414,112         | 26,336                | 33.7           | 12   | 4,206                 | 2.8%                  |

- (1) Estimated growth for Kennett Square per U.S. Census Bureau.
- (2) Estimated personal income for Kennett Square from Tax Collector.
- (3) Estimated per capita income for Kennett Square.
- (4) Estimated Median age for Kennett Square.
- (5) Per 2000 U.S. Census with no estimates per year.
- (6) Total for all of Consolidated Kennett School District.
- (7) Kennett Square unemployment rates.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO (Unaudited)**

SCHEDULE 21

| Employers                            | 2015         |      |  | 2006         |      |  |
|--------------------------------------|--------------|------|--|--------------|------|--|
|                                      | Employees    | Rank | Percentage of Total Borough Employment | Employees    | Rank | Percentage of Total Borough Employment |
| Genesis Health Care                  | 784          | 1    | 38.2%                                  | 658          | 1    | 12.1%                                  |
| YMCA of the Brandywine Valley        | 403          | 2    | 19.5%                                  | 422          | 3    | 7.8%                                   |
| Kennett Consolidated School District | 247          | 3    | 12.0%                                  | 409          | 2    | 7.6%                                   |
| Compass Group USA                    | 196          | 4    | 9.5%                                   | -            | -    | -                                      |
| Victory Brewing Company              | 119          | 5    | 5.8%                                   | -            | -    | -                                      |
| George Kraph Jr.                     | 101          | 6    | 4.9%                                   | -            | -    | -                                      |
| Friends Boarding Home                | 73           | 7    | 3.5%                                   | 96           | 4    | 1.8%                                   |
| Country Butcher Inc.                 | 49           | 8    | 2.4%                                   | -            | -    | -                                      |
| Half Moon Restaurant & Saloon        | 49           | 9    | 2.4%                                   | 91           | 5    | 1.7%                                   |
| Borough of Kennett Square            | 42           | 10   | 2.0%                                   | -            | -    | -                                      |
| Kennett Steak & Mushrooms            | -            | -    | -                                      | 72           | 6    | 1.3%                                   |
| Specialty Retailers Inc.             | -            | -    | -                                      | 66           | 8    | 1.2%                                   |
| Zavala Mushrooms Inc.                | -            | -    | -                                      | 64           | 9    | 1.2%                                   |
| WaWa Inc. #35                        | -            | -    | -                                      | 68           | 7    | 1.3%                                   |
| Manny Hattans Inc.                   | -            | -    | -                                      | 59           | 10   | 1.1%                                   |
| <b>Totals</b>                        | <b>2,063</b> |      |  | <b>2,005</b> |      |  |

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
**FULL-TIME EQUIVALENT BOROUGH EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS (Unaudited)**

SCHEDULE 22

| Fiscal<br>Year | General<br>Government | Public Safety |       | Public<br>Works | Water<br>and<br>Sewer | Total |
|----------------|-----------------------|---------------|-------|-----------------|-----------------------|-------|
|                |                       | Police        | Codes |                 |                       |       |
| 2006           | 3                     | 14            | 3     | 8               | 2                     | 30    |
| 2007           | 3                     | 15            | 3     | 8               | 2                     | 31    |
| 2008           | 5                     | 16            | 3     | 8               | 3                     | 35    |
| 2009           | 5                     | 17            | 3     | 8               | 3                     | 36    |
| 2010           | 4                     | 16            | 3     | 7               | 3                     | 33    |
| 2011           | 4                     | 16            | 3     | 6               | 3                     | 32    |
| 2012           | 4                     | 16            | 3     | 6               | 3                     | 32    |
| 2013           | 4                     | 15            | 3     | 6               | 3                     | 31    |
| 2014           | 4                     | 16            | 3     | 6               | 3                     | 32    |
| 2015           | 4                     | 17            | 3     | 6               | 4                     | 34    |

Source: Borough of Kennett Square Finance Office.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS

SCHEDULE 23

| FUNCTION  | Fiscal Year |       |       |       |       |       |       |       |       |       |
|---|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|   | 2006        | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  |
| Police  |             |       |       |       |       |       |       |       |       |       |
| Physical arrests                                      | 355         | 340   | 329   | 281   | 327   | 304   | 303   | 281   | 323   | 295   |
| Parking violations                                    | 3,245       | 5,737 | 6,993 | 6,092 | 4,336 | 5,763 | 4,675 | 3,807 | 3,699 | 2,547 |
| Traffic violations                                    | 1,891       | 1,281 | 1,384 | 1,169 | 1,048 | 919   | 779   | 622   | 767   | 809   |
| Codes   |             |       |       |       |       |       |       |       |       |       |
| Rental inspections                                    | 1,072       | 1,076 | 1,167 | 1,099 | 1,190 | 1,200 | 1,200 | 1,212 | 1,212 | 1,212 |
| Commercial inspections                                | 330         | 330   | 330   | 330   | 330   | 330   | 330   | 330   | 330   | 330   |
| Highway and streets                                   |             |       |       |       |       |       |       |       |       |       |
| Street resurfacing (miles)                            | 1           | 2     | 1     | 1     | <0.1  | <0.1  | <0.1  | <0.1  | <0.1  | <0.1  |
| Water   |             |       |       |       |       |       |       |       |       |       |
| Average daily consumption (thousands of gallons)      | 524         | 517   | 480   | 482   | 502   | 499   | 492   | 479   | 477   | 483   |
| Wastewater  |             |       |       |       |       |       |       |       |       |       |
| Average daily sewage treatment (thousands of gallons) | 590         | 636   | 575   | 596   | 577   | 577   | 487   | 520   | 571   | 595   |
| Parking   |             |       |       |       |       |       |       |       |       |       |
| Street metered spaces                                 | 225         | 225   | 225   | 225   | 225   | 225   | 225   | 225   | 225   | 225   |
| Garage metered spaces                                 | 39          | 39    | 39    | 39    | 39    | 39    | 39    | 39    | 39    | 39    |
| Lots metered spaces                                   | 59          | 49    | 49    | 49    | 49    | 49    | 49    | 49    | 49    | 49    |
| Street permit spaces                                  | 25          | 27    | 27    | 27    | 27    | 27    | 27    | 27    | 27    | 27    |
| Garage permit spaces                                  | 311         | 311   | 311   | 311   | 311   | 311   | 311   | 311   | 311   | 211   |
| Lots permit spaces                                    | 10          | 155   | 155   | 155   | 155   | 155   | 155   | 155   | 155   | 155   |

Source: Borough of Kennett Square Department Heads.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA**  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST TEN FISCAL YEARS

SCHEDULE 24

| FUNCTION                | Fiscal Year |      |      |      |      |      |      |      |      |      |
|-------------------------|-------------|------|------|------|------|------|------|------|------|------|
|                         | 2006        | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General governmental    |             |      |      |      |      |      |      |      |      |      |
| Municipal building      | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Public safety           |             |      |      |      |      |      |      |      |      |      |
| Police                  |             |      |      |      |      |      |      |      |      |      |
| Stations                | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Patrol units            | 8           | 8    | 8    | 8    | 8    | 8    | 8    | 8    | 8    | 8    |
| Vehicles                | 8           | 8    | 8    | 9    | 9    | 9    | 10   | 10   | 10   | 10   |
| Codes                   |             |      |      |      |      |      |      |      |      |      |
| Vehicles                | 2           | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Public works            |             |      |      |      |      |      |      |      |      |      |
| Municipal building      | -           | -    | -    | -    | -    | -    | -    | -    | -    | -    |
| Maintenance garage      | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Vehicles                | 14          | 14   | 14   | 14   | 14   | 14   | 14   | 14   | 14   | 14   |
| Streets (miles)         | 25          | 25   | 25   | 25   | 25   | 25   | 25   | 25   | 25   | 25   |
| Streetslights           | 410         | 410  | 410  | 410  | 410  | 410  | 410  | 410  | 410  | 410  |
| Traffic signals         | 20          | 20   | 20   | 21   | 21   | 21   | 21   | 21   | 21   | 21   |
| Culture and recreation  |             |      |      |      |      |      |      |      |      |      |
| Park acreage            | 82          | 82   | 82   | 82   | 82   | 82   | 82   | 82   | 82   | 82   |
| Parks                   | 2           | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Swimming pools          | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Tennis courts           | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Water                   |             |      |      |      |      |      |      |      |      |      |
| Wells                   | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Water mains             | 22          | 22   | 22   | 22   | 22   | 22   | 22   | 22   | 22   | 22   |
| Fire hydrants           | 143         | 143  | 143  | 143  | 143  | 143  | 143  | 143  | 143  | 143  |
| Sewer                   |             |      |      |      |      |      |      |      |      |      |
| Pump stations           | 2           | 2    | 3    | 4    | 4    | 4    | 4    | 4    | 4    | 4    |
| Sanitary sewers (miles) | 20          | 20   | 20   | 20   | 20   | 20   | 20   | 20   | 20   | 20   |
| Storm sewers (miles)    | 18          | 18   | 18   | 18   | 19   | 19   | 19   | 19   | 19   | 19   |
| Parking                 |             |      |      |      |      |      |      |      |      |      |
| Garage                  | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Lots                    | 4           | 4    | 6    | 6    | 6    | 6    | 6    | 6    | 6    | 6    |

Source: Borough of Kennett Square Finance Office.

**BOROUGH OF KENNETT SQUARE, PENNSYLVANIA  
CONSTRUCTION AND BANK DEPOSITS  
LAST TEN FISCAL YEARS**

SCHEDULE 25

| Fiscal Year<br>Ended<br>December 31, | New Construction<br>Residential |                      |               | New Construction<br>Commercial |               |                      | Repairs, Alterations<br>and Additions<br>Residential |                      |               | Repairs, Alterations<br>and Additions<br>Commercial |                |                       |                  |
|--------------------------------------|---------------------------------|----------------------|---------------|--------------------------------|---------------|----------------------|--|----------------------|---------------|---|----------------|-----------------------|------------------|
|                                      | Permit<br>Fees                  | Number of<br>Permits | Total<br>Cost | Number of<br>Permits           | Total<br>Cost | Number of<br>Permits | Total<br>Cost  | Number of<br>Permits | Total<br>Cost | Number of<br>Permits                                | Total<br>Cost  | Demolition<br>Permits | Bank<br>Deposits |
| 2006                                 | \$ 67,404                       | 10                   | \$ 974,000    | 3                              | \$ 8,483,800  | 79                   | \$ 724,434   | 21                   | \$ 1,338,456  | 2   | \$ 222,372,000 |                       |                  |
| 2007                                 | 84,157                          | 8                    | 2,211,000     | 3                              | 226,000       | 73                   | 1,227,550  | 6                    | 2,135,860     | 7   | 247,326,000    |                       |                  |
| 2008                                 | 57,799                          | 8                    | 1,040,655     | 5                              | 1,557,566     | 76                   | 818,697  | 34                   | 621,536       | 4   | 245,282,000    |                       |                  |
| 2009                                 | 36,394                          | 2                    | 152,000       | 0                              | -             | 78                   | 577,654  | 21                   | 1,226,825     | 2   | 151,986,000    |                       |                  |
| 2010                                 | 52,796                          | 0                    | -             | 0                              | -             | 61                   | 513,560  | 25                   | 1,483,101     | 4   | 228,023,000    |                       |                  |
| 2011                                 | 89,664                          | 10                   | 603,800       | 0                              | -             | 84                   | 1,047,838  | 21                   | 2,034,151     | 2   | 157,224,000    |                       |                  |
| 2012                                 | 70,262                          | 3                    | 196,000       | 5                              | 2,835,000     | 82                   | 560,190  | 21                   | 337,049       | 2   | 221,301,000    |                       |                  |
| 2013                                 | 59,264                          | 8                    | 720,000       | 0                              | -             | 93                   | 859,640  | 22                   | 410,000       | 4   | 224,767,499    |                       |                  |
| 2014                                 | 117,290                         | 37                   | 3,534,698     | 3                              | 1,099,390     | 70                   | 738,502  | 15                   | 188,414       | 1   | 169,386,000    |                       |                  |
| 2015                                 | 167,793                         | 69                   | 4,992,850     | 2                              | 456,449       | 59                   | 788,636  | 31                   | 681,034       | 4   | 181,165,000    |                       |                  |

Sources: Borough's Codes Department, bank deposits per Federal Deposit Insurance Corporation.