

BOROUGH OF KENNETT SQUARE

STATISTICS / MISCELLANEOUS

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BOROUGH OF KENNETT SQUARE

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)
2006 - 2015

<u>Year Ended December 31</u>	<u>Taxes</u>	<u>Licenses & Permits</u>	<u>Fines & Forfeits</u>	<u>Interest & Rents</u>	<u>Intergovernmental</u>	<u>Charges for Services</u>	<u>Misc.</u>	<u>Total</u>
2006	\$ 1,971,447	\$ 65,687	\$ 71,701	\$ 177,137	\$ 346,271	\$ 406,521	\$ 3,388	3,042,152
2007	2,403,344	66,775	60,421	161,767	1,351,638	361,056	14,804	4,419,805
2008	1,862,655	79,588	69,988	133,615	550,161	410,765	60,352	3,167,124
2009	2,087,570	116,968	58,518	116,876	578,388	271,656	27,418	3,257,394
2010	1,842,250	66,580	52,805	134,839	812,608	283,240	21,805	3,214,127
2011	2,308,493	106,542	48,227	134,177	408,260	490,183	16,527	3,512,409
2012	2,531,594	81,599	43,770	133,135	833,091	375,807	5,841	4,004,837
2013	2,520,601	87,423	39,665	113,705	1,027,110	346,896	5,094	4,140,494
2014	2,549,663	93,510	38,608	92,923	1,066,776	433,676	13,494	4,288,650
2015	3,072,091	96,629	52,052	70,293	2,249,791	507,266	29,576	6,077,698

(1)

Source: This schedule includes those revenues recorded in the General, Special Revenues, and Capital Fund.

BOROUGH OF KENNETT SQUARE

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
2006-2015

Year Ended December 31	General Government	Public Safety	Sanitation	Public Works Streets	Parks & Recreation	Conservation & Development	Non - Departmental	Capital Outlay	Debt Service	Total
2006	\$ 383,125	\$ 1,848,170	\$ 331,033	\$ 764,516	\$ 91,835	\$ 97,385	\$ 113,528	\$ 0	\$ 262,613	\$ 3,892,205
2007	403,729	1,884,618	320,729	1,955,847	65,124	289,508	131,865	0	262,254	5,313,674
2008	612,554	2,048,431	324,611	994,331	71,672	281,548	0	0	255,074	4,588,221
2009	481,781	1,971,016	326,847	1,002,919	78,695	28,270	37,000	176,729	252,971	4,356,228
2010	719,423	1,945,431	0	672,701	96,918	152,157	0	10,000	254,318	3,850,948
2011	643,306	2,143,469	0	839,865	84,567	352,994	0	0	334,307	4,398,508
2012	808,910	2,258,012	0	1,487,183	82,922	545,845	0	0	360,086	5,542,958
2013	721,894	2,371,922	0	2,194,704	76,126	21,371	0	0	361,110	5,747,127
2014	726,580	2,407,804	0	1,855,661	71,596	12,940	0	0	356,861	5,431,442
2015	788,930	3,087,650	0	1,907,685	102,331	42,933	0	0	389,883	6,319,412

(1) This schedule includes General, Special Revenues and Capital Funds.

Source: Borough of Kennett Square, Pennsylvania annual financial statements

BOROUGH OF KENNETT SQUARE

TAX REVENUE BY SOURCE
2006-2015

<u>Year Ended December 31</u>	<u>Real Estate</u>	<u>Real Estate Transfer</u>	<u>Local Services Tax</u>	<u>Earned Income</u>	<u>Mechanical Device</u>	<u>Total Taxes</u>
2006	\$ 524,732	\$ 141,962	\$ 180,152	\$ 1,138,096	\$ 1,250	1,986,192
2007	496,881	100,350	176,802	1,620,966	800	2,395,799
2008	618,631	84,021	134,871	1,049,893	1,660	1,889,076
2009	897,201	80,662	148,219	994,635	2,545	2,123,262
2010	876,708	92,733	113,896	866,072	1,375	1,950,784
2011	1,080,446	63,790	108,542	906,200	2,600	2,161,578
2012	1,087,576	92,075	118,028	1,245,755	2,445	2,545,879
2013	1,187,653	92,767	168,328	1,071,853	2,600	2,523,201
2014	1,211,273	135,106	157,414	1,069,701	-	3,993,494
2015	1,848,483	152,832	160,372	1,324,225	1,500	3,487,412

Sources: Borough of Kennett Square, Pennsylvania annual financial statements.

BOROUGH OF KENNETT SQUARE
PROPERTY TAX LEVIES AND COLLECTIONS
2006 - 2015

<u>Year Ended December 31</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Levy</u>	<u>Outstanding Delinquent Taxes</u>
2006	\$ 513,566	\$ 485,004	97.1	\$ 28,491	\$ 513,495	99.9	\$ 71
2007	508,938	472,997	92.1	35,941	508,938	100.0	0
2008	620,504	593,603	95.7	26,901	620,504	100.0	0
2009	870,403	815,557	93.7	54,846	870,403	100.0	0
2010	873,242	840,527	92.8	32,715	873,242	100.0	0
2011	1,087,641	1,032,527	94.9	54,585	1,087,112	99.9	529
2012	1,086,267	1,036,652	95.4	49,615	1,086,267	100.0	0
2013	1,200,925	1,187,653	98.9	13,272	1,200,925	100.0	0
2014	1,200,171	1,150,309	95.9	17,300	1,167,609	95.9	32,562
2015	1,455,317	1,440,839	94.7	0	1,440,839	94.7	14,478

Source: Borough of Kennett Square, Pennsylvania annual financial statements report.

BOROUGH OF KENNETT SQUARE
 ASSESSED AND MARKET VALUATION
 2006-2015

<u>Year Ended December 31</u>	<u>Real Estate Assessed Value</u>	<u>Estimated Market Value</u>	<u>Ratio of Total Assessed Value to Total Estimated Market Value</u>	<u>Real Estate Milage Rate</u>
2006	218,538,790	398,067,013	54.9	2.350
2007	216,568,700	418,086,293	51.8	2.350
2008	217,794,040	421,265,068	51.7	2.850
2009	226,226,000	426,841,509	53.0	3.850
2010	227,091,640	409,912,708	55.4	3.850
2011	224,258,110	400,460,911	56.0	4.850
2012	223,972,160	448,835,729	59.0	4.850
2013	224,608,420	373,103,687	60.0	5.350
2014	224,330,680	392,873,345	57.1	5.350
2015	229,229,340	414,905,105	55.3	6.350

Source: Pennsylvania State Tax Equalization Board.

BOROUGH OF KENNETT SQUARE
PROPERTY TAX RATES - DIRECT AND OVERLAPPING
2006 - 2015

(Per \$1,000 of Assessed Value)

Year Ending December 31	Tax Rates				Assessed Property Values	
	Borough	School District	County	Total	Taxable	Non-Taxable
2006	2.350	21.570	3.699	27.619	218,538,790	41,155,020
2007	2.350	21.950	3.804	28.104	216,568,700	40,754,420
2008 (2)	2.850	23.140	3.804	29.794	217,794,040	40,648,760
2009 (3)	3.850	23.954	3.965	31.769	226,226,000	40,605,700
2010	3.850	24.778	3.965	32.593	227,091,640	40,749,030
2011 (4)	4.850	25.729	3.965	34.544	224,258,110	40,840,920
2012	4.850	26.730	3.965	35.545	223,972,160	40,840,920
2013 (5)	5.350	27.452	4.163	39.965	224,608,420	40,872,630
2014	5.350	27.941	4.163	37.454	224,330,680	42,400,920
2015	6.350	28.602	4.163	39.115	229,229,340	42,405,130

(1) The Borough increased the borough's Real Estate Tax Millage by .6 mills to provide a stable funding source for the borough's Fire Company as of January 1, 2004.

(2), (5) The Borough increased the borough's Real Estate Tax Millage by 1/2 mill for general operations.

(3), (4) The Borough increased the borough's Real Estate Tax Millage by 1 mill for general operations.

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

BOROUGH OF KENNETT SQUARE

POPULATION TRENDS
1970 - 2014

	<u>Kennett Square</u>		<u>Chester County</u>		<u>Pennsylvania</u>	
	<u>Census</u>	<u>% Increases</u>	<u>Census</u>	<u>% Increases</u>	<u>Census</u>	<u>% Increases</u>
1970	4,876	-	278,311	-	11,800,766	-
1980	4,715	(3.4%)	316,660	13.8%	11,866,728	0.6%
1990	5,216	10.6%	376,396	18.9%	11,881,643	0.1%
2000	5,273	1.1%	433,501	15.2%	12,281,054	3.4%
2010	6,072	15.2%	498,886	15.1%	12,702,379	3.4%
2011	6,127	9.1%	503,897	9.0%	12,742,886	9.7%
2012	6,113	0.7%	506,575	1.5%	12,763,536	0.5%
2013	6,129	0.9%	509,468	2.1%	12,773,801	0.6%
2014	6,151	1.2%	512,784	2.7%	12,787,209	0.7%
2015	6,167	1.7%	515,939	3.4%	12,802,503	0.8%

Source: U. S. Bureau of Census

BOROUGH OF KENNETT SQUARE

POPULATION FACTS

	<u>Kennett Square</u>	<u>Chester County</u>	<u>Pennsylvania</u>
Population, 2015 estimated census	6,167	515,739	12,802,503
Population, percent change 2010 to 2014	1.7%	3.4%	0.8%
Population, 2010	6,072	498,886	12,702,379
Persons under 5 years old, percent, 2015	8.6%	5.7%	5.6%
Persons over 18 years old, percent, 2015	25.7%	23.3%	21.0%
Persons 65 years old and over, percent, 2015	10.6%	15.0%	17.0%
White persons, percent, 2015 (a)	65.7%	86.4%	82.6%
Black or African American persons, percent, 2015 (a)	7.2%	6.1%	11.7%
American Indian and Alaska Native persons, percent, 2015 (1)	0.4%	0.2%	0.4%
Asian persons, percent, 2015 (1)	0.8%	5.1%	3.4%
Persons reporting two or more races, percent, 2015	3.3%	1.8%	1.9%
White persons, not of Hispanic/Latino origin, percent, 2015	42.8%	80.1%	77.4%
Persons of Hispanic/Latino origin, percent, 2015 (3)	48.8%	7.3%	6.8%
Living in same house 1 year and over in 2010 - 2014	87.0%	89.8%	88.0%
Foreign born persons, percent, 2010-2014	37.9%	9.0%	6.1%
Language other than English spoken at home, percent, age 5+, 2010-2014	48.2%	12.1%	10.5%
High school graduates, percent of persons age 25+, 2010-2014	60.8%	92.8%	89.0%
Bachelor's degree or higher, percent of persons age 25+, 2010-2014	22.6%	48.8%	28.1%
Mean travel time to work (minutes), workers age 16%, 2010-2014	17.6%	27.5%	26.0%
Housing units, 2015	2,084	196,755	5,602,813
Homeownership rate, 2010-2014	54.6%	75.3%	69.5%
Housing units in multi-unit structures, percent, 2010-2014	33.3%	17.6%	20.5%
Median value of owner-occupied housing units, 2010-2014	226,100	323,600	164,900
Households, 2010-2014	2,024	185,306	4,957,736
Persons per households, 2010-2014	3	2.65	2.49
Median household income, 2010-2014	67,378	86,093	53,115
Per capita money income, 2010-2014	26,336	42,323	28,912
Persons below poverty, percent, 2010-2014	11.9%	7.3%	13.2%

BOROUGH OF KENNETT SQUARE

POLICE INFORMATION
2006 - 2015

<u>Year</u>	<u>Police Chief</u>	<u>Lieutenant</u>	<u>Corporals</u>	<u>Investigator</u>	<u>Police Officers</u>	<u>Meter Officers</u>	<u>Total Uniformed Employees</u>
2006	1	1	2	1	7	2	14
2007	1	1	2	1	7	1	13
2008	1	0	2	1	7	1.5	12.5
2009	1	0	2	1	7	1.5	12.5
2010	1	0	3	1	7	1.5	13.5
2011	1	0	3	1	7	1.5	13.5
2012	1	0	3	1	7	1.5	13.5
2013	1	0	3	1	7	1.5	13.5
2014	1	0	3	1	6	1.5	12.5
2015	1	0	3	1	6	1.5	12.5

<u>Year</u>	<u>Traffic Arrests</u>	<u>Criminal Arrests</u>	<u>Written Warnings</u>	<u>Complaints</u>	<u>Total</u>
2006	1,891	355	313	7859	10,418
2007	1,281	340	300	7989	9,910
2008	1,384	329	351	8268	10,332
2009	1,169	281	782	7539	9,771
2010	1,048	327	702	7599	9,676
2011	876	282	683	7636	9,477
2012	799	303	692	8033	9,827
2013	622	281	631	7757	9,291
2014	767	323	572	7493	9,155
2015	809	295	524	7367	8,995
Total	10,646	3,116	5,550	77,540	96,852

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

CONSTRUCTION AND BANK DEPOSITS

2006 - 2015

Fiscal Year Ended December 31,	New Construction Residential			New Construction Commercial			Repairs, Alterations and Additions Residential			Repairs, Alterations and Additions Commercial			
	Permit Fees	Number of Permits	Total Cost	Number of Permits	Total Cost	Number of Permits	Total Cost	Number of Permits	Total Cost	Number of Permits	Total Cost	Demolition Permits	Bank 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.

BOROUGH OF KENNETT SQUARE
 PRINCIPAL REAL ESTATE TAXPAYERS
 AS OF DECEMBER 31, 2016

Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
State Street Associates LP	Developer	\$ 11,329,460	4.78%
Kennett Center LP	Developer	7,597,700	3.21%
KS-Q Realty LP	Landlord	2,349,070	0.99%
Tritea LLC	Landlord	2,184,000	0.92%
Ruane Patrick J & Strine Walter M	Landlord	1,916,250	0.81%
Everts Richard A & Donna M	Landlord	1,798,080	0.76%
Kennett Square Realty LP	Developer	1,650,840	0.70%
Race Park LLC	Landlord	1,349,790	0.57%
LGB - 148 West State Street	Commercial Business	1,251,870	0.53%
CSC Legacy LLL	Landlord	<u>1,134,100</u>	0.48%
TOTALS		<u>\$ 32,561,160</u>	13.75%

Source: Chester County Board of Assessments

ECONOMIC AND DEMOGRAPHIC INFORMATION
RELATING TO BOROUGH OF KENNETT SQUARE
INTRODUCTION

The Borough of Kennett Square (the “Borough”) 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, county seat of Chester County. With an area of 1 square mile, the Borough had a 2000 census population of 5,273 and following the 2010 census the population increased to 6,072.

The 2015 Census identified 2,084 dwelling units in the Borough. A total of 1,976 units were reported in the 2000 Census; this addition of 108 units represented a 5.5% increase in the Borough’s housing stock. The majority of housing in the Borough (64%) is of the single-family unit type. In 2015, 54.6% of housing units were owner-occupied and 33.3% were rented. The median value of owner-occupied units in the Borough was \$226,100. The median value of homes for Chester County in 2014 was \$323,600 and for Commonwealth of Pennsylvania was \$164,900.

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

The Borough of Kennett Square supports a Main Street Program for the economic revitalization of the downtown business district. The Commonwealth of Pennsylvania has funded this program for the first eight years and since 2009 has been operating on its own funding sources.

In addition, the Borough has been designated as an Elm Street area and has received funding for the first five years to support a community revitalization effort in a neighborhood adjacent to the Main Street. The Commonwealth provided funding for an Elm Street Manager and a façade improvement program. The Elm Street Project has involved into “Historic East Linden Street Project” (HELP). The residents have joined together to improve their neighborhood with organized funding sources to keep their project alive.

The Borough with help from the Main Street Manager has worked towards creating a prosperous and prominent Main Street District. The Main Street Manager helps support small businesses to locate in Kennett Square’s Main Street District.

BOROUGH OF KENNETT SQUARE

BASIS OF ACCOUNTING

The Borough of Kennett Square, Pennsylvania, utilizes the modified accrual basis of accounting for the General, Liquid Fuels, Emergency Management, Capital Improvement, Equipment Replacement and the Revolving Loan Fund. In this system, expenditures are recorded when incurred and revenues are recorded when received. The National Committee on Governmental Accounting does not require use of a true accrual system whereby revenues would be recorded at the time that they are due. The Borough of Kennett Square has evaluated its needs and has chosen to utilize the modified accrual system.

The accrual basis of accounting is utilized by the Water, Sewer, Solid Waste and Parking Fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Borough also utilizes "Fund Accounting," where a complete, self-balancing set of accounts (a fund) is maintained for keeping track of special receipts and expenditures. Fund accounting is a generally accepted method of accounting for governmental units in Pennsylvania. The Borough of Kennett Square feels that this method of accounting provides an accurate financial picture of the Borough organization.

In addition, the Borough utilizes the "double entry accounting method". Using this procedure means that two entries are made for each transaction: one (1) entry shows the effect (increase or decrease) on cash; the other entry shows which revenue or expenditure account caused the increase or decrease in cash. More accurately, one (1) entry shows the change in assets or liabilities; the other entry shows which revenue or expenditure account caused the change. The method produces a balanced group of accounts. The Borough finds that the use of double entry accounting makes it easier to detect the fact an error has been made, which then alerts the staff of the need to make corrections.

However, the Borough utilizes the modified accrual method for its budget process. The Borough funds are divided into three categories: Governmental, Enterprise and Fiduciary. The budget process includes all the Governmental and Enterprise funds. The Borough has six Governmental Funds: General, Liquid Fuels, Emergency Management, Capital Improvements, Equipment Replacement and Revolving Loan. The Borough has four Enterprise funds: Water, Sewer, Solid Waste and Parking. All aforementioned funds are included in the Borough's annual budget.

In summary, the Borough of Kennett Square utilizes accounting methods and procedures which comply with state and local provisions which meet generally accepted accounting principles. The use of these methods and procedures ensures that the fiscal condition of the Borough is accurately reflected. Thus, there is a satisfactory basis for

BOROUGH OF KENNETT SQUARE

BASIS OF ACCOUNTING (cont.)

making financial decisions, extracting financial reports, and performing audits of the Borough's financial records.

BOROUGH OF KENNETT SQUARE

FUNDS

The Borough of Kennett Square uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid finance management by segregating transactions related to certain government functions or activities.

A Fund is a fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual balances, and any changes to these, are recorded and segregated to carry on specific activities or objectives according to special regulations, restrictions or limitations.

The Borough Council annually adopts an operating budget for the following Governmental Funds:

General Fund

The General Fund is the general operating fund of the Borough. This fund is used to account for all activities of the Borough's general government not accounted for in some other fund. Under GASB 34 Standards the General Fund is considered a major fund.

Special Revenue Funds

These funds are used to account for proceeds of specific revenue sources used to finance specific activities as required by law or administrative regulations. Under GASB 34 Standards the following five are considered non-major funds. The Borough has four Special Revenue Funds: Liquid Fuels Fund, Emergency Management Fund, Equipment Replacement Fund and Revolving Loan Fund.

Capital Improvement Funds

These funds are used to account for financial resources to be used for the acquisition or construction of general fixed assets. Under GASB 34 Standards the following three funds are considered non-major funds. The Borough has three Capital Improvement Funds: General Capital Improvement Fund, Water Capital Improvement Fund, and Sewer Capital Improvement Fund.

BOROUGH OF KENNETT SQUARE

FUNDS (cont.)

Enterprise Funds

These funds are used to account for operations; (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Under GASB 34 Standards the following four funds are considered major funds: Water Fund, Sewer Fund, Solid Waste Fund and Parking Fund.

BOROUGH OF KENNETT SQUARE
BUDGETARY CALENDAR

Preparation of Budget

Beginning at least thirty days prior to the adoption of the budget a proposed budget or annual estimate of revenues and expenditures for the ensuing year shall be prepared in a manner designated by the Council. The proposed budget shall be kept on file with the Borough Secretary and be made available for public inspection for a period of ten days.

Notice of Proposed Budget: Penalty

Notice that the proposed budget is available for inspection shall be published by the Borough Secretary in any newspaper of general circulation in the Borough. Failure to give the notice herein required shall not invalidate the budget adopted or the tax ordinance. If the Borough Secretary fails, or refuses to give the notice that the proposed budget is available for inspection, as herein required, shall, upon conviction thereof in a summary proceeding, be sentenced to pay a fine not exceeding one hundred dollars (\$100) and costs of prosecution.

Revision and Completion of Budget

After the expiration of the said ten days, Council shall make such revision in the budget as shall be deemed advisable. The budget shall be as comprehensive and exact, as the information available will admit. In addition to expenditures proposed for the current fiscal year, Council may include as proposed expenditures a sum sufficient to pay any existing indebtedness and to pay the ordinary operating expenses for the subsequent year until the taxes of the subsequent year are received therefore, and may also include a sum to provide in whole or in part for any deferred maintenance, depreciation and replacements. Within the tax levy and debt limitations, Council may also include, in whole or in part, expenditures for capital investments and purchases. Expenditures of a legislative character shall be made, authorized or ratified by ordinance. Other expenditures allowed by law may be made or ratified by motion of Council. Such expenditures, whether by ordinance or motion, shall then be considered as appropriations affecting the budget. Any balance of revenues over expenditures may be expended in any subsequent year for any lawful purpose.

BOROUGH OF KENNETT SQUARE

BUDGET CALENDAR (cont.)

Adoption of Budget; Tax Ordinance

Upon completion of the budget, containing the estimated receipts and expenditures, and its adoption by motion of Council, which shall not be later than December thirty-first, it shall be the duty of the Council to adopt an ordinance levying the taxes referred to in this act for the fiscal year for approval of the mayor or passage over his veto.

Amending Budget; Notice

During the month of January next following any municipal election the Council of the Borough may amend the budget and the levy and tax rate to conform to its amended budget. A period of ten days public inspection at the office of the Borough Secretary of the proposed amended budget after notice by the Borough Secretary to that effect is published once in a newspaper of general circulation in the Borough shall intervene between the proposed amended budget and the adoption thereof. Any amended budget must be adopted by Council on or before the fifteenth day of February.

Modification of Budget; Supplemental Appropriations and Transfers

The Council in its reasonable discretion may, in any year, by motion, modify the budget after its final adoption. New appropriations, supplementary appropriations and transfers from one appropriation to another, may be made during the fiscal year, either before or after the expenditures is authorized or ratified after the expenditure is made, provided it is within the current year's revenues, or the money therefore promptly made available through borrowing as allowed by law.

BOROUGH OF KENNETT SQUARE

BUDGET CALENDAR (cont.)

Budget Calendar for Staff

The Borough of Kennett Square, Borough Manager involves its Department Heads in the preparation of their department budget.

The Manager creates a budget schedule each year in the month of June. This schedule is given to Department Heads along with their department budget information. The information includes operating and capital budget information that entails two previous year-actual data, current year budget. Department Heads are given the responsibility of completing data for the current year projected actual till year end and for the proposed year. The department's requests are input onto computerized budgetary spreadsheets that categorically incorporate requests into a singular format, distinguishing expenditures in the following manner: Personnel, Commodities, Contractual Services, Contribution, Refunds, Debt Service, Transfers, and Non-Expenditures items.

The Borough Manager and Finance Director reviews all information gathered for the Budget by Departments and, after meeting with Department Heads, make final adjustments.

The Proposed Budget document is created and presented to Borough Council for their approval following the laws set forth before them.

BOROUGH OF KENNETT SQUARE
SUMMARY OF FINANCIAL POLICIES

In the Borough of Kennett Square, the budget process is an integral part of the overall policy framework which guides and coordinates the various services and functions of the Borough. The budget allocates available financial resources to departments which implement overall Borough policies, and sets priorities and determines service levels necessary to implement policy objectives.

The Borough's administration staff has long realized that legislative policies and management practices represent the most critical factors affecting a municipality's financial condition. Policies and practices have been established for long-range financial goals to improve the financial decision-making process.

In order to accomplish the aforementioned objectives, the Borough has the following set of financial policies to strengthen the Borough's financial condition and bond ratings.

The following policies identify the manner in which the Budget will account for and manage the funds available to the Borough.

POLICIES

Revenue Estimates: General Fund revenues are sensitive to local and regional economic activity. Accordingly, revenue estimates prepared by the administration and adopted by Borough Council should be on the conservative side.

The 2017 Budget has been prepared based on conservative revenue estimates using previous year projections. Prior years revenues are reviewed and projections are adjusted in the budget process.

Positive Cash Reserve: The annual budget should show fiscal restraint. Borough Council has set a restricted fund balance in the General Fund and uses unrestricted fund balance to balance budgets without increasing taxes.

The fund balance as of December 31, 2015 annual audit was \$303,454, a rebound from the fund balance of \$21,658 in 2014 for the General Fund.

BOROUGH OF KENNETT SQUARE

SUMMARY OF FINANCIAL POLICIES (cont.)

Deficit Management: There are three alternatives for balancing the budget: reduce appropriations, increase revenues, or a combination of the two techniques before using unrestricted fund balance to balance annual budgets.

The Borough's Department Heads complete budget worksheets that are reviewed with the Borough Manager and the three alternatives are incorporated into this review. Borough Council along with the Borough Manager also uses the three alternatives to finalize the final budget before adoption.

Review of Fee Schedules/User Charges: All fees and user charges are reviewed annually during the budget process to ensure that rates are equitable and cover the total cost of the service or that portion of the total cost deemed appropriate by the Borough.

The Borough adopts a Fee Schedule Resolution annually as part of its budget process. User fees associated with Water, Sewer and Parking Revenue Bonds are reviewed by Borough Engineers annually as per Borough Debt Ordinances and recommends user fees adjustment to the Borough.

Cash Management: The Borough pursues a prudent but aggressive cash management and investment program, in order to meet daily cash requirements, increase the amount available for investment, and earn the maximum rate of return on invested funds.

To meet the liquidity needs the Borough utilizes local checking accounts, savings accounts and money market accounts along with a government investment pool PLGIT (Pennsylvania Local Government Investment Trust).

Periodic Budget Reviews: Budget to Actual comparison is a critical tool in evaluating the efficiency and effectiveness of the budget process.

The Finance Office prepares monthly Budget to Actual reports detailing revenue and expenditure totals to allow the Borough Council, Manager and Department Heads to track and adjust budget year spending if needed.

BOROUGH OF KENNETT SQUARE

SUMMARY OF FINANCIAL POLICIES (cont.)

Capital Improvement Program Planning & Budgeting Process: The Capital Improvement Program reflects the relationship between the Borough's planning and budgeting processes, wherein the planning effort defines the Borough's anticipated capital improvement needs and the budgeting effort defines the financial parameters of capital improvement expenditure policies to meet those needs.

The Borough's Capital Improvements Program integrates planning and budgeting processes through projections of reserve borrowing after proposed bond requirements and impact projections of capital projects on operating budgets.

Capitalization Policy of Fixed Assets: The Borough recognizes the need to implement required accounting and financial reporting standards promulgated by the Governmental Accounting Standards Board (GASB) and the issue of GASB34 Standards. The purpose of this procedure is to delineate the capitalization methods for various assets groups.

The Borough's capital assets include land, land improvements, buildings, machinery and equipment, vehicles, infrastructure, works of art and historical treasures that have a life expectancy greater than five years and with a cost greater than or equal to \$5,000. Items are depreciated over their useful lives with the exceptions of land and land improvements are not depreciated.

Annual Audit: An annual audit shall be prepared by an independent public accounting firm in accordance with generally accepted auditing standards.

Borough Council appoints an independent auditing firm annually to examine and audit all accounts records. The audit consist of an examination in accordance with generally accepted auditing standards and includes such test of the accounting records and other auditing procedures as considered necessary in the circumstances.

BOROUGH OF KENNETT SQUARE

RESERVE POLICY

The Borough of Kennett Square has adopted a formal financial reserve policy. The objectives of this policy are to offer guidance regarding the establishment, use and replenishment of the Borough's reserves and to ensure compliance with GASB 54. The Borough is required to adopt GASB 54 "The New Fund Balance: by FY 2011.

Components of Fund Balance

Components of Fund Balance for government-wide financial statements are nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance. In order to comply with GASB 54 the Borough of Kennett Square shall adopt the following components of Fund Balance:

- **Non-spendable fund balance (inherently non-spendable).** A portion of net resources that cannot be spent because of their form or a portion of net resources that cannot be spent because they must be maintained intact. An example of non-spendable fund balance is investments in capital assets.
- **Restricted fund balance (externally enforceable limitations on use).** Limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments or limitations imposed by law through constitutional provisions or enabling legislation. Examples of restricted fund balance are debt service, special revenue funds and/or trust funds.
- **Committed fund balance (self-imposed limitations set in place prior to the end of the period).** Limitation imposed at highest level of decision making that requires formal action at the same level to remove. An example of committed fund balance is the vehicle/equipment replacement fund.
- **Assigned fund balance (limitation resulting from intended use).** Intended use established by highest level of decision making or intended use established by body designated for that purpose and/or intended use established by official designated for that purpose. A potential example of assigned fund balance is designating matching funds for a grant application.

BOROUGH OF KENNETT SQUARE

RESERVE POLICY

- **Unassigned fund balance (residual net resources).** Total fund balance in the general fund in excess of non-spendable, restricted, committed, and assigned fund balance (i.e., surplus) or excess of non-spendable, restrict, and committed fund balance over total fund balance (i.e., deficit).

Governmental Funds

1. Governmental Funds includes General, Special Revenues, and Capital Improvement Funds.
2. It will be the policy of the Borough to maintain at least two months operating expenditures in unassigned reserves in the General Fund. These operating reserves area maintained to address temporary revenue short falls, payment of approved cash flow shortages and for expenditures deemed necessary as assigned by Borough Council.
3. Capital Improve Fund. The Borough will maintain reserve funds to provide funding for the five year Capital Improvement Plan excluding proprietary fund projects. The use of any funds within the Capital Improvement Fund shall be assigned by Borough Council.
4. Potential grants shall be carefully examined for matching requirements and matching funds must be justified. Grants may be rejected if there are insufficient funds for grant match or programs must be continued with local resources after grant funds are exhausted.

Proprietary Funds

1. Enterprise funds are part of proprietary funds which includes Water, Sewer and Parking.
2. The Borough will incorporate into its customer rate structure funding for enterprise fund reserves. The reserve balances shall be no less that 20% of operating and capital expenditures.

Replenishment of Reserves

1. The following criteria will be used to restore used reserves.
2. If the reserves are drawn down by 25-50% of reserve fund balance, then a budgetary plan shall be implemented to return the reserve level to between 75% and 100% of the minimum balance over a 5 to 7 year period.

BOROUGH OF KENNETT SQUARE

RESERVE POLICY

3. If the reserves are drawn down by 10-25% of reserve fund balance, then the budgetary plan to restore the reserve shall be structured over a 3 to 5 year period.
4. If the reserves are drawn down by 0-10% of reserve fund balance, then a solution to replenish to at least the minimum shall be structured over a 1 to 3 year period.

Windfall Revenues

1. It shall be the policy of the Borough to consider any unbudgeted revenues in excess of \$50,000 to be a windfall.
2. Any windfall revenue will first be put into the reserves of the department to which it is owed if its reserves are not already fully funded. Second any remaining windfall amounts can be, at the discretion of Borough Council, used for grant matches and capital purchases.
3. Any remaining amounts after steps one and two shall be put into a Revenue Stabilization Fund. A Revenue Stabilization Fund shall be the equivalent of 5% of total fund budget.

BOROUGH OF KENNETT SQUARE GLOSSARY

ACTIVITY: A specific and distinguishable service performed by one or more organizational components of a government to accomplish a function for which the government is responsible (e.g., *police* is an activity within the *public safety* function).

ACTIVITY CLASSIFICATION: Expenditure classification according to the specific type of work performed by organizational units.

ALLOCATION: A part of an appropriation which is designated for expenditures by a specific organizational unit and/or for specific purposes, activities or objectives.

ANNUAL OPERATING BUDGET: A budget applicable to a single fiscal year. A plan of current expenditures and the proposed means of financing them. It is the primary means by which most of the financing, acquisition, spending and service delivery activities of a government are controlled.

APPROPRIATION: A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and time it may be expended.

ASSESSED VALUATION: A valuation set upon real estate or other property by a government as a basis for levying taxes.

BOND: A written promise to pay a specified sum of money at a specified future date along with periodic interest paid at a specified interest rate. Bonds are typically sold to finance long-term debt.

BUDGET: A plan of financial operation embodying an estimate of proposed expenditures (including encumbrances) for a given period of time and the proposed means of financing them.

BUDGET DOCUMENT: The official written statement which presents the budget to the Borough Council.

BUDGET MESSAGE: A general discussion of the proposed budget presented in writing as a part of the budget document. The budget message explains major budget issues against the background of financial experience in recent years and presents recommendations.

CAPITAL IMPROVEMENTS BUDGET: A plan of proposed capital expenditures and the means of financing them. The Capital Budget is enacted as part of the complete annual budget which includes both operating and capital outlays. The Capital Budget is based on the Capital Improvement Program (CIP).

BOROUGH OF KENNETT SQUARE
GLOSSARY (cont.)

- CAPITAL IMPROVEMENT PROGRAM:** A plan for capital expenditures to be incurred each year over a fixed period of ten future years setting forth each capital project and the amount to be expended in each year.
- CAPITAL OUTLAY:** Expenditures resulting in the acquisition of or addition to the government's general fixed assets:
- COMPENSATED ABSENCES:** Absences, such as vacation, illness and holidays, for which it is expected employees will be paid.
- COMMODITIES:** An account group which includes expenditures for supplies, minor tools, materials and repair parts consumed by the Borough in its activities.
- CONTRACTUAL SERVICES:** An account group which includes expenditures for services resulting from a contract performed for the Borough by an individual or a business, as distinguished from services performed by employees on the payroll of the Borough the services or contract should not result in a permanent asset.
- DEBT LIMIT:** The State set maximum amount of legally permitted outstanding net debt.
- DEBT SERVICES:** The payments of general long-term debt principal and interest incurred by the Borough.
- DEFICIT:** The excess of expenditures over revenues during an accounting period.
- DEPARTMENT:** A major administrative segment responsible for the provision of services within a functional area.
- ENCUMBRANCE:** Funds not yet expended, but which are obligated or set aside in anticipation of expenditures.
- EXPENDITURES:** Decreases in net financial resources. These include current operation expenses which require the current or future use of net assets, debt service and capital outlay.
- FISCAL YEAR:** A 12-month period, from January 1 to December 31, to which the annual operating budget applies. At the end of this period the Borough assesses its financial position and the results of its operations.

BOROUGH OF KENNETT SQUARE
GLOSSARY (cont.)

FRINGE BENEFITS: Expenditures items in the operating budget paid on behalf of the employee. These benefits include health and dental insurance, life insurance, disability insurance, retirement, FICA, unemployment compensation insurance and workers compensation insurance.

FULL-TIME POSITION: Employee who receives full fringe benefits and whose salary is calculated on the basis of 2,080 hours annually.

FUNCTION: A group of related activities aimed at accomplishing a major service or program for which the Borough is responsible.

FUND: A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual balances, and any changes to these, are recorded and segregated to carry on specific activities or objectives in accordance with special regulations, restrictions or limitations.

FUND BALANCE: The difference between the assets and liabilities of a governmental or trust fund.

GENERAL OBLIGATION BONDS: When the Borough pledges its full faith and credit to the repayment of the bonds it issues, then those bonds are general obligation (G.O.) bonds. Sometimes the term is also used to refer to bonds which are to be repaid from taxes and other general revenues.

GRANT: A contribution of assets (usually cash) by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the State and Federal governments. Grants are usually made for specified purposes.

INTERFUND TRANSFERS: A transaction between funds of the Borough.

MILL: The real estate tax rate which is based on the assessed valuation of property. A tax rate of one mill produces one dollar of taxes on each \$1,000 of assessed property valuation.

OBJECT: In expenditure classifications, the article purchased or service obtained, as opposed to the purpose for which the article or service was purchased or obtained.

PENSION CONTRIBUTION: The amount paid into a pension plan by the Borough (or employee), as obligated by the terms of the plan, state law, actuarial calculations or other basis for determinations.

BOROUGH OF KENNETT SQUARE
GLOSSARY (cont.)

PERSONAL SERVICES: A group of accounts that includes the salaries and wages of employees on the Borough's payroll as regular or temporary employees.

RESERVED FUND BALANCE: Any portion of fund balance that is not appropriable for expenditures or that is legally segregated for a specific future use.

REVENUE: Any increase in the net current assets of a governmental fund type from other than expenditures, refunds and transfers.

STATE LIQUID FUELS TAX: Commonwealth of Pennsylvania charges tax on all motor vehicles fuels and a portion of these revenues are returned to municipalities by a predetermined formula.

SURPLUS: The excess of revenues over expenditures during a fiscal year.

TAX RATE: The amount of tax stated in terms of a unit of the tax base, such as mills per dollar of assessed valuation.