

**BOROUGH OF KENNETT SQUARE,
PENNSYLVANIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

Prepared by:

Joseph C. Scalise
Borough Manager

Lisa Ionata
Finance Director

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
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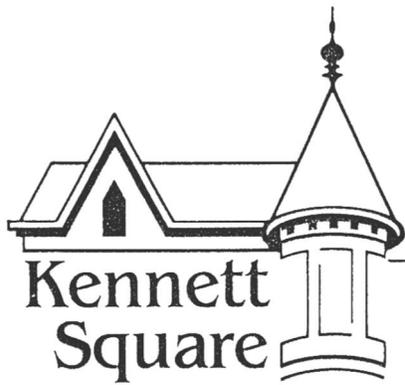
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**INTRODUCTORY
SECTION**



June 26, 2019

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, Pennsylvania's Comprehensive Annual Financial Report for the year ended December 31, 2018.

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 Zelenkofske Axelrod LLC, 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, 2018. This opinion states that the financial statements are fairly presented, in all material respects, in accordance with generally accepted accounting principles.

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 2018, the Borough had not met the expenditures threshold and as a result, a Single Audit is not required.

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 2018 is \$242,369,110 which is an increase of \$16,143,110 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 did not increase in 2018. The total millage for general purposes is 5.75 mills, an increase of 4 mills over the last ten years. The total tax levied in 2018, including the Fire Company tax, is 6.35 mills. For 2018 1 mill equates to \$242,369.11 in total revenue or approximately \$ 124.40 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 within 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 3.1% to 2.8%, the state rate decreased from 4.4% to 4.2% by the end of December 2018. During this same time the Borough's unemployment rate stayed essentially flat at 3.2%.

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 4,145 students enrolled in the school district, 1620 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 uptown. Genesis Health Care is one of the largest skilled nursing providers in the Country, with more than 450 skilled nursing centers in 30 States. Due to the current state of healthcare Genesis has been going through some downsizing. There is a full range of retail and service stores as well as professional offices along with Genesis uptown.

A four block area on State Street, designated as a Main Street Achiever by the Commonwealth, is the primary commercial artery in the Borough. It features First Friday Art Strolls including a Murder Mystery Art Stroll with the Kennett Amateur Theatrical Society (KATS) presenting a murder mystery where visitors may participate in solving the "whodunit". The Market at Liberty Place houses several different food vendors. The town residents celebrate New Year's Eve by gathering downtown for "Midnight in the Square" with a lighted mushroom drop at midnight. Since 2015 "Third Thursday's" dining in the streets happens once per month from May through September.

Many events draw tens of thousands of people to Kennett Square annually including but not limited to several parades, Cinco de Mayo, the Mushroom Festival, half marathons and other running.

Long-Term Financial Planning. The Borough supplies most of the water to its residents from two Borough-owned wells and also purchases 200,000 gallons per day of additional water from a local municipal authority. The Borough's second well became operational in 2015. The new well allows the Borough to reduce its daily water purchase requirement greatly.

The Borough partnered with the Delaware Valley Regional Planning Commission to upgrade all Borough streetlights and installation began in 2017. All that remained at the end of 2018 was a final punch list.

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 and Township hired an Economic Development Director late in 2017 to carry the plan into the future.

Beginning in 2012, the largest remaining underutilized parcels in the Borough will be redeveloped. 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 includes 57 town houses, 22 twin homes, and 33 apartments in a mixed use building with a 250 seat restaurant on the first floor occupied by Victory Brewing. Magnolia Place completed construction by the end of 2017 with only a few houses remaining for sale. The Borough has seen an increase in Real Estate and Act 511 taxes. The NVF property will remain a longer term project as it is going through the final stages of an environmental cleanup.

In 2016 the Borough's first pop up beer garden opened on Birch Street. The repurposed former mushroom canning site was transformed into an extremely successful family venue drawing more than 30,000 different people over the 6 months they were open. This facility opened under a Temporary Use Permit granted by Borough Council which was extended through 2017 while the applicant seeks permanent zoning approvals. In 2017 the venue was even more popular and brought more than 38,000 different patrons to the event that was limited to operations of Thursday to Sunday. In 2018 permanent zoning and improvements were completed to make the venue available seven days a week, year round. This spurred the redevelopment of a former industrial cleaning facility into another brewery and restaurant which is set to open in early 2019.

Cannery Row, a mixed use development adjacent to the Magnolia Place development began construction in 2017. The project consists of four buildings for largely commercial use with 15 apartments included in the construction and straddles the border of the Borough and Township.

Pennsylvania Department of Environmental Protection issued a new NPDES Permit to the Borough effective Nov. 2016 and as a result the Borough's wastewater treatment facility will need to be upgraded to remove Total Nitrogen from the effluent. A new process was designed in 2017 and will begin construction in early 2019 to meet the Nov. 2019 requirement. The cost of these improvements will total nearly three and a half million dollars. With reserves near two million dollars in the sewer fund the need for a loan will be required however the burden will be much more manageable.

Late in 2017 the Borough was awarded two separate grants from the State and County in the amounts of \$750,000 and \$500,000 respectively for the expansion of the parking garage. The two and a half million dollar project will benefit greatly from the \$1.25M in grant money and will require a construction loan to bridge the gap in timing for reimbursement of the grants. The Borough will also use \$250,000 from the sale of the Weinstein Lot to the Library towards the project leaving only \$1,000,000 to be funded from the parking fund.

The five-year Capital Improvement Program (CIP) details the continuation of addressing infrastructure and other needs through the year 2022. The 2018 and 2019 budgets provide \$3.7 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 several 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. During 2017, the Borough implemented entirely new financial software for all accounting, codes, and utility billing functions. This new software enables us to automate and simplify some processes that were previously done manually, such as miscellaneous invoicing and credit card receipts, with appropriate approval levels thus improving internal controls.

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, Zelenkofske Axelrod LLC, 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

Lisa Ionata
Lisa Ionata
Finance Director

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
List of Elected and Appointed Officials
December 31, 2018

Elected Officials

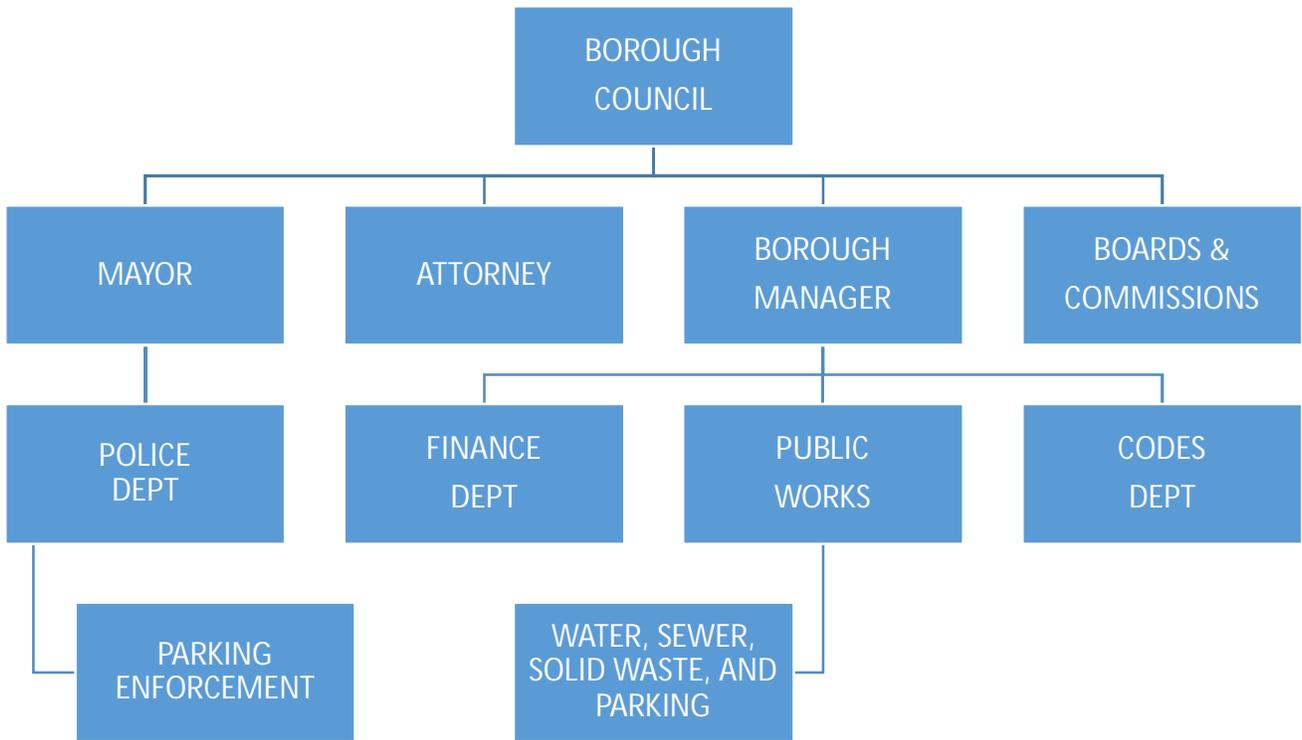
Mayor	Matthew W. Fetick
Council Member (President)	LaToya Myers
Council Member (Vice President)	Ethan Cramer
Council Member	Wayne Braffman
Council Member	Brenda Mercomes
Council Member	Douglas Doerfler
Council Member	James Mallon
Council Member	Peter Waterkotte

Appointed Officials

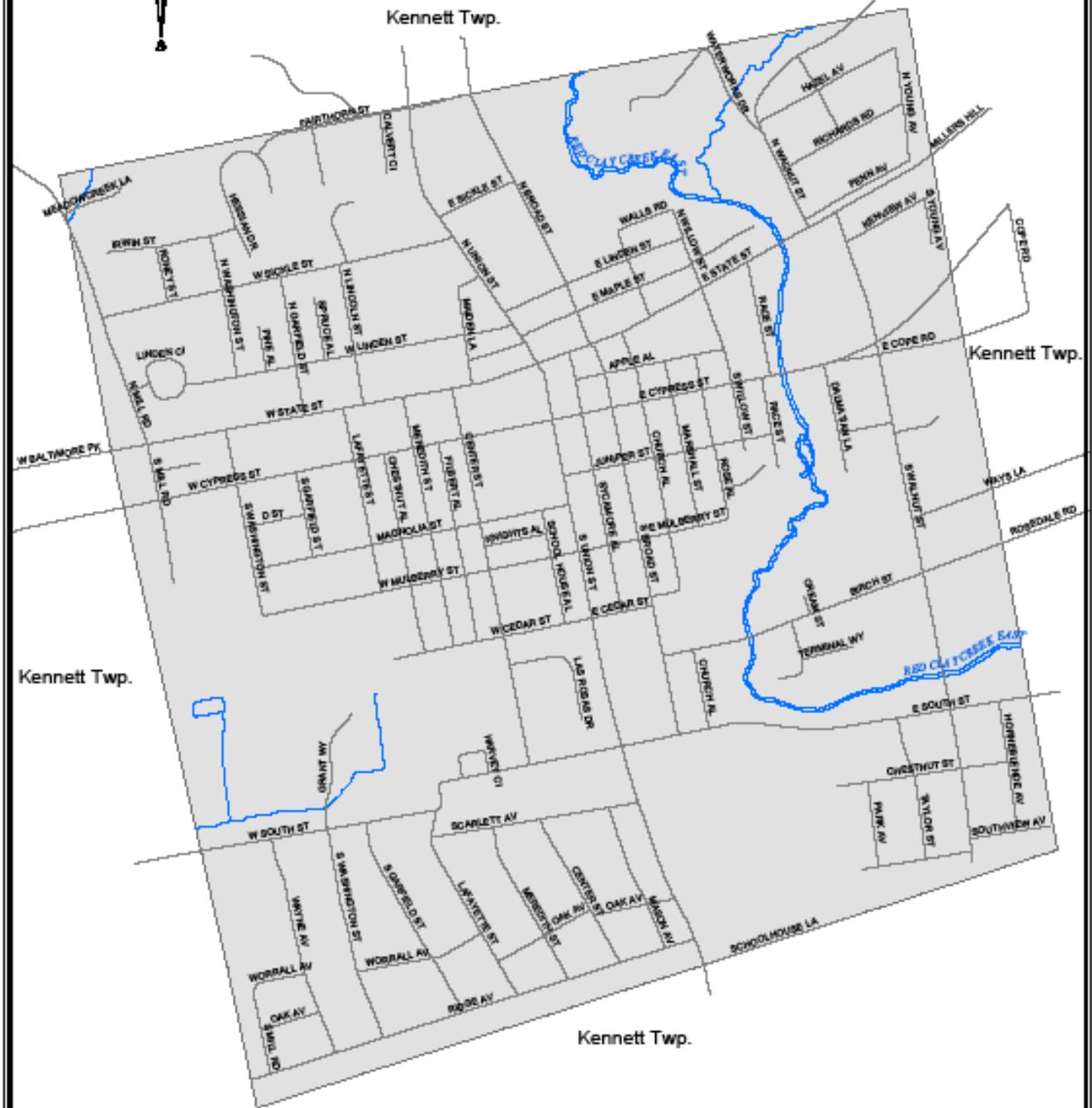
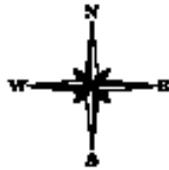
Borough Manager	Joseph C. Scalise
Attorney	Sienna Bellwoar
Finance Director	Lisa Ionata
Police Chief	William Holdsworth
Codes & Zoning Officer	Russell H. Drumheller
Public Works Director	Randy Behmke

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

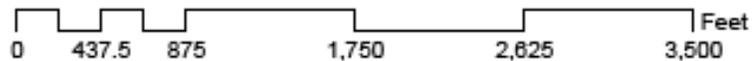
ORGANIZATION CHART



BOROUGH OF KENNETT SQUARE STREET MAP



1 inch equals 875 feet



**FINANCIAL
SECTION**



Zelenkofske Axlerod LLC

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Council
Borough of Kennett Square, Pennsylvania
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, Pennsylvania as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough of Kennett Square, Pennsylvania's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Borough of Kennett Square, Pennsylvania'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.

Auditor's 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, Pennsylvania as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

830 Sir Thomas Court, Suite 100, Harrisburg, PA 17109
3800 McKnight East Drive, Suite 3805, Pittsburgh, PA 15237
34745 Burbage Road, Frankford, DE 19945

2370 York Road, Suite A-5, Jamison, PA 18929
420 Chinquapin Round Road, Suite 2-i, Annapolis, MD 21401
210 Tollgate Hill Road, Greensburg, PA 15601

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To the Honorable Mayor and Members of Council
Borough of Kennett Square
Page 2

Adoption of Governmental Accounting Standards Board Pronouncements

In 2018 the Borough adopted the provisions of Governmental Accounting Standards Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and the provisions of Statement No. 86, *Certain Debt Extinguishment Issues*, in accordance with the modified accrual basis of accounting. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 15 through 28, budgetary comparison information on pages 66 and 67 and pension plan information on pages 68 through 73 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, Pennsylvania'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.



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To the Honorable Mayor and Members of Council
Borough of Kennett Square
Page 3

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.

Zelenkofske Axlerod LLC

ZELENKOSKE AXELROD LLC

Jamison, Pennsylvania
June 26, 2019

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

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, 2018. 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 \$16,421,007 (net position). Of this amount \$5,065,974 (unrestricted net position) may be used to meet the Borough's ongoing obligations to its citizens and creditors.

- The Borough's governmental activities total net position increased from 2017 by \$103,210 or 1.5% and unrestricted net position increased by \$202,050 in 2018.

- The Borough's business-type activities total net position increased from 2017 by \$785,665 or 9.3% and unrestricted net position increased by \$650,882 in 2018.

- Net investment in capital assets (net capital assets net of related debt) of the governmental-wide activities was \$11,321,599, a decrease of \$3,222.

- The total fund balance for the Borough's governmental funds was \$1,674,643 as of December 31, 2018.

- The General Fund has a total fund balance of \$498,866. This fund balance increased by \$9,787 from 2017 to 2018.

- As of December 31, 2018, the Borough had \$9,889,707 of debt outstanding. This represents a decrease of \$1,005,612 or 10.2% from the previous year. The amount of outstanding direct debt per capita decreased from \$1,769 to \$1,596 a difference of \$173.

- 2017 Financial Statements were restated to properly record a loan payable for a street light program; to increase 2017 Accounts Receivable to include bulk utility billings; and lastly, to write off Construction in Progress for previously completed and capitalized projects. These changes ultimately decreased 2017 governmental activities net position by \$266,281, decreased 2017 Water Fund net position by \$159,854, and increased 2017 Sewer Fund net position by \$332,299.

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, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

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, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

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, *Internal Service Funds* and *Enterprise Funds*. The Borough of Kennett Square has no 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.

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. In this section you will find the Borough's pension 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 65 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 66 through 73 of this report.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

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 \$16,430,726 at the close of 2018.

By far, the largest portion of the Borough of Kennett Square's net position (68.9%) 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, 2018 and 2017

An additional portion of the Borough of Kennett Square's net position (0.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,065,794 is the unrestricted net position of December 31, 2018.

	Governmental Activities		Business-Type Activities		Totals		Total Percentage Change
	2018	2017	2018	2017	2018	2017	2018-2017
Assets							
Current and Other Assets	\$2,543,084	\$3,013,719	\$4,307,534	\$3,413,931	\$ 6,850,618	\$ 6,427,650	-6.58%
Capital Assets, Net	8,533,022	9,038,859	12,473,375	12,889,731	21,006,397	21,928,590	4.21%
Total Assets	<u>11,076,106</u>	<u>12,052,578</u>	<u>16,780,909</u>	<u>16,303,662</u>	<u>27,857,015</u>	<u>28,356,240</u>	1.76%
Deferred Outflows of Resources							
Deferred Charge on Refunding	-	-	204,909	255,382	204,909	255,382	19.76%
Deferred Outflows of Resources - Pension Activity	486,254	347,820	134,093	74,500	620,347	422,320	-46.89%
Total Deferred Outflows of Resources	<u>486,254</u>	<u>347,820</u>	<u>339,002</u>	<u>329,882</u>	<u>825,256</u>	<u>677,702</u>	-21.77%
Liabilities							
Other Liabilities	780,525	956,546	326,822	203,743	1,107,347	1,160,289	4.56%
Long-Term Liabilities	3,129,467	3,595,406	7,270,766	8,113,482	10,400,233	11,708,888	11.18%
Total Liabilities	<u>3,909,992</u>	<u>4,551,952</u>	<u>7,597,588</u>	<u>8,317,225</u>	<u>11,507,580</u>	<u>12,869,177</u>	10.58%
Deferred Inflows of Resources							
Deferred Inflows of Resources - Pension Activity	503,537	536,544	250,147	2,453	753,684	538,997	-39.83%
Net Position							
Net Investment in Capital Assets	5,838,379	6,149,029	5,483,220	5,175,792	11,321,599	11,324,821	0.03%
Restricted	33,614	88,585	-	-	33,614	88,585	62.05%
Unrestricted	1,276,838	1,074,288	3,788,956	3,138,074	5,065,794	4,212,362	-20.26%
Total Net Position	<u>\$7,148,831</u>	<u>\$7,311,902</u>	<u>\$9,272,176</u>	<u>\$8,313,866</u>	<u>\$16,421,007</u>	<u>\$15,625,768</u>	-5.09%

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

Changes in Net Position - Years Ended December 31, 2018 and 2017

	Governmental Activities		Business-Type Activities		Totals		Total Percentage Change 2018-2017
	2018	2017	2018	2017	2018	2017	
Revenues							
Program Revenues							
Charges for Services	\$ 487,930	\$ 469,885	\$ 4,682,931	\$ 4,551,398	\$ 5,170,861	\$ 5,021,283	-2.98%
Operating Grants and Contributions	522,750	539,462	-	-	522,750	539,462	3.10%
Capital Grants and Contributions	-	29,104	-	8,954	-	38,058	100.00%
General Revenues							
Taxes, Levied for General Purposes	3,075,454	3,097,409	-	-	3,075,454	3,097,409	0.71%
Investment Income and Rents, Net of Expense	80,767	73,635	(246,880)	3,215	(166,113)	76,850	316.15%
Miscellaneous	39,075	200,789	-	-	39,075	200,789	80.54%
Total Revenues	4,205,976	4,410,284	4,436,051	4,563,567	8,642,027	8,973,851	3.70%
Expenses							
General Government	717,076	549,597	-	-	717,076	549,597	-30.47%
Public Safety	2,852,582	2,493,800	-	-	2,852,582	2,493,800	-14.39%
Public Works							
Highways and Streets	957,377	1,019,110	-	-	957,377	1,019,110	6.06%
Culture and Recreation	111,785	89,929	-	-	111,785	89,929	-24.30%
Community Development	265	3,092	-	-	265	3,092	91.43%
Interest on Long-Term Debt	87,958	87,976	-	-	87,958	87,976	0.02%
Water, Sewer and Parking	-	-	3,025,909	3,738,302	3,025,909	3,738,302	19.06%
Total Expenses	4,727,043	4,243,504	3,025,909	3,738,302	7,752,952	7,981,806	2.87%
Change in Net Position Before Transfers	(521,067)	166,780	1,410,142	825,265	889,075	992,045	10.38%
Transfers	624,277	45,417	(624,277)	(45,417)	-	-	
Change in Net Position	103,210	212,197	785,865	779,848	889,075	992,045	10.38%
Net Position at Beginning of Year as Restated	7,045,621	7,099,705	8,486,311	7,534,018	15,531,932	14,633,723	-6.14%
Net Position at End of Year	\$ 7,148,831	\$ 7,311,902	\$ 9,272,176	\$ 8,313,866	\$ 16,421,007	\$ 15,625,768	-5.09%

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

At the end of the current fiscal year, the Borough of Kennett Square net position increased from the previous year by \$889,075 (or 5.7%) to \$16,421,007.

The net investment in capital assets portion of the governmental activities net position decreased \$310,650 from the prior year, resulting from depreciation on assets held. The Borough of Kennett Square's business-type activities had an increase of \$307,428.

The restricted portion of net position decreased \$54,970 from the prior year to \$33,614. The amount is comprised of funds for capital projects in fiscal year 2018.

The unrestricted portion increased from the prior year of \$4,212,362 to \$5,065,794 for the current year. This amount represents funds available to meet its obligations to the citizens and creditors of the Borough of Kennett Square.

Governmental Activities – Borough of Kennett Square's overall net position increased by \$103,210 from Governmental Activities during 2018. Some major elements of this increase are as follows:

Revenues - Total revenues decreased \$204,318 during the current year.

- Charges for services increased by \$18,045 with residential building permit fees up for 2018.
- Operating grants and contributions decreased by \$16,712 from the reduced amount received for the police officer at the school and amount received from the state for fire relief from the prior year.
- Capital grant contributions decreased by \$29,104. County Community Revitalization Project grant received in 2017 not repeated in 2018.
- Taxes levied for general purposes decreased \$21,955, Act 511 tax collections were down from 2017
- Investments income and rents, net of expenses, increased \$7,132 due to an increase in water tower rental receipts and increased earnings on deposits.
- Miscellaneous revenue decreased by \$161,714. In 2017, transfers were needed in both the capital fund and emergency management fund to cover negative balances from prior years and bring those funds to zero. Money was transferred into general fund from fund balance in 2017 to cover this and would not need to be repeated in 2018.

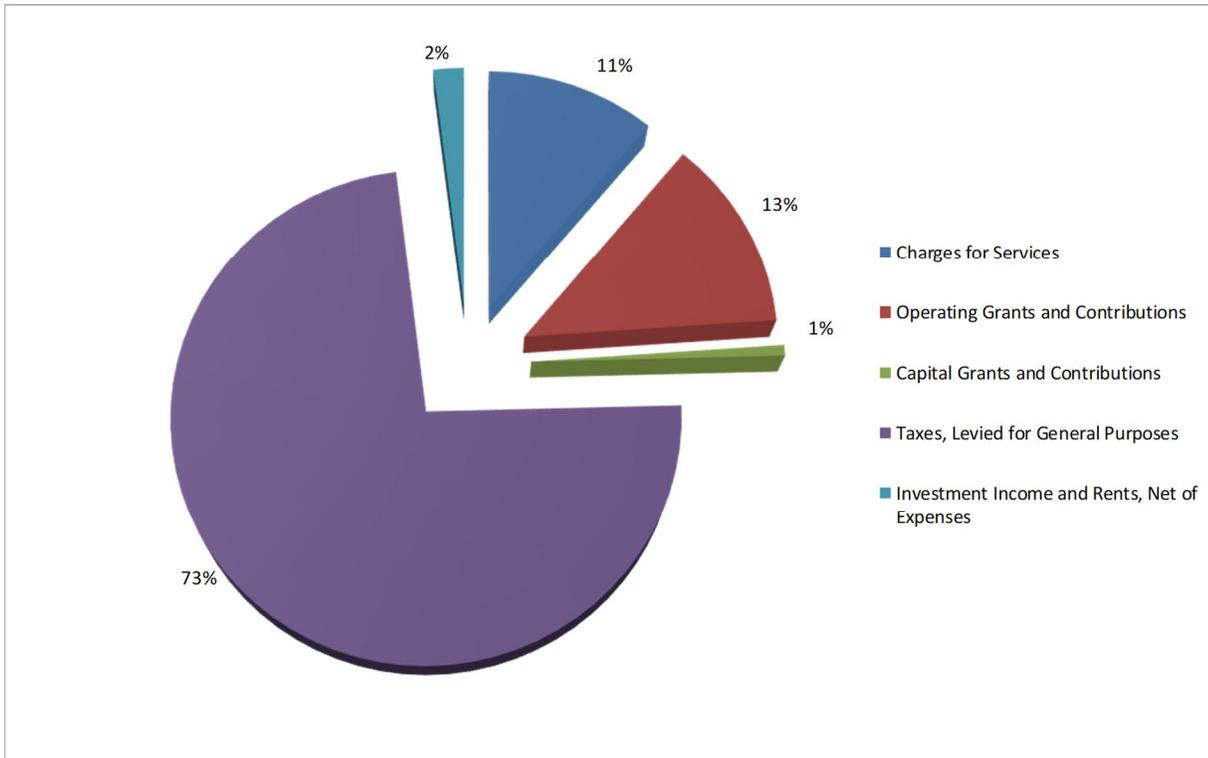
Expenses – Total expenses from governmental activities increased by \$483,539 (or 11.4%) during the current year. Some of the explanation for this significant increase is due to a change in the expense allocation process. In 2017 shared expenses were split between General and Proprietary Funds at the time of payment, whereas in 2018 the split occurred after expended through substantiated fund transfers.

- General government increased by \$167,479. Although there were significant savings in sections such as legal, maintenance/repairs on borough hall, the increase in this category is due to the change in our expense allocation process mentioned above, and 3% raises for staff.
- Public safety increased by \$358,782. This increase is explained by the significant increase to fire and EMS in 2018 from the prior year as well as 3% raises for staff and patrolman promotions to corporal.
- Public Works decreased by \$61,733 due to savings in traffic and street light maintenance as well as storm sewer services.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

- Culture and recreation increased by \$21,856 due to increasing donation to the Library to meet fair share.
- Community development decreased by \$2,827 in 2018.
- Interest on long-term debt decreased by \$18 in 2018.

Revenues by Source - Governmental Activities

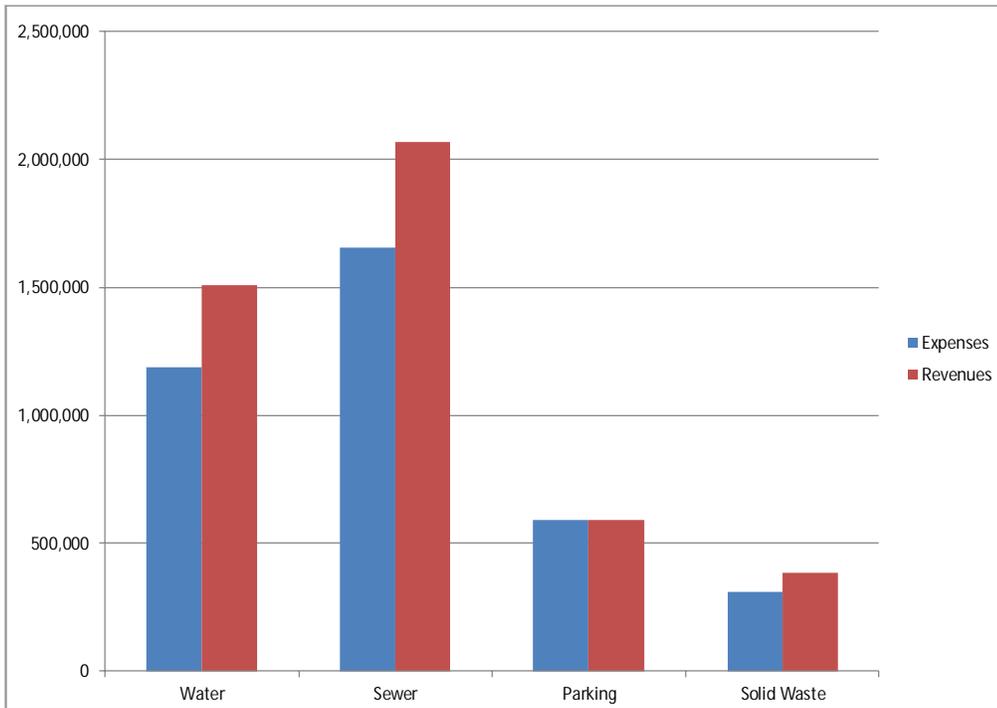


BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

Business-Type Activities - Business-type activities increased the Borough of Kennett Square's net position by \$785,865. The key elements of the increase are:

- Net Investment in capital assets increased from 2017 by \$307,428 (or 6%) to \$5,483,220.
- Unrestricted net position increased \$648,882 from 2017 to \$3,788,956 in 2018.
- The transfers out for 2018 are \$624,277

Expenses and Program Revenues - Business-Type Activities



BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

Revenues by Source - Business-Type Activities

- Charges for services - \$4,682,931
- Investment income (loss), net of expense – (\$246,880)

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 \$1,674,643, an increase of \$182,568 in comparison with the prior year. Of this, \$460,655 constitutes unassigned fund balance. The restricted fund balance is \$236,552 of which \$33,614 is for capital projects and \$202,938 is for road improvements. The assigned fund balance of \$939,225 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 \$498,866. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance of \$460,655 to total fund expenditures of \$3,971,847 which represents 11.6% of total General Fund expenditures.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

The Borough of Kennett Square's General Fund balance increased \$9,787 for the current fiscal year. Key factors for these results are as follows:

General Fund revenues decreased approximately 0.1% or \$33,033:

- Total tax revenues decreased by \$89,726 (or 3.1%). Charges for services/fees revenues increased by \$10,084 (or 2.5%) from the prior year due to increases in building permit fees collected.

Expenditures increased approximately 5.8% or \$218,495:

- An increase in general government of \$273,845 from the prior year due to a change in the expense allocation process. In 2017 shared expenses were split between General and Proprietary Funds at the time of payment, whereas in 2018 the split occurred after expended through substantiated fund transfers
- A decrease in public safety of \$106,277 due to vacancies for part of the year.
- A decrease in public works, highways and streets of \$5,664 from the prior year which is less than a 1% change from the prior year.

The Capital Project Fund had a fund balance of \$33,614 for the current year up from \$23,382 in the prior year. The balance is restricted for capital improvements within the Borough.

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 \$4,257,257 the net position of the Sewer Fund at the end of the year amounted to \$3,219,087, the net position of the Parking Fund at the end of the year amounted to \$1,671,596 and the net position of the Solid Waste Fund at the end of the year amounted to \$124,236. The total increase/(decrease) in net position for these funds was \$174,469, \$659,552, \$(84,432), and \$36,276, respectively. 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 66. In 2018, the original budget remained the same for the final budget with no budget amendments being adopted. The 2018 General Fund budget was adopted in December 2017.

During the year, revenues were under budget estimates by \$132,232, and expenditures were under budget estimates by \$119,746.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

Tax revenues were less than the budget by \$186,222. Of this difference, \$140,341 was collected but was recorded in the Emergency Management Fund. The remaining \$45,881 is due to less than expected receipts in earned income tax and real estate transfer tax.

Licenses and permits were less than the budget by \$9,995. Revenue from cable television providers declined in 2018. The number of customers has decreased from the prior year resulting in less than expected revenues in this line item.

Fines and forfeits exceeded the expectation of the budgeted amount by \$20,649. District Court collection of fines and forfeits was higher than expected.

Interest and rents were over budget by \$7,750 due to higher than budgeted water tower rental receipts and increased earnings on deposits.

Intergovernmental amounts were higher than the budget by \$44,340; largely due to pension contributions from the State higher than anticipated, as well as the state grant for recycling included two years (2015 and 2016).

Charges for services were less than its budget by \$16,684 for 2018. Revenue from reimbursed engineering fees were less than anticipated in 2018.

Miscellaneous revenues were higher than the budgeted amount by \$7,930. Prior year refunds were higher than anticipated

General government expenditures (administration, finance, legal and municipal building) were under budget by \$90,949; due to spending significantly less on Legal in 2018, forgoing the budgeted community survey and also deferring maintenance on the borough hall building.

Public safety expenditures (police and codes) were \$74,853 under budget. The codes department underspent in legal and engineering (both borough and reimbursable) and the police department spent less than expected in wages overall due to patrolman vacancies for part of 2018.

Public works expenditures (public works and highways/streets) were \$39,106 more than budgeted. Amount spent was consistent with prior years, this difference is due to the budget amount expected having been reduced in error.

Culture and recreation was over budget by \$9,685. More than budgeted contributions were made to KAPA (Kennett Area Park Authority) to cover the costs of their annual audit.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

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, 2018, amounted to \$21,006,397 (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 the purchase of public works and police vehicles, construction of roads and, water and sewer infrastructure. Additional information can be found in Note 4 to the basic financial statements on page 50 and 51.

Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities	Business-Type Activities	Total Primary Government
Capital Assets Not Being Depreciated			
Land	\$ 1,382,350	\$ 1,619,281	\$ 3,001,631
Construction In Progress	168,353	485,117	653,470
Total Capital Assets Not Being Depreciated	<u>1,550,703</u>	<u>2,104,398</u>	<u>3,655,101</u>
Capital Assets Being Depreciated			
Buildings & Improvements, Sewer & Water System	4,305,678	19,121,039	23,426,717
Machinery, Equipment, Vehicles	1,692,030	1,551,185	3,243,215
Infrastructure	7,341,706	-	7,341,706
Total Capital Assets Being Depreciated	13,339,414	20,672,224	34,011,638
Depreciation	<u>(6,357,095)</u>	<u>(10,303,247)</u>	<u>(16,660,342)</u>
Total Capital Assets Being Depreciated, Net	<u>6,982,319</u>	<u>10,368,977</u>	<u>17,351,296</u>
Capital Assets, Net	<u>\$ 8,533,022</u>	<u>\$ 12,473,375</u>	<u>\$ 21,006,397</u>

Long-Term Debt and Liabilities

At the end of the fiscal year, the Borough of Kennett Square's total long-term liabilities were \$10,400,232. Of this amount \$9,724,228 is bonds and notes, \$165,479 is for capital leases, \$339,852 is compensated absences and \$170,674 is net pension liability.

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, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

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 2018, the available borrowing base of nonelectoral debt or general obligation bonds was \$20,127,603 and available nonelectoral and lease rental debt combined was \$29,034,814. More information can be found in Notes 5 and 6 in the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors

The Borough of Kennett Square serves an area of approximately 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 \$242,500. The median value of homes for Chester County in 2013-2017 Survey was \$338,200 and for the Commonwealth of Pennsylvania was \$170,500.

The 2013-2017 Survey also reported the Borough's median family income as \$76,371, compared to \$92,417 for the County of Chester and \$56,951 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 more than five years.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2018

Next Year's Budget

Revenues projected in the 2019 budget are of a conservative nature based on the previous three years of actual collections. The General Fund millage rate for 2019 increased to 6.75 mills from 6.35 mills to help fund increasing costs in public safety, fire and EMS. The water and sewer rates remained the same with a quarterly water credit of \$15 per account to ease the burden caused by the increase in tax rate. The 2019 budget was balanced using no General Fund balance. During 2019, 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 continue building its Fund Balance Reserves to meet targets.

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 Finance Director or Borough Manager at 120 Marshall Street, Kennett Square, PA 19348.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Totals
Assets			
Cash and Cash Equivalents	\$ 1,911,969	\$ 3,396,357	\$ 5,308,326
Restricted Cash	23,406	-	23,406
Receivables, Net	607,709	911,177	1,518,886
Capital Assets, Net	8,533,022	12,473,375	21,006,397
Total Assets	<u>11,076,106</u>	<u>16,780,909</u>	<u>27,857,015</u>
Deferred Outflows of Resources			
Deferred Charge On Refunding	-	204,909	204,909
Deferred Outflows of Resources - Pension Activity	486,254	134,093	620,347
Total Deferred Outflows of Resources	<u>486,254</u>	<u>339,002</u>	<u>825,256</u>
Liabilities			
Accounts Payable and Accrued Expenses	57,918	290,286	348,204
Accrued Salaries and Benefits	85,583	16,633	102,216
Accrued Interest	2,247	8,623	10,870
Other Liabilities	634,777	11,280	646,057
Long Term Liabilities:			
Portion Due or Payable Within One Year			
Bonds and Notes Payable	336,898	792,000	1,128,898
Capital Lease Payable	24,844	-	24,844
Compensated Absences	12,217	-	12,217
Portion Due or Payable After One Year			
Bonds and Notes Payable	2,192,266	6,403,064	8,595,330
Capital Lease Payable	140,635	-	140,635
Compensated Absences	327,635	-	327,635
Net Pension Liability	94,972	75,702	170,674
Total Liabilities	<u>3,909,992</u>	<u>7,597,588</u>	<u>11,507,580</u>
Deferred Inflows of Resources			
Deferred Inflows of Resources - Pension Activity	503,537	250,147	753,684
Net Position			
Net Investment in Capital Assets	5,838,379	5,483,220	11,321,599
Restricted for			
Capital Projects	33,614	-	33,614
Unrestricted	1,276,838	3,788,956	5,065,794
Total Net Position	<u>\$ 7,148,831</u>	<u>\$ 9,272,176</u>	<u>\$ 16,421,007</u>

The accompanying notes are an integral part of these financial statements.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental Activities:							
General Government	\$ 717,076	\$ 105,280	\$ 794	\$ -	\$ (611,002)	\$ -	\$ (611,002)
Public Safety	2,852,582	352,198	281,129	-	(2,219,255)	-	(2,219,255)
Public Works, Highways & Streets	957,377	30,452	240,827	-	(686,098)	-	(686,098)
Culture/Recreation	111,785	-	-	-	(111,785)	-	(111,785)
Community Development	265	-	-	-	(265)	-	(265)
Interest on Long-Term Debt	87,958	-	-	-	(87,958)	-	(87,958)
Total Governmental Activities	4,727,043	487,930	522,750	-	(3,716,363)	-	(3,716,363)
Business-Type Activities:							
Water	1,029,738	1,397,309	-	-	-	367,571	367,571
Sewer	1,248,806	2,324,748	-	-	-	1,075,942	1,075,942
Parking	424,726	594,680	-	-	-	169,954	169,954
Solid Waste	322,639	366,194	-	-	-	43,555	43,555
Total Business-Type Activities	3,025,909	4,682,931	-	-	-	1,657,022	1,657,022
Total Borough Activities	\$ 7,752,952	\$ 5,170,861	\$ 522,750	\$ -	(3,716,363)	1,657,022	(2,059,341)
General Revenues:							
Taxes							
Property Taxes, Levied for General Purposes					1,420,727	-	1,420,727
Transfer Taxes					138,708	-	138,708
Earned Income Taxes					1,264,214	-	1,264,214
Local Services Taxes					156,345	-	156,345
Public Utility Taxes					3,118	-	3,118
Franchise Taxes					92,342	-	92,342
Investment Income & Rents, Net of Interest Expense					80,767	(246,880)	(166,113)
Miscellaneous					39,075	-	39,075
Total General Revenues					3,195,296	(246,880)	2,948,416
Transfers:							
					624,277	(624,277)	-
Change in Net Position					103,210	785,865	889,075
Net Position as Restated at Beginning of Year					7,045,621	8,486,311	15,531,932
Net Position at End of Year					\$ 7,148,831	\$ 9,272,176	\$ 16,421,007

The accompanying notes are an integral part of these financial statements.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Capital Projects Fund	Emergency Management Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 881,176	\$ 10,208	\$ -	\$ 1,020,585	\$ 1,911,969
Restricted Cash	-	23,406	-	-	23,406
Taxes Receivable, Net	391,843	-	46,731	-	438,574
Due From Other Funds	38,211	-	-	-	38,211
Other Receivables	44,135	-	-	125,000	169,135
Total Assets	\$ 1,355,365	\$ 33,614	\$ 46,731	\$ 1,145,585	\$ 2,581,295
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accounts Payable & Accrued Expenses	\$ 54,496	\$ -	\$ -	\$ 3,422	\$ 57,918
Accrued Salaries & Benefits	85,583	-	-	-	85,583
Due to Other Funds	-	-	38,211	-	38,211
Other Liabilities	634,777	-	-	-	634,777
Total Liabilities	774,856	-	38,211	3,422	816,489
Deferred Inflows of Resources					
Unavailable Revenue, Property Taxes	81,643	-	8,520	-	90,163
Fund Balances					
Restricted for					
Capital Projects	-	33,614	-	-	33,614
Road Improvements	-	-	-	202,938	202,938
Assigned for Community Development	-	-	-	939,225	939,225
Unassigned	498,866	-	-	-	498,866
Total Fund Balances	498,866	33,614	-	1,142,163	1,674,643
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,355,365	\$ 33,614	\$ 46,731	\$ 1,145,585	\$ 2,581,295

The accompanying notes are an integral part of these financial statements.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
RECONCILIATION OF GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Total Governmental Funds Balances	\$	1,674,643
Capital assets, net of accumulated depreciation used in governmental activities are not current financial resources and are not reported in the funds.		8,533,022
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore are not reported in the Governmental Funds.		(17,283)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrued Interest		(2,247)
Long Term Debt		(2,694,643)
Compensated Absences		(339,852)
Net Pension Liability-Police		(94,972)
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.		<u>90,163</u>
Net Position of Governmental Activities	\$	<u><u>7,148,831</u></u>

The accompanying notes are an integral part of these financial statements.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018

	General Fund	Capital Projects Fund	Emergency Management Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Revenues</u>					
Taxes	\$ 2,809,778	\$ -	\$ 276,686	\$ -	\$ 3,086,464
Licenses and Permits	90,605	-	-	-	90,605
Fines, Forfeits and Costs	67,649	-	-	-	67,649
Interest and Rents	79,900	105	54	708	80,767
Intergovernmental	318,440	-	31,653	177,781	527,874
Charges for Services/Fees	419,218	-	-	-	419,218
Miscellaneous	22,430	12,439	-	-	34,869
	<u>3,808,020</u>	<u>12,544</u>	<u>308,393</u>	<u>178,489</u>	<u>4,307,446</u>
<u>Expenditures</u>					
General Government	824,385	-	-	-	824,385
Public Safety	2,436,523	-	294,161	-	2,730,684
Public Works, Highways and Streets	572,782	48,189	-	39,324	660,295
Culture and Recreation	111,785	-	-	-	111,785
Community Development	265	-	-	-	265
Debt Service					
Principal	24,411	274,786	62,580	-	361,777
Interest	1,696	65,918	20,734	-	88,348
	<u>3,971,847</u>	<u>388,893</u>	<u>377,475</u>	<u>39,324</u>	<u>4,777,539</u>
Excess of Revenues Over (Under) Expenditures	<u>(163,827)</u>	<u>(376,349)</u>	<u>(69,082)</u>	<u>139,165</u>	<u>(470,093)</u>
<u>Other Financing Sources (Uses)</u>					
Proceeds from Sale of Capital Assets	5,000	-	-	-	5,000
Interfund Transfers In	624,277	386,581	69,082	-	1,079,940
Interfund Transfers Out	(455,663)	-	-	-	(455,663)
	<u>173,614</u>	<u>386,581</u>	<u>69,082</u>	<u>-</u>	<u>629,277</u>
Net Change in Fund Balances	9,787	10,232	-	139,165	159,184
Fund Balances as Restated at Beginning of Year	<u>489,079</u>	<u>23,382</u>	<u>-</u>	<u>1,002,998</u>	<u>1,515,459</u>
Fund Balances at End of Year	<u>\$ 498,866</u>	<u>\$ 33,614</u>	<u>\$ -</u>	<u>\$ 1,142,163</u>	<u>\$ 1,674,643</u>

The accompanying notes are an integral part of these financial statements.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

Net Change in Fund Balances - Governmental Funds	\$	159,184
<p>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 depreciation (\$439,366) exceeds capital assets additions \$56,602 in the current period.</p>		
		(382,764)
<p>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 decreased by this amount this year.</p>		
		(106,470)
<p>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.</p>		
		324,580
<p>Repayment of capital lease principal is an expenditure in Governmental Funds but the repayment reduces long-term liabilities in the statement of net position.</p>		
		37,197
<p>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).</p>		
		31,739
<p>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.</p>		
Pension expense		39,354
<p>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.</p>		
		390
Change in Net Position of Governmental Activities	\$	103,210

The accompanying notes are an integral part of these financial statements.

BOROUGH OF KENNETT SQUARE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Nonmajor Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
Assets					
Cash and Cash Equivalents	\$ 894,630	\$ 1,672,806	\$ 683,583	\$ 145,338	\$ 3,396,357
Receivables, Net	162,464	736,370	2,940	9,403	911,177
Due from Other Funds	-	375,000	-	-	375,000
Total Current Assets	1,057,094	2,784,176	686,523	154,741	4,682,534
Property and Equipment, Net	3,697,899	5,549,632	3,225,844	-	12,473,375
Total Assets	4,754,993	8,333,808	3,912,367	154,741	17,155,909
Deferred Outflows of Resources					
Deferred Charge on Refunding	-	204,909	-	-	204,909
Deferred Outflows of Resources-Pension Activities	40,054	59,210	34,829	-	134,093
Total Deferred Outflows of Resources	40,054	264,119	34,829	-	339,002
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Expenses	48,102	45,466	166,213	30,505	290,286
Accrued Salaries and Benefits	6,077	8,854	1,702	-	16,633
Accrued Interest	-	6,149	2,474	-	8,623
Due to Other Funds	375,000	-	-	-	375,000
Other Liabilities	11,280	-	-	-	11,280
Bonds and Notes Payable	-	528,000	264,000	-	792,000
Total Current Liabilities	440,459	588,469	434,389	30,505	1,493,822
Non-Current Liabilities					
Bonds and Notes Payable	-	4,646,489	1,756,575	-	6,403,064
Net Pension Liability	22,612	33,427	19,663	-	75,702
Total Non-Current Liabilities	22,612	4,679,916	1,776,238	-	6,478,766
Total Liabilities	463,071	5,268,385	2,210,627	30,505	7,972,588
Deferred Inflows of Resources					
Deferred Inflows of Resources - Pension Activities	74,719	110,455	64,973	-	250,147
Net Position					
Net Investment in Capital Assets	3,697,899	580,052	1,205,269	-	5,483,220
Unrestricted	559,358	2,639,035	466,327	124,236	3,788,956
Total Net Position	\$ 4,257,257	\$ 3,219,087	\$ 1,671,596	\$ 124,236	\$ 9,272,176

The accompanying notes are an integral part of the financial statements.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Nonmajor Solid Waste Fund</u>	<u>Total Proprietary Funds</u>
Operating Revenues					
Charges for Services	\$ 1,397,309	\$ 2,324,748	\$ 594,680	\$ 366,194	\$ 4,682,931
Operating Expenses					
Water Pump/Purification	180,056	-	-	-	180,056
Water Collection/Distribution	503,644	-	-	-	503,644
Water Transport/Facility	58,697	-	-	-	58,697
Sewer Collection and Disposal	-	856,362	-	-	856,362
Operating Expenses	-	-	245,972	5,820	251,792
Contractual and Professional Services	-	-	-	316,285	316,285
Repairs and Maintenance	-	-	-	534	534
Legal Fees	-	4,728	-	-	4,728
Administration	34,459	123,497	60,320	-	218,276
Depreciation	252,882	264,219	118,434	-	635,535
Total Operating Expenses	<u>1,029,738</u>	<u>1,248,806</u>	<u>424,726</u>	<u>322,639</u>	<u>3,025,909</u>
Operating Income	<u>367,571</u>	<u>1,075,942</u>	<u>169,954</u>	<u>43,555</u>	<u>1,657,022</u>
Nonoperating Revenues (Expenses)					
Interest and Investment Revenue	121	193	1,910	-	2,224
Interest Expense	-	(193,607)	(55,497)	-	(249,104)
Total Nonoperating Revenues (Expenses)	<u>121</u>	<u>(193,414)</u>	<u>(53,587)</u>	<u>-</u>	<u>(246,880)</u>
Income Before Transfers	367,692	882,528	116,367	43,555	1,410,142
Transfers					
Interfund Transfers Out	<u>(193,223)</u>	<u>(222,976)</u>	<u>(200,799)</u>	<u>(7,279)</u>	<u>(624,277)</u>
Change in Net Position	174,469	659,552	(84,432)	36,276	785,865
Net Position as Restated at Beginning of Year	<u>4,082,788</u>	<u>2,559,535</u>	<u>1,756,028</u>	<u>87,960</u>	<u>8,486,311</u>
Net Position at End of Year	<u>\$ 4,257,257</u>	<u>\$ 3,219,087</u>	<u>\$ 1,671,596</u>	<u>\$ 124,236</u>	<u>\$ 9,272,176</u>

The accompanying notes are an integral part of these financial statements.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Water Fund	Sewer Fund	Parking Fund	Nonmajor Solid Waste Fund	Total Proprietary Funds
Cash Flow From Operating Activities					
Cash Received from Customers	\$ 1,391,127	\$ 2,217,418	\$ 591,740	\$ 376,575	\$ 4,576,860
Payments to Employees	(216,430)	(250,833)	(74,015)	-	(541,278)
Payments to Suppliers and Vendors	(535,814)	(693,785)	(75,379)	(301,399)	(1,606,377)
Net Cash Provided by Operating Activities	<u>638,883</u>	<u>1,272,800</u>	<u>442,346</u>	<u>75,176</u>	<u>2,429,205</u>
Cash Flows from Noncapital Financing Activities					
Transfers to Other Funds	(193,396)	(222,948)	(353,127)	(7,279)	(776,750)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(193,396)</u>	<u>(222,948)</u>	<u>(353,127)</u>	<u>(7,279)</u>	<u>(776,750)</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition, Construction and Improvement	(293,562)	(138,386)	(106,798)	-	(538,746)
Capital Contributions	-	-	-	-	-
Payment of Debt	-	(521,000)	(259,000)	-	(780,000)
Payment of Interest	-	(137,448)	(55,497)	-	(192,945)
Net Cash Used by Capital and Related Financing Activities	<u>(293,562)</u>	<u>(796,834)</u>	<u>(421,295)</u>	<u>-</u>	<u>(1,511,691)</u>
Cash Flows from Investing Activities					
Earnings on Investments	121	193	1,910	-	2,224
Net Increase in Cash and Cash Equivalents	152,046	253,211	(330,166)	67,897	142,988
Cash and Cash Equivalents at Beginning of Year	742,584	1,419,595	1,013,749	77,441	3,253,369
Cash and Cash Equivalents at End of Year	<u>\$ 894,630</u>	<u>\$ 1,672,806</u>	<u>\$ 683,583</u>	<u>\$ 145,338</u>	<u>\$ 3,396,357</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	\$ 367,571	\$ 1,075,942	\$ 169,954	\$ 43,555	\$ 1,657,022
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation	252,882	264,219	118,434	-	635,535
Pension Activity	34,459	52,620	32,562	-	119,641
(Increase) Decrease in Receivables, Net	(6,183)	(107,330)	(2,940)	10,381	(106,072)
Increase (Decrease) in					
Accounts Payable and Accrued Expenses	(7,751)	(10,031)	128,523	21,240	131,981
Accrued Salaries and Benefits	(2,095)	(2,620)	(4,187)	-	(8,902)
Net Cash Provided by Operating Activities	<u>\$ 638,883</u>	<u>\$ 1,272,800</u>	<u>\$ 442,346</u>	<u>\$ 75,176</u>	<u>\$ 2,429,205</u>

The accompanying notes are an integral part of these financial statements.

BOROUGH OF KENNETT SQUARE
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
DECEMBER 31, 2018

	<u>Pension Trust Funds</u> Police Pension
Assets	
Cash	\$ 302,256
Investments, at Fair Value	
Money Market and Mutual Funds	<u>3,884,074</u>
Total Assets	<u><u>4,186,330</u></u>
Liabilities	
Other Payables	<u>3,365</u>
Total Liabilities	<u><u>3,365</u></u>
Net Position	
Assets Held in Trust for Pension Benefits	<u><u>\$ 4,182,965</u></u>

The accompanying notes are an integral part of these financial statements.

BOROUGH OF KENNETT SQUARE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY
YEAR ENDED DECEMBER 31, 2018

	Pension Trust Funds
	Police Pension
Additions	
Contributions:	
Employer Contributions	\$ 7,873
Member Contributions	53,830
State Aid	87,692
Total Additions	149,395
Deductions	
Investment Loss	110,705
Benefits Paid	102,887
Refunds of Member Contributions	2,509
Administrative Expenses and Other	7,155
Total Deductions	223,256
Change in Net Position	(73,861)
Net Position at Beginning of Year	4,256,826
Net Position at End of Year	\$ 4,182,965

The accompanying notes are an integral part of these financial statements.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Borough of Kennett Square, Pennsylvania'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.

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 (Nonmajor 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.

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

Emergency Management Fund - The Emergency Management Fund is used to account for funds set aside for dealing with emergency situations.

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds - The focus of Proprietary Funds measurement is upon determination of operating income, changes in net position, financial position and cash flows. The U.S. 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.

Budgets

Budgets are adopted on a basis consistent with U.S. 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 and no restrictions on withdrawal. State statutes authorize the Borough to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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 statements of net position. 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.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 two items that qualify for reporting in this category. The deferred charge on refunding is reported in the government-wide statement of net position and results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of the net difference between projected and actual earnings on pension plan investments, changes in plan assumptions, differences between expected and actual experience of the pension plan, and contributions subsequent to the measurement date. 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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 becomes 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 the net difference between projected and actual earnings on pension plan investments, changes in plan assumptions, and differences 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.

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,

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

Adoption of Governmental Accounting Standards Board (GASB) Statements

The Borough adopted the provisions of GASB's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this Statement had no effect on previously reported amounts.

The Governmental Accounting Standards Board has issued GASB's Statement No. 85, *Omnibus 2017*. This Statement is required to be adopted by the Borough for the year ending December 31, 2018.

The Borough adopted the provisions of GASB's Statement No. 86, *Certain Debt Extinguishment Issues*. The adoption of this Statement had no effect on previously reported amounts.

Pending Changes in Accounting Principles

The Government Accounting Standards Board has issued GASB's Statement No. 83, *Certain Asset Retirement Obligations*. This Statement is required to be adopted by the Borough for the year ending December 31, 2019.

The Government Accounting Standards Board has issued GASB's Statement No. 84, *Fiduciary Activities*. This Statement is required to be adopted by the Borough for the year ending December 31, 2019.

The Governmental Accounting Standards Board has issued GASB's Statement No. 87, *Leases*. This Statement is required to be adopted by the Borough for the year ending December 31, 2020.

The Governmental Accounting Standards Board has issued GASB's Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is required to be adopted by the Borough for the year ending December 31, 2019.

The Governmental Accounting Standards Board has issued GASB's Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement is required to be adopted by the Borough for the year ending December 31, 2020.

The Governmental Accounting Standards Board has issued GASB's Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No.14 and No.61*. This Statement is required to be adopted by the Borough for the year ending December 31, 2019.

The Governmental Accounting Standards Board has issued GASB's Statement No. 91, *Conduit Debt Obligations*. This Statement is required to be adopted by the Borough for the year ending December 31, 2021.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effect of implementation of these Statements has not yet been determined.

NOTE 2 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, 2018, \$4,984,676 of the Borough's bank balance of \$5,584,004 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	\$ 4,737,970
State investment pools	<u>246,706</u>
	<u>\$ 4,984,676</u>

Investments

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.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

As of December 31, 2018, the Borough had the following debt security investments:

Investment Type	Fair Value	Investment Maturities		
		Less Than One Year	1 to 5 Years	6 to 10 Years
Pension Activities				
Fixed Income Mutual Funds	\$ 1,062,335	\$ 259,505	\$ 802,830	\$ -
	<u>\$ 1,062,335</u>	<u>\$ 259,505</u>	<u>\$ 802,830</u>	<u>\$ -</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.

Fair Value Measurement

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

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, 2018, the Borough's investments in any single fund did not exceed 5% of the Borough's total investments.

NOTE 3 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at December 31, 2018, are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Emergency Management Fund	\$ 38,211
Sewer Fund	Water Fund	<u>375,000</u>
		<u>\$ 413,211</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.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018

NOTE 3 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers at December 31, 2018, are as follows:

Transfer In	Transfer Out	Amount
Capital Fund	General Fund	\$ 386,581
Emergency Management Fund	General Fund	69,082
General	Water Fund	193,223
General	Sewer Fund	222,976
General	Parking Fund	200,799
General	Solid Waste Fund	7,279
		\$1,079,940

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, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 4 CAPITAL ASSETS

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

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,382,350	\$ -	\$ -	\$ 1,382,350
Construction in Progress	147,761	20,592	-	168,353
Total Capital Assets Not Being Depreciated	1,530,111	20,592	-	1,550,703
Capital Assets Being Depreciated				
Buildings and Improvements	1,867,392	-	-	1,867,392
Land Improvements	2,438,286	-	-	2,438,286
Roads, Bridges and Lights	7,341,706	-	-	7,341,706
Machinery, Equipment and Vehicles	1,656,020	36,010	-	1,692,030
Total Capital Assets Being Depreciated	13,303,404	36,010	-	13,339,414
Accumulated Depreciation				
Buildings and Improvements	(501,755)	(29,551)	-	(531,306)
Land Improvements	(633,368)	(66,678)	-	(700,046)
Roads, Bridges and Lights	(3,432,819)	(230,649)	-	(3,663,468)
Machinery, Equipment and Vehicles	(1,349,787)	(112,488)	-	(1,462,275)
Total Accumulated Depreciation	(5,917,729)	(439,366)	-	(6,357,095)
Total Capital Assets Being Depreciated, Net	7,385,675	(403,356)	-	6,982,319
Governmental Activities Capital Assets, Net	8,915,786	(382,764)	-	8,533,022
Business-Type Activities				
Capital Assets not Being Depreciated				
Land	1,619,281	-	-	1,619,281
Construction in Progress	36,606	448,511	-	485,117
Total Capital Assets not Being Depreciated	1,655,887	448,511	-	2,104,398
Capital Assets Being Depreciated				
Buildings and Improvements	19,121,039	-	-	19,121,039
Machinery, Equipment and Vehicles	1,460,950	90,235	-	1,551,185
Total Capital Assets Being Depreciated	20,581,989	90,235	-	20,672,224
Accumulated Depreciation				
Buildings and Improvements	(8,517,161)	(528,581)	-	(9,045,742)
Machinery, Equipment and Vehicles	(1,150,551)	(106,954)	-	(1,257,505)
Total Accumulated Depreciation	(9,667,712)	(635,535)	-	(10,303,247)
Total Capital Assets Being Depreciated, Net	10,914,277	(545,300)	-	10,368,977
Business-Type Activities Capital Assets, Net	12,570,164	(96,789)	-	12,473,375
Capital Assets, Net	\$ 21,485,950	\$ (479,553)	\$ -	\$ 21,006,397

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
General Government	\$ 2,486
Public Safety	51,457
Highways and Streets	385,423
	\$ 439,366
Business-Type Activities	
Water	\$ 252,882
Sewer	264,219
Parking	118,434
	\$ 635,535

NOTE 5 LONG-TERM DEBT

Long-term debt payable at December 31, 2018, 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.	\$ 506,000
General Obligation Bonds, Series of 2016, with interest rate at a fixed rate of 2.59%, payable on the 15th day of June and December, maturity date is June 15, 2031.	4,189,000
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.	4,735,000
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.	360,739
	\$ 9,790,739

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 5 LONG-TERM DEBT (CONTINUED)

The annual requirements to amortize all debt outstanding as of December 31, 2018, including interest payments, are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 336,898	\$ 65,931	\$ 792,000	\$ 242,219
2020	353,383	56,390	813,000	217,451
2021	359,014	46,201	830,000	190,701
2022	368,712	35,953	860,000	162,183
2023	369,732	25,339	869,000	132,299
2024 - 2028	462,000	71,731	3,067,000	214,386
2029 - 2031	310,000	12,383	-	-
	<u>\$ 2,559,739</u>	<u>\$ 313,928</u>	<u>\$ 7,231,000</u>	<u>\$ 1,159,239</u>

NOTE 6 CAPITAL LEASES

The Borough entered into a capital lease 2017 in order to finance the purchase of vehicles. The amount of the capital lease at inception in 2017 was \$35,028. In 2017 the Borough also entered in a capital lease to finance the purchase of street light upgrades. The amount of the capital lease at inception in 2017 was \$170,769.

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

2019	\$ 24,844
2020	19,281
2021	19,281
2022	19,281
2023	19,281
2024-2028	103,007
2029	<u>2,921</u>
Total	207,896
Amount representing interest	<u>(42,417)</u>
Total Present Value of Minimum Lease Payments	<u>\$ 165,479</u>

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 7 CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2018, the following changes in long-term liabilities occurred:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Promissory Note	\$ 423,319	\$ -	\$ (62,580)	\$ 360,739	\$ 69,898
General Obligation Bonds, Series A of 2016	2,430,425	-	(262,000)	2,168,425	267,000
Total Bonds and Note Payable	2,853,744	-	(324,580)	2,529,164	336,898
Capital Leases	202,676	-	(37,197)	165,479	24,844
Compensated Absences	371,591	12,202	(43,941)	339,852	12,217
Net Pension Liability	333,985	-	(239,014)	94,971	-
Total Governmental Activities	3,761,996	12,202	(644,732)	3,129,466	373,959
Business-Type Activities					
General Obligation Note					
Delaware Valley Regional Finance Authority					
Guaranteed Sewer Revenue Note 2001	557,000	-	(51,000)	506,000	53,000
General Obligation Bonds					
Series of 2012	5,205,000	-	(470,000)	4,735,000	475,000
Series of 2016	2,279,575	-	(259,000)	2,020,575	264,000
Total General Obligation Bonds and Notes	8,041,575	-	(780,000)	7,261,575	792,000
Deferred Amounts					
Issuance Discount	(72,255)	-	5,744	(66,511)	-
Net Pension Liability	144,161	-	(68,459)	75,702	-
Total Business-Type Activities	8,113,481	-	(842,715)	7,270,766	792,000
Total Long-Term Liabilities	\$ 11,875,477	\$ 12,202	\$ (1,487,447)	\$ 10,400,232	\$ 1,165,959

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

NOTE 8 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, 2018.

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, 2018:

General Obligation Notes	Original Issue Amount	Outstanding at December 31, 2018	Fair Value
2001 Sewer	\$ 6,862,000	\$ -	\$ 85,253

If the termination value was negative and the interest rate swap agreement was 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, 2018, on the Borough's government-wide and fund financial statements. The fair value is \$85,253 at December 31, 2018.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018

NOTE 9 TAXES

For 2018, 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, 2018, was \$242,369,110.

Other taxes levied in 2018:

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

NOTE 10 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, 2017.

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

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>13</u>
	<u>21</u>

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.

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 10 POLICE PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

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 2018, the MMO obligation for the Police Pension Plan was \$95,565. Employee contributions in 2018 were \$53,830. Borough and Commonwealth contributions in 2018 were \$7,873 and \$87,692, 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, 2018, 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.

Rate of Return - For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of investment expense, was (2.61%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018

NOTE 10 POLICE PENSION PLAN (CONTINUED)

Net Pension Liability of the Borough

The components of the net pension liability of the Borough at December 31, 2018, were as follows:

Total Pension Liability	\$ 4,255,324
Plan Fiduciary Net Position	<u>(4,182,965)</u>
Net Pension Liability	<u>\$ 72,359</u>

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>98.30%</u>
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed
Remaining Amortization Period	17 Years (Aggregate)
Asset Valuation Method	4-Year Smoothing
Inflation	2.75%
Salary Increases	5.5% per year, plus an additional increase of 10% in the final year of employment
Investment Rate of Return	7.25%, net of investment expenses not funded through the MMO, and including inflation
Retirement Age	Based on age and service according to the following schedule:
	Years of Service
	Age 25 26 +
	50 50% 50%
	51-54 50% 30%
	55-59 50% 40%
	60-61 75% 50%
	62+ 100% 100%
Mortality	RP-2014 Table with 50% of the Blue Collar Adjustment and improvement rates based on the Long-Range Demographic Assumptions for the 2015 SSA Trustee Report, set forward 5 years for disabled lives.

Changes of Assumptions

Effective 1-1-2017: Interest rate lowered from 7.5% to 7.25%. Inflation assumption decreased from 3.0% to 2.75%. Salary increase assumption changed to include an additional 10% increase in final year. Mortality updated from RP-2000 Combined Healthy mortality with Blue Collar adj. and 75% Scale AA to RP-2014 to mortality with 50% Blue Collar adj. and mortality improvement based on the demographic assumptions for the 2015 SSA Trustee Report. Rates of disability changed from 60% of rates from Advanced Pension Tables to rates based on the SSA's 2010 projection of disability incidence. Retirement assumption was changed from Normal retirement Age to rates of retirement based on age and service.

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, 2018 are summarized in the following table:

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 10 POLICE PENSION PLAN (CONTINUED)

Long-Term Expected Rate of Return (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	5.0 - 7.0%
Fixed Income	1.0 - 3.0%
Cash	0.0 - 1.0%

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

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balance at December 31, 2017	\$ 3,881,531	\$ 4,256,826	\$ (375,295)
Changes for the Year:			
Service Cost	187,908		187,908
Interest	291,281		291,281
Differences between Expected & Actual Experience	-		-
Changes of Assumptions	-		-
Contributions			
Employer	-	95,565	(95,565)
Member	-	53,830	(53,830)
Net Investment Income	-	(110,705)	110,705
Benefit Payments & Refunds of Employee Contributions	(105,396)	(105,396)	-
Administrative Expense	-	(7,155)	7,155
Net Changes	<u>373,793</u>	<u>(73,861)</u>	<u>447,654</u>
Balance at December 31, 2018	<u>\$ 4,255,324</u>	<u>\$ 4,182,965</u>	<u>\$ 72,359</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 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate:

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018

NOTE 10 POLICE PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount (Continued)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension (Asset) Liability	\$662,264	\$72,359	\$(416,349)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2018, the Borough recognized pension expense of \$93,320 for the Police Pension Plan. At December 31, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 280,263
Change of Assumptions	53,903	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	392,297	148,556
	\$ 446,200	\$ 428,819

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

Year Ending December 31,			
2019		\$	45,901
2020			(11,262)
2021			(2,374)
2022			41,220
2023			(26,723)
Thereafter			(29,381)
Total		\$	17,381

NOTE 11 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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 11 NON-UNIFORMED PENSION PLAN (CONTINUED)

Summary of Significant Accounting Policies (Continued)

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 performs its actuarial valuations on a year lag as allowed under GASB 68 and 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, 2016:

Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>22</u>
	<u>33</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.

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.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018

NOTE 11 NON-UNIFORMED PENSION PLAN (CONTINUED)

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 2017, the MMO for the Non-uniform Pension Plan was \$136,477. Employee contributions in 2017 were \$56,620. Borough and Commonwealth contributions in 2017 were \$135,797 and \$740, respectively.

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

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, 2017:

Asset Class	Target Allocation
Large Cap Equities	25%
Small Cap Equities	15%
International Developed Markets Equities	15%
International Emerging Markets Equities	10%
Fixed Income	20%
Real Estate	15%
	100.0%

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, 2017, was \$4,209,117. 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, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018

NOTE 11 NON-UNIFORMED PENSION PLAN (CONTINUED)

Concentrations - At December 31, 2017, none of the plan's individual investments exceeded 5% of the total portfolio.

Rate of Return - For the year ended December 31, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 7.3%. 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 Plan Net Pension Liability is based on an actuarial valuation as of January 1, 2017 rolled forward to a measurement date of December 31, 2017.

Total Pension Liability	\$	4,307,432
Plan Fiduciary Net Position		(4,209,117)
Net Pension Liability		\$ 98,315
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		97.72%

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

Inflation	3%
Salary increases	Age related scale with merit and inflation component
Investment rate of return	5.25%

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

The actuarial assumptions used in the January 1, 2017 valuation were based on Board approved changes including the decrease in the regular interest from 5.5% to 5.25%.

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, 2017, are summarized in the following table:

Asset Class	Long-Term Real Rate of Return
Large Cap Equities	5.6%
Small Cap Equities	7.2%
International Developed Markets Equities	4.6%
International Emerging Markets Equities	8.7%
Fixed Income	6.2%
Real Estate	2.1%

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 11 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 Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2016	\$ 3,999,225	\$ 3,521,077	\$ 478,148
Changes for the Year:			
Service Cost	194,277		194,277
Interest	217,058		217,058
Differences Between Expended & Actual Experience			-
Changes of Assumptions			-
Contributions			-
Employer		135,797	(135,797)
PMRS Assessment		740	(740)
Member		56,620	(56,620)
Net Investment Income		199,819	(199,819)
Market Value Investment Income		408,061	(408,061)
Benefit Payments & Refunds of Employee Contributions	(103,128)	(103,128)	-
PMRS Administrative Expense		(680)	680
Administrative Expense		(9,189)	9,189
	<u> </u>	<u> </u>	<u> </u>
Net Changes	308,207	688,040	(379,833)
	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2017	<u>\$ 4,307,432</u>	<u>\$ 4,209,117</u>	<u>\$ 98,315</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 5.25%, 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 (4.25%) or one percentage point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
	<u> </u>	<u> </u>	<u> </u>
Net Pension Liability	<u>\$591,354</u>	<u>\$ 98,315</u>	<u>\$(325,838)</u>

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 11 NON-UNIFORMED PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2018, the Borough recognized pension expense of \$117,538 for the Non-uniform Pension Plan. At December 31, 2017 measurement date, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 23,153	\$ -
Change of Assumptions	79,114	8,135
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	316,730
Contributions Subsequent to the Measurement Date	71,880	-
Total	\$ 174,147	\$ 324,865

\$71,880 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 subsequent year.

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:

Year Ending December 31,		
2019	\$	(47,229)
2020		(45,592)
2021		(79,191)
2022		(67,117)
2023		16,531
Thereafter		-
Total	\$	(222,598)

NOTE 12 COMMITMENTS AND CONTINGENCIES

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 released 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 quarter to quarter basis. The total base rental expense incurred on the sublease during 2018 was \$12,000.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Refuse Collections

In 2015, the Borough entered into a five-year agreement for the calendar year 2015-2019 with two additional one year options, with a private company to provide refuse collections. No amendments have been made to the existing contract in 2018. The future minimum payments under the contract are as follows:

Year Ending December 31,	
2019	\$ 203,488
2020	215,698
2021	<u>228,639</u>
	<u>\$ 647,825</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 2018 was \$77,494.

Litigation

The Borough is 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 13 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.

NOTE 14 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2018, expenditures exceed appropriations in the following General Fund department levels (the legal level of budgetary control):

Public Works, Highways and Streets	<u>\$ (39,106)</u>
Culture and Recreation	<u>\$ (9,685)</u>

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

NOTE 15 2017 RESTATEMENT

Capital Fund beginning fund balance was restated as of January 1, 2018 by an increase of \$23,382 due to the inclusion of a restricted cash account. Water Fund net position was restated as of January 1, 2018 by decreasing net position \$159,854 due to the net effect of construction in progress and additional accounts receivable. Sewer Fund net position was restated as of January 1, 2018 by increasing net position \$332,299 due to the net effect of construction in progress and additional accounts receivable. Governmental Activities net position was restated as of January 1, 2018 by decreasing net position \$266,281 due to the net effect of construction in progress and the addition of a 2017 capital lease payable.

NOTE 16 SUBSEQUENT EVENTS

The Borough has evaluated all subsequent events through the report issue date of June 26, 2019. In June 2019, the Borough approved issuance of a General Obligation Bond that will take place in July 2019. The bond will be \$6,334,000 which is to refund the 2016 Bond issuance and provide funds for capital improvements.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,996,000	\$ 2,996,000	\$ 2,809,778	\$ (186,222)
Licenses and Permits	100,600	100,600	90,605	(9,995)
Fines, Forfeits and Costs	47,000	47,000	67,649	20,649
Interest and Rents	72,150	72,150	79,900	7,750
Intergovernmental	274,100	274,100	318,440	44,340
Charges for Services/Fees	435,902	435,902	419,218	(16,684)
Miscellaneous	14,500	14,500	22,430	7,930
Total Revenues	<u>3,940,252</u>	<u>3,940,252</u>	<u>3,808,020</u>	<u>(132,232)</u>
Expenditures				
General Government	915,334	915,334	824,385	90,949
Public Safety	2,537,483	2,537,483	2,462,630	74,853
Public Works, Highways and Streets	533,676	533,676	572,782	(39,106)
Culture and Recreation	102,100	102,100	111,785	(9,685)
Community Development	3,000	3,000	265	2,735
Total Expenditures	<u>4,091,593</u>	<u>4,091,593</u>	<u>3,971,847</u>	<u>119,746</u>
Excess of Revenues Over (Under) Expenditures	<u>(151,341)</u>	<u>(151,341)</u>	<u>(163,827)</u>	<u>(12,486)</u>
Other Financing Sources (Uses)				
Proceeds from Capital Lease	35,000	35,000	5,000	(30,000)
Interfund Transfers In	671,549	671,549	624,277	(47,272)
Interfund Transfers Out	(555,208)	(555,208)	(455,663)	99,545
Total Other Financing Sources (Uses)	<u>151,341</u>	<u>151,341</u>	<u>173,614</u>	<u>22,273</u>
Net Change in Fund Balance	-	-	9,787	9,787
Fund Balance at Beginning of Year	<u>489,079</u>	<u>489,079</u>	<u>489,079</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 489,079</u>	<u>\$ 489,079</u>	<u>\$ 498,866</u>	<u>\$ 9,787</u>

See accompanying notes to the budgetary comparison schedule.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2018

NOTE 1 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.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service Cost	\$ 187,908	\$ 178,112	\$ 146,556	\$ 138,916	\$ 147,423
Interest	291,281	267,224	262,266	241,510	239,413
Differences Between Expected & Actual Experience	-	(173,472)	-	(269,279)	-
Changes of Assumptions	-	67,903	-	-	-
Benefit payments	<u>(105,396)</u>	<u>(140,594)</u>	<u>(146,824)</u>	<u>(81,101)</u>	<u>(81,101)</u>
Net Change in Total Pension Liability	373,793	199,173	261,998	30,046	305,735
Total Pension Liability - Beginning	<u>3,881,531</u>	<u>3,682,358</u>	<u>3,420,360</u>	<u>3,390,314</u>	<u>3,084,579</u>
Total Pension Liability - Ending (a)	<u>\$ 4,255,324</u>	<u>\$ 3,881,531</u>	<u>\$ 3,682,358</u>	<u>\$ 3,420,360</u>	<u>\$ 3,390,314</u>
Plan Fiduciary Net Position					
Contributions					
Employer	\$ 95,565	\$ 74,861	\$ 125,843	\$ 120,280	\$ 97,176
Member	53,830	49,341	48,732	48,926	46,245
Net Investment Income	(110,705)	486,386	302,795	(29,099)	250,324
Benefit Payments, Including Refunds of Member Contributions	(105,396)	(140,594)	(142,632)	(81,101)	(81,101)
Administrative Expense	<u>(7,155)</u>	<u>(7,809)</u>	<u>(7,395)</u>	<u>(1,850)</u>	<u>(6,495)</u>
Net Change in Plan Fiduciary Net Position	(73,861)	462,185	327,343	57,156	306,149
Plan Fiduciary Net Position - Beginning	<u>4,256,826</u>	<u>3,794,641</u>	<u>3,467,298</u>	<u>3,410,142</u>	<u>3,103,993</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,182,965</u>	<u>\$ 4,256,826</u>	<u>\$ 3,794,641</u>	<u>\$ 3,467,298</u>	<u>\$ 3,410,142</u>
Net Pension (Asset) Liability, Ending (a)-(b)	<u>\$ 72,359</u>	<u>\$ (375,295)</u>	<u>\$ (112,283)</u>	<u>\$ (46,938)</u>	<u>\$ (19,828)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>98.30%</u>	<u>109.67%</u>	<u>103.05%</u>	<u>101.37%</u>	<u>100.58%</u>
Covered Payroll	<u>\$ 1,125,058</u>	<u>\$ 983,653</u>	<u>\$ 1,000,048</u>	<u>\$ 981,476</u>	<u>\$ 945,276</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>6.43%</u>	<u>-38.15%</u>	<u>-11.23%</u>	<u>-4.78%</u>	<u>-2.10%</u>

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS
 LAST TEN FISCAL YEARS*

	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 95,565	\$ 74,767	\$ 125,729	\$ 120,291	\$ 97,078
Contributions in Relation to the Actuarially Determined Contribution	<u>95,565</u>	<u>74,767</u>	<u>125,729</u>	<u>120,291</u>	<u>97,078</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	<u>\$ 1,125,058</u>	<u>\$ 983,653</u>	<u>\$ 1,000,048</u>	<u>\$ 981,476</u>	<u>\$ 945,276</u>
Contribution as a Percentage of Covered Payroll	<u>8.49%</u>	<u>7.60%</u>	<u>12.57%</u>	<u>12.26%</u>	<u>10.27%</u>

Notes to Schedule

Valuation Date

January 1, 2017

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
 Amortization Method
 Remaining Amortization Period
 Asset Valuation Method
 Inflation
 Salary Increases
 Investment Rate of Return
 Retirement Age

Entry Age Normal
 Level Dollar, Closed
 17 Years (Aggregate)
 4-Year Smoothing
 2.75%
 5.5% per year, plus an additional increase of 10% in the final year of employment
 7.25%, net of investment expenses not funded through the MMO, and including inflation
 Based on age and service according to the following schedule:

Age	Years of Service	
	25	26 +
50	50%	50%
51-54	50%	30%
55-59	50%	40%
60-61	75%	50%
62+	100%	100%

Mortality

RP-2014 Table with 50% of the Blue Collar Adjustment and improvement rates based on the Long-Range Demographic Assumptions for the 2015 SSA Trustee Report, set forward 5 years for disabled lives.

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 SCHEDULE OF POLICE PENSION PLAN INVESTMENT RETURNS
 LAST TEN FISCAL YEARS*

	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	-2.61%	13.04%	8.79%	-0.85%	7.82%

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
SCHEDULE OF CHANGES IN THE NET NON-UNIFORMED PENSION PLAN
LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS*

Measurement Date, December 31,	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$ 194,277	\$ 158,519	\$ 153,759	\$ 143,285
Interest	217,058	204,635	189,380	172,509
Differences Between Expected & Actual Experience	-	4,963	-	45,752
Changes of Assumptions	-	110,760	(14,234)	-
Transfers	-	-	72,500	-
Benefit payments and Refunds of Employee Contributions	<u>(103,128)</u>	<u>(91,891)</u>	<u>(91,891)</u>	<u>(109,769)</u>
Net Change in Total Pension Liability	308,207	386,986	309,514	251,777
Total Pension Liability - Beginning	<u>3,999,225</u>	<u>3,612,239</u>	<u>3,302,725</u>	<u>3,050,948</u>
Total Pension Liability - Ending (a)	<u>\$ 4,307,432</u>	<u>\$ 3,999,225</u>	<u>\$ 3,612,239</u>	<u>\$ 3,302,725</u>
Plan Fiduciary Net Position				
Contributions				
Employer	\$ 135,797	\$ 124,133	\$ 126,720	\$ 92,874
PMRS Assessment	740	700	700	-
Member	56,620	45,963	40,613	40,406
Net Investment Income	199,819	280,912	1,858	165,641
Market Value Investment Income	408,061	-	-	-
Transfers	-	-	72,500	-
Benefit Payments, Including Refunds of Member Contributions	(103,128)	(91,891)	(91,891)	(109,769)
Administrative Expense	<u>(9,869)</u>	<u>(9,882)</u>	<u>(7,801)</u>	<u>(6,719)</u>
Net Change in Plan Fiduciary Net Position	688,040	349,935	142,699	182,433
Plan Fiduciary Net Position - Beginning	<u>3,521,077</u>	<u>3,171,142</u>	<u>3,028,443</u>	<u>2,846,010</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,209,117</u>	<u>\$ 3,521,077</u>	<u>\$ 3,171,142</u>	<u>\$ 3,028,443</u>
Net Pension Liability, Ending (a)-(b)	<u>\$ 98,315</u>	<u>\$ 478,148</u>	<u>\$ 441,097</u>	<u>\$ 274,282</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.72%	88.04%	87.79%	91.70%
Covered Payroll	<u>\$ 1,350,087</u>	<u>\$ 1,216,755</u>	<u>\$ 1,176,642</u>	<u>\$ 1,072,980</u>
Net Pension Liability as a Percentage of Covered Payroll	<u>7.28%</u>	<u>39.30%</u>	<u>37.49%</u>	<u>25.56%</u>

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 SCHEDULE OF NON-UNIFORM PENSION PLAN CONTRIBUTIONS
 LAST TEN FISCAL YEARS*

Measurement Date, December 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially Determined Contribution	\$ 136,477	\$ 124,813	\$ 127,398	\$ 92,854
Contributions in Relation to the Actuarially Determined Contribution	<u>136,537</u>	<u>124,833</u>	<u>127,420</u>	<u>92,874</u>
Contribution Excess	<u>\$ (60)</u>	<u>\$ (20)</u>	<u>\$ (22)</u>	<u>\$ (20)</u>
Covered Payroll	<u>\$ 1,350,087</u>	<u>\$ 1,216,755</u>	<u>\$ 1,176,642</u>	<u>\$ 1,072,980</u>
Contribution as a Percentage of Covered Payroll	<u>10.11%</u>	<u>10.26%</u>	<u>10.83%</u>	<u>8.66%</u>

Notes to Schedule

Valuation Date January 1, 2017

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	Amortization Periods in Act 205
Asset Valuation Method	Based Upon Municipal Reserves
Discount Rate	5.50%
Inflation	3.0%
Salary Increases	Age Related Scale with Merit and Inflation Component
COLA Increases	3.0% for those eligible for a COLA
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 & Females	Sex distinct RP-2000 Combined Healthy Mortality

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
SCHEDULE OF NON-UNIFORM INVESTMENT RETURNS
LAST TEN FISCAL YEARS*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual Money-Weighted Rate of Return, Net of Investment Expense	<u>17.84%</u>	<u>8.23%</u>	<u>0.10%</u>	<u>5.50%</u>

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

**OTHER
SUPPLEMENTARY
INFORMATION**

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 COMBINING BALANCE SHEET
 OTHER NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2018

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquid Fuels Fund</u>	<u>Revolving Loan Fund</u>	
Assets			
Cash and Cash Equivalents	\$ 206,360	\$ 814,225	\$ 1,020,585
Loan Receivable	-	125,000	125,000
Total Assets	<u>206,360</u>	<u>939,225</u>	<u>1,145,585</u>
Liabilities			
Accounts Payable	<u>3,422</u>	-	<u>3,422</u>
Fund Balances			
Restricted for Road Improvements	202,938	-	202,938
Assigned for Community Development	-	939,225	939,225
Total Fund Balances	<u>\$ 202,938</u>	<u>\$ 939,225</u>	<u>\$ 1,142,163</u>

The accompanying notes are an integral part of these financial statements.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2018

	<u>Special Revenue Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Liquid Fuels Fund</u>	<u>Revolving Loan Fund</u>	
Revenues			
Interest and Rents	\$ 98	\$ 610	\$ 708
Intergovernmental	<u>177,781</u>	<u>-</u>	<u>177,781</u>
Total Revenues	<u>177,879</u>	<u>610</u>	<u>178,489</u>
Expenditures			
Public Works, Highways and Streets	<u>39,324</u>	<u>-</u>	<u>39,324</u>
Total Expenditures	<u>39,324</u>	<u>-</u>	<u>39,324</u>
Net Change in Fund Balances	138,555	610	139,165
Fund Balances at Beginning of Year	<u>64,383</u>	<u>938,615</u>	<u>1,002,998</u>
Fund Balances at End of Year	<u><u>\$ 202,938</u></u>	<u><u>\$ 939,225</u></u>	<u><u>\$ 1,142,163</u></u>

The accompanying notes are an integral part of these financial statements.

**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 24

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

(Accrual basis of accounting)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 3,048,655	\$ 2,984,264	\$ 1,511,333	\$ 1,790,798	\$ 3,581,605	\$ 4,614,032	\$ 5,403,576	\$ 6,224,155	\$ 6,149,029	\$ 5,838,379
Restricted	46,054	106,136	1,308,499	478,336	570,960	150,853	139,050	41,380	88,584	33,614
Unrestricted	<u>126,650</u>	<u>369,921</u>	<u>408,980</u>	<u>1,602,203</u>	<u>561,157</u>	<u>232,333</u>	<u>1,398,087</u>	<u>834,170</u>	<u>808,008</u>	<u>1,276,838</u>
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	<u>\$ 3,221,359</u>	<u>\$ 3,460,321</u>	<u>\$ 3,228,812</u>	<u>\$ 3,871,337</u>	<u>\$ 4,713,722</u>	<u>\$ 4,997,218</u>	<u>\$ 6,940,713</u>	<u>\$ 7,099,705</u>	<u>\$ 7,045,621</u>	<u>\$ 7,148,831</u>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 3,764,532	\$ 3,747,353	\$ 3,354,333	\$ 2,887,044	\$ 3,005,037	\$ 4,000,712	\$ 4,829,713	\$ 5,026,849	\$ 5,175,792	\$ 5,483,220
Restricted	1,171,679	1,098,318	681,946	5,753	6	2	-	-	-	-
Unrestricted	<u>(495,076)</u>	<u>(432,336)</u>	<u>159,769</u>	<u>1,372,370</u>	<u>1,748,512</u>	<u>1,889,358</u>	<u>2,149,826</u>	<u>2,507,169</u>	<u>3,310,519</u>	<u>3,788,956</u>
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	<u>\$ 4,441,135</u>	<u>\$ 4,413,335</u>	<u>\$ 4,196,048</u>	<u>\$ 4,265,167</u>	<u>\$ 4,753,555</u>	<u>\$ 5,890,072</u>	<u>\$ 6,979,539</u>	<u>\$ 7,534,018</u>	<u>\$ 8,486,311</u>	<u>\$ 9,272,176</u>
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 6,813,187	\$ 6,731,617	\$ 4,865,666	\$ 4,677,842	\$ 6,586,642	\$ 8,614,744	\$ 10,233,289	\$ 11,251,004	\$ 11,324,821	\$ 11,321,599
Restricted	1,217,733	1,204,454	1,990,445	484,089	570,966	150,855	139,050	41,380	88,584	33,614
Unrestricted	<u>(368,426)</u>	<u>(62,415)</u>	<u>568,749</u>	<u>2,974,573</u>	<u>2,309,669</u>	<u>2,121,691</u>	<u>3,547,913</u>	<u>3,341,339</u>	<u>4,118,527</u>	<u>5,065,794</u>
TOTAL PRIMARY GOVERNMENT ACTIVITIES NET POSITION	<u>\$ 7,662,494</u>	<u>\$ 7,873,656</u>	<u>\$ 7,424,860</u>	<u>\$ 8,136,504</u>	<u>\$ 9,467,277</u>	<u>\$ 10,887,290</u>	<u>\$ 13,920,252</u>	<u>\$ 14,633,723</u>	<u>\$ 15,531,932</u>	<u>\$ 16,421,007</u>

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

SCHEDULE 2

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS (Unaudited)

(Accrual basis of accounting)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EXPENSES										
Governmental activities:										
General government	\$ 515,741	\$ 751,465	\$ 735,750	\$ 781,722	\$ 747,318	\$ 811,076	\$ 795,753	\$ 1,558,189	\$ 549,597	\$ 717,076
Public safety	1,978,975	1,961,627	2,297,746	2,292,283	2,444,901	2,416,397	2,988,736	2,649,698	2,493,800	2,852,582
Public works:										
Sanitation	326,847	-	-	-	-	-	-	-	-	-
Highways and streets	1,446,362	892,420	948,714	793,108	889,774	1,307,972	743,901	608,744	1,019,110	957,377
Culture and recreation	81,703	97,021	84,662	82,922	76,126	78,736	115,503	106,098	89,929	111,785
Community development	28,270	299	10,887	15,575	19,371	23,587	75,815	28,032	3,092	265
Interest on long-term debt	94,971	91,463	198,755	115,027	111,219	106,967	125,649	186,282	87,976	87,958
Miscellaneous	-	-	-	-	-	-	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES EXPENSES	<u>4,472,869</u>	<u>3,794,295</u>	<u>4,276,514</u>	<u>4,080,637</u>	<u>4,288,709</u>	<u>4,744,735</u>	<u>4,845,357</u>	<u>5,137,043</u>	<u>4,243,504</u>	<u>4,727,043</u>
Business-type activities:										
Water	968,863	839,307	893,007	882,741	879,114	974,593	799,724	848,234	1,185,173	1,029,738
Sewer	1,096,581	939,023	975,818	980,826	871,884	955,896	899,489	1,045,808	1,654,636	1,248,806
Parking	242,445	220,158	379,063	244,200	238,076	259,387	257,952	322,638	589,579	424,726
Solid Waste	-	338,519	310,756	386,459	351,569	371,846	364,846	365,359	308,914	322,639
TOTAL BUSINESS-TYPE ACTIVITIES EXPENSES	<u>2,307,889</u>	<u>2,337,007</u>	<u>2,558,644</u>	<u>2,494,226</u>	<u>2,340,643</u>	<u>2,561,722</u>	<u>2,322,011</u>	<u>2,582,039</u>	<u>3,738,302</u>	<u>3,025,909</u>
TOTAL PRIMARY GOVERNMENT EXPENSES	<u>\$ 6,780,758</u>	<u>\$ 6,131,302</u>	<u>\$ 6,835,158</u>	<u>\$ 6,574,863</u>	<u>\$ 6,629,352</u>	<u>\$ 7,306,457</u>	<u>\$ 7,167,368</u>	<u>\$ 7,719,082</u>	<u>\$ 7,981,806</u>	<u>\$ 7,752,952</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	\$ 44,748	\$ 76,036	\$ 134,067	\$ 92,034	\$ 83,186	\$ 77,307	\$ 143,998	\$ 57,637	\$ 49,462	\$ 105,280
Public safety	257,751	244,504	391,429	294,148	277,325	386,828	397,017	330,008	372,611	352,198
Public works:										
Sanitation	-	-	-	-	-	-	-	-	-	-
Highways and streets	50,507	34,482	36,226	44,236	35,244	25,643	37,850	33,640	47,642	30,452
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	-	-	111	233	87	11	9	67	170	-
Operating grants and contributions	341,597	317,030	405,501	333,069	459,521	1,052,960	1,431,177	520,926	539,462	522,750
Capital grants and contributions	255,135	500,000	-	497,664	564,371	12,188	849,627	312,109	29,104	-
TOTAL GOVERNMENTAL ACTIVITIES PROGRAM REVENUES	<u>\$ 949,738</u>	<u>\$ 1,172,052</u>	<u>\$ 967,334</u>	<u>\$ 1,261,384</u>	<u>\$ 1,419,734</u>	<u>\$ 1,554,937</u>	<u>\$ 2,859,678</u>	<u>\$ 1,254,387</u>	<u>\$ 1,038,451</u>	<u>\$ 1,010,680</u>

(continued)

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

SCHEDULE 2.2

**CHANGES IN NET POSITION
LAST TEN FISCAL YEARS (Unaudited)**

(Accrual basis of accounting)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PROGRAM REVENUES										
Business-type activities:										
Charges for services:										
Water	\$ 1,035,189	\$ 1,164,058	\$ 1,199,073	\$ 1,235,741	\$ 1,259,644	\$ 1,444,077	\$ 1,450,548	\$ 1,454,042	\$ 1,510,887	\$ 1,397,309
Sewer	1,727,799	1,580,328	1,531,793	1,567,049	1,750,098	1,704,567	1,833,393	1,931,916	2,067,285	2,324,748
Parking	513,818	499,909	584,603	565,707	557,029	554,382	594,065	596,524	588,821	594,680
Solid Waste	-	304,527	313,412	323,170	324,965	348,110	360,559	379,647	384,405	366,194
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	210,000	-	-	-	226,409	673,591	260,931	-	-	-
TOTAL BUSINESS-TYPE ACTIVITIES PROGRAM REVENUES	3,486,806	3,548,822	3,628,881	3,691,667	4,118,145	4,724,727	4,499,496	4,362,129	4,551,398	4,682,931
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 4,436,544	\$ 4,720,874	\$ 4,596,215	\$ 4,953,051	\$ 5,537,879	\$ 6,279,664	\$ 7,359,174	\$ 5,616,516	\$ 5,589,849	\$ 5,693,611
NET (EXPENSE) REVENUE										
Governmental activities	\$ (3,523,131)	\$ (2,622,243)	\$ (3,309,180)	\$ (2,819,253)	\$ (2,868,975)	\$ (3,189,798)	\$ (1,985,679)	\$ (3,882,656)	\$ (3,205,053)	\$ (3,716,363)
Business-type activities	1,178,917	1,211,815	1,070,237	1,197,441	1,777,502	2,163,005	2,177,485	1,780,090	813,096	1,657,022
TOTAL PRIMARY GOVERNMENT NET EXPENSE	\$ (2,344,214)	\$ (1,410,428)	\$ (2,238,943)	\$ (1,621,812)	\$ (1,091,473)	\$ (1,026,793)	\$ 191,806	\$ (2,102,566)	\$ (2,391,957)	\$ (2,059,341)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS										
Governmental activities:										
Taxes, levied for general purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property taxes, levied for general purposes	897,201	876,708	1,080,446	1,087,576	1,187,653	1,211,273	1,484,483	1,530,887	1,511,096	1,420,727
Transfer taxes	80,662	92,733	63,790	92,075	92,767	135,106	152,832	148,811	166,880	138,708
Earned income taxes	994,635	866,072	906,200	1,245,755	1,071,853	1,069,701	1,324,225	1,251,816	1,218,582	1,264,214
Local services taxes	148,219	113,896	108,542	118,028	168,328	157,414	160,372	130,107	102,014	156,345
Public utility taxes	2,619	3,003	2,759	3,158	3,218	2,928	2,953	3,449	3,123	3,118
Franchise taxes	100,591	61,980	99,757	75,799	83,323	88,210	91,429	95,247	95,714	92,342
Investment income and rents, net of interest expense	116,876	134,839	134,066	132,902	113,618	92,912	70,284	95,520	73,635	80,767
Other	37,000	-	-	-	-	-	-	-	-	39,075
Gain (loss) on disposal of capital assets	-	1,025	-	16,502	17,800	1,750	43,461	35,811	200,789	-
Transfer	537,830	710,949	682,111	689,983	972,800	714,000	750,000	750,000	45,417	624,277
TOTAL GOVERNMENTAL ACTIVITIES	2,915,633	2,861,205	3,077,671	3,461,778	3,711,360	3,473,294	4,080,039	4,041,648	3,417,250	3,819,573
Business-type activities:										
Investment income and rents, net of interest expense	(549,307)	(528,666)	(535,460)	(438,339)	(316,314)	(312,488)	(303,773)	(475,611)	3,215	(246,880)
Gain on disposal of capital assets	-	-	-	-	-	-	-	-	-	-
Transfer	(537,830)	(710,949)	(682,111)	(689,983)	(972,800)	(714,000)	(750,000)	(750,000)	(45,417)	(624,277)
TOTAL BUSINESS-TYPE ACTIVITIES	(1,087,137)	(1,239,615)	(1,217,571)	(1,128,322)	(1,289,114)	(1,026,488)	(1,053,773)	(1,225,611)	(42,202)	(871,157)
TOTAL PRIMARY GOVERNMENT	\$ 1,828,496	\$ 1,621,590	\$ 1,860,100	\$ 2,333,456	\$ 2,422,246	\$ 2,446,806	\$ 3,026,266	\$ 2,816,037	\$ 3,375,048	\$ 2,948,416
CHANGE IN NET ASSETS										
Governmental activities	\$ (607,498)	\$ 238,962	\$ (231,509)	\$ 642,525	\$ 842,385	\$ 283,496	\$ 2,094,360	\$ 158,992	\$ 212,197	\$ 103,210
Business-type activities	91,780	(27,800)	(147,334)	69,119	488,388	1,136,517	1,123,712	554,479	770,894	785,865
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ (515,718)	\$ 211,162	\$ (378,843)	\$ 711,644	\$ 1,330,773	\$ 1,420,013	\$ 3,218,072	\$ 713,471	\$ 983,091	\$ 889,075

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

SCHEDULE 3

(Accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Earned Income</u>	<u>Local Services Tax</u> (1)	<u>Property Transfer</u>	<u>Total</u>
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
2016	1,530,887	1,251,816	130,107	148,811	3,061,621
2017	1,511,096	1,218,582	102,014	166,880	2,998,572
2018	1,420,727	1,264,214	156,345	138,708	2,979,994
Change 2009-2018	58.35%	27.10%	5.48%	71.96%	40.52%

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

SCHEDULE 4

(Modified accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
GENERAL FUND										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	14,930	14,943	-	-	-	-	-	-
Assigned	175,000	300,000	-	-	-	-	-	-	-	-
Unassigned	<u>17,783</u>	<u>(563,618)</u>	<u>279,139</u>	<u>276,650</u>	<u>36,005</u>	<u>52,658</u>	<u>303,454</u>	<u>556,379</u>	<u>489,079</u>	<u>498,866</u>
TOTAL GENERAL FUND	<u>192,783</u>	<u>(263,618)</u>	<u>294,069</u>	<u>291,593</u>	<u>36,005</u>	<u>52,658</u>	<u>303,454</u>	<u>556,379</u>	<u>489,079</u>	<u>498,866</u>
ALL OTHER GOVERNMENTAL FUNDS										
Restricted	46,054	106,136	1,293,563	463,393	570,960	148,853	23,918	24,009	24,202	33,614
Assigned, reported in:										
Special Revenue Fund	-	372,619	7	7	-	-	115,132	17,371	64,382	202,938
Unassigned, reported in:										
Special Revenue Fund	213,635	188,699	-	1,016	-	-	439,406	480,461	938,614	939,225
Capital Projects Fund	<u>(262,559)</u>	<u>(128,773)</u>	<u>-</u>	<u>-</u>	<u>(466,989)</u>	<u>(488,577)</u>	<u>(21,973)</u>	<u>(233,753)</u>	<u>(24,202)</u>	<u>-</u>
TOTAL ALL OTHER GOVERNMENTAL FUNDS	<u>(2,870)</u>	<u>538,681</u>	<u>1,293,570</u>	<u>464,416</u>	<u>103,971</u>	<u>(339,724)</u>	<u>556,483</u>	<u>288,088</u>	<u>1,002,996</u>	<u>1,175,777</u>
TOTAL GOVERNMENTAL FUNDS	<u>\$ 189,913</u>	<u>\$ 275,063</u>	<u>\$ 1,587,639</u>	<u>\$ 756,009</u>	<u>\$ 139,976</u>	<u>\$ (287,066)</u>	<u>\$ 859,937</u>	<u>\$ 844,467</u>	<u>\$ 1,492,075</u>	<u>\$ 1,674,643</u>

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (Unaudited)**

(Modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 2,087,570	\$ 1,842,250	\$ 2,308,493	\$ 2,531,594	\$ 2,520,601	\$ 2,549,663	\$ 3,072,091	\$ 3,035,043	\$ 3,050,404	\$ 3,086,464
Licenses and permits	116,968	66,580	106,542	81,599	87,423	93,510	96,629	101,547	99,014	90,605
Fines, forfeits and cost	58,518	52,805	48,227	43,770	39,665	38,608	52,052	42,517	54,443	67,649
Interest, dividends and rents	116,876	134,839	134,177	133,135	113,705	92,923	70,293	95,587	73,805	80,767
Intergovernmental revenues	578,388	812,608	408,260	833,091	1,027,110	1,066,776	2,249,791	836,236	931,136	527,874
Charges for services and fees	271,656	283,240	490,183	375,807	346,896	433,676	507,266	366,670	409,134	419,218
Miscellaneous	27,418	21,802	16,527	5,841	5,094	13,494	29,576	6,046	212,582	34,869
TOTAL REVENUES	3,257,394	3,214,124	3,512,409	4,004,837	4,140,494	4,288,650	6,077,698	4,483,646	4,830,518	4,307,446
Expenditures										
General government	481,781	719,423	643,306	808,910	721,894	726,580	788,930	901,516	550,540	824,385
Public safety	1,971,016	1,945,431	2,143,469	2,258,012	2,371,922	2,407,804	3,087,650	2,626,416	2,615,059	2,730,684
Public works:										
Sanitation	326,847	-	-	-	-	-	-	-	-	-
Highways and streets	1,179,648	672,701	839,865	1,487,183	2,194,704	1,855,661	1,907,685	1,299,004	716,323	660,295
Culture and recreation	78,695	96,918	84,567	82,922	76,126	71,596	102,331	92,926	89,929	111,785
Community development	28,270	152,157	352,994	545,845	21,371	12,940	42,933	208	3,092	265
Debt service:										
Principal	158,000	164,000	135,000	247,000	252,089	251,850	284,737	292,815	200,587	361,777
Interest	94,971	90,318	99,701	113,086	109,021	105,011	102,630	113,915	87,824	88,348
Issuance Cost	-	-	99,606	-	-	-	2,516	39,981	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	4,319,228	3,840,948	4,398,508	5,542,958	5,747,127	5,431,442	6,319,412	5,366,781	4,263,354	4,777,539
DEFICIENCY OF REVENUES OVER EXPENDITURES	(1,061,834)	(626,824)	(886,099)	(1,538,121)	(1,606,633)	(1,142,792)	(241,714)	(883,135)	567,164	(470,093)
OTHER FINANCING SOURCES (USES)										
Sales of capital assets	-	1,025	-	16,502	17,800	1,750	43,461	35,811	-	5,000
Settlement recovery	37,000	-	-	-	-	-	-	-	-	-
Refund of prior year expenditures	-	-	-	-	-	-	-	-	-	-
Refund of prior year revenues	-	-	-	-	-	-	-	-	-	-
Proceeds from debt issuance	-	-	-	-	-	-	570,000	2,565,643	-	-
Proceeds from capital lease	-	-	-	-	-	-	27,406	42,122	35,028	-
Payment to refunding agent	-	-	-	-	-	-	-	(2,525,911)	-	-
Transfer in	1,126,820	1,172,400	1,195,070	1,102,915	1,790,007	1,268,771	1,332,300	1,069,979	223,064	1,079,940
Transfer out	(588,990)	(461,451)	(512,959)	(412,932)	(817,207)	(554,771)	(582,300)	(319,979)	(177,647)	(455,663)
Bond issuance	-	-	3,720,000	-	-	-	-	-	-	-
Debt service principal	-	-	(2,160,000)	-	-	-	-	-	-	-
Bond discount	-	-	(43,431)	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	574,830	711,974	2,198,680	706,485	990,600	715,750	1,390,867	867,665	80,445	629,277
NET CHANGE IN FUND BALANCES	\$ (487,004)	\$ 85,150	\$ 1,312,581	\$ (831,636)	\$ (616,033)	\$ (427,042)	\$ 1,149,153	\$ (15,470)	\$ 647,609	\$ 159,184
DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES	8.1%	9.7%	7.3%	8.5%	8.1%	8.7%	7.8%	8.5%	7.0%	9.4%

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

SCHEDULE 6

(Accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Earned Income</u>	<u>Local Services Tax</u>	<u>Property Transfer</u>	<u>Mechanical Device</u>	<u>Total</u>
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
2016	1,530,887	1,251,816	130,107	148,811	-	3,061,621
2017	1,511,096	1,218,582	99,914	166,880	2,100	2,998,572
2018	1,420,727	1,264,214	156,345	138,708	-	2,979,994

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

SCHEDULE 7

**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					
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%
2016	210,514,790	68,771,740	42,405,130	236,881,400	6.350	362,428,603	65.4%
2017	213,221,040	69,105,870	42,596,180	239,730,730	6.350	387,716,092	61.8%
2018	215,257,550	69,707,740	42,596,180	242,369,110	6.350	472,454,405	51.3%

Source: Pennsylvania State Tax Equalization Board, Tax Duplicate

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

SCHEDULE 8

ALL DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS (Unaudited)

(Per \$1,000 of Assessed Value)

Year	Overlapping Rates									Total
	Borough			School District			County			
	General Fire	Total Purposes	Millage	General Other	Total Purposes	Millage	Debt, Parks & Libraries	General Purposes	Total Millage	
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
2016	0.60	5.75	6.35	-	28.6017	28.6017	1.383	2.780	4.163	39.1147
2017	0.60	5.75	6.35	-	29.2408	29.2408	1.520	2.849	4.369	39.9598
2018	0.60	5.75	6.35	-	29.8789	29.8789	1.520	2.849	4.369	40.5979

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	2018			2009		
	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	4.67%	\$ 12,877,150	1	5.69%
Kennett Center LP	7,597,700	2	3.13%	7,641,730	2	3.38%
Magnolia Place 2018 LLC	2,349,070	3	0.97%			
Tritea LLC	2,184,000	4	0.90%			
Everts Richard & Donna	2,147,350	5	0.89%	1,798,080	6	0.79%
Mar Ann Holding Assoc	2,103,300	6				
Ruane Patrick J & Strine Walter M	1,916,250	7	0.79%	1,916,250	5	0.85%
Race Park LLC	1,349,790	8	0.56%	-		
Kennett Square Realty	1,332,540	9	0.55%	-		
Cannery Row Properties	1,301,800	10	0.54%			
LGB 110 East State St LLC				1,127,620	8	0.50%
Bernard Group LLC T/A	-			1,349,790	7	0.60%
NVF Company	-			3,711,288	3	1.64%
Argyris Louis	-			2,184,000	4	0.97%
P2K Co LLC	-			971,190	9	0.43%
Walker, Michael & Kathy	-			913,330	10	0.40%
TOTALS	\$ 33,611,260		13.87%	\$ 34,490,428		15.25%

Source: Chester County Assessment Office Manager

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

SCHEDULE 10

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	870,403	815,557	93.7%	54,846	870,403	100.0%
2010	873,242	840,527	96.3%	32,715	873,242	100.0%
2011	1,087,641	1,032,527	94.9%	40,876	1,073,403	98.7%
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	95.8%	30,807	1,181,116	98.4%
2015	1,455,317	1,440,839	99.0%	14,478	1,455,317	100.0%
2016	1,504,196	1,447,952	96.3%	-	1,447,952	96.3%
2017	1,522,290	1,460,909	96.0%	-	1,460,909	96.0%
2018	1,539,044	1,487,258	96.6%	-	1,487,258	96.6%

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)

<u>Fiscal Year</u>	<u>Tax (1)</u>	<u>Current Year Collections (2)</u>	<u>Prior Year Collections</u>	<u>Total</u>
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
2016	1%	1,251,816	-	1,251,816
2017	1%	1,218,582	-	1,218,582
2018	1%	1,264,214	-	1,264,214

(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 forward.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

SCHEDULE 12

EARNED INCOME OF RESIDENTS

DECEMBER 31, 2017 (Unaudited)

<u>Income</u>	<u>Individuals</u>	<u>Total Income</u>	<u>Average Income</u>
0 - 12,000	438	\$ 1,634,203	\$ 3,731
12,001 - 22,000	237	4,143,214	17,482
22,001 - 40,000	444	13,625,342	30,688
40,001 - 100,000	511	31,392,821	61,434
100,001 - 500,000	100	15,782,974	157,830
500,001 - 1,000,000	0	0	0
<u>1,000,001 - +</u>	<u>1</u>	<u>1,874,222</u>	<u>1,874,222</u>
Totals	1,731	\$ 68,452,776	\$ 39,545

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			General Obligation Bonds	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				
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
2016	2,565,000	488,448	-	605,000	-	8,077,000	11,735,448	7.6%	1,905
2017	2,461,000	423,319	-	557,000	-	7,454,000	10,895,319	6.6%	1,765
2018	2,199,000	355,120	-	506,000	-	6,725,000	9,785,120	5.4%	1,580

(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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value (1) of Property</u>	<u>Per Capita (2)</u>
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
2016	2,565,000	0.7%	416
2017	2,461,000	0.6%	399
2018	2,199,000	0.6%	355

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
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2018 (Unaudited)

SCHEDULE 15

	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Debt Applicable to Kennett Square</u>
DIRECT DEBT OF THE BOROUGH AND RELATED ENTITIES			
Borough of Kennett Square (1)	\$ 2,554,120	100.0%	\$ 2,554,120
OVERLAPPING DEBT			
County of Chester (2)	593,428,379	0.6%	3,560,570
Kennett Consolidated School District (3)	51,070,956	12.0%	<u>6,128,515</u>
TOTAL OVERLAPPING DEBT			<u>9,689,085</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 12,243,205</u>

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

(2) County debt as of December 31, 2017, based on the ratio of Kennett Square's assessed valuation to Chester County's 2017 assessed valuation.

(3) The school district debt as of June 30, 2017, 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 2017 CAFR annual budget, and the Kennett Consolidated School District 2017 Audit.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS (Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total three years net adjusted revenues:	\$ 19,508,018	\$ 18,626,199	\$ 19,594,024	21,247,504	\$ 22,949,952	\$ 23,717,606	\$ 26,714,795	\$ 23,272,087	\$ 28,543,954	\$ 27,218,068
Debt limit for general obligation bonds:										
Average borrowing base revenues	6,502,673	6,208,706	6,531,341	7,082,501	7,649,984	7,905,869	8,904,932	7,757,362	9,514,651	9,072,689
Debt limit percent	250%	250%	250%	250%	250%	250%	250%	250%	250%	250%
Debt limit	16,256,683	15,521,765	16,328,353	17,706,253	19,124,960	19,764,673	22,262,330	19,393,405	23,786,628	22,681,723
Total amount of debt applicable to debt limit	2,514,000	2,350,000	3,775,000	3,528,000	3,275,911	3,027,122	3,307,174	2,748,347	2,884,319	2,554,120
LEGAL DEBT MARGIN	\$ 13,742,683	\$ 13,171,765	\$ 12,553,353	14,178,253	\$ 15,849,049	\$ 16,737,551	\$ 18,955,156	\$ 16,645,058	\$ 20,902,309	\$ 20,127,603
Debt limit for general obligation bonds and lease rental debt:										
Average borrowing base revenues	\$ 6,502,673	\$ 6,208,706	\$ 6,531,341	7,082,501	\$ 7,649,984	\$ 7,905,869	\$ 8,904,932	\$ 7,757,362	\$ 9,514,651	\$ 9,072,689
Debt limit percent	350%	350%	350%	350%	350%	350%	350%	350%	350%	350%
Debt limit	22,759,356	21,730,471	22,859,695	24,788,754	26,774,944	27,670,541	31,167,262	27,150,767	33,301,280	31,754,413
Total amount of debt applicable to debt limit	2,514,000	2,350,000	3,775,000	3,546,078	3,304,195	3,055,205	3,325,055	2,785,454	2,920,405	2,719,599
LEGAL DEBT MARGIN	\$ 20,245,356	\$ 19,380,471	\$ 19,084,695	21,242,676	\$ 23,470,749	\$ 24,615,336	\$ 27,842,207	\$ 24,365,313	\$ 30,380,875	\$ 29,034,814

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	
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
2016	1,396,878	669,653	727,225	25,336	795	26,131	27.83
2017	1,353,323	936,940	416,383	-	-	-	N/A
2018	1,334,293	776,856	557,437	-	-	-	N/A

(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
PLEGGED-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	Total	
2009	1,727,799	857,638	870,161	323,000	356,503	679,503	1.28
2010	1,578,091	727,354	850,737	335,000	344,504	679,504	1.10
2011	1,531,992	681,644	850,348	346,000	297,056	643,056	1.32
2012	1,529,489	595,033	934,456	38,000	262,983	300,983	3.10
2013	1,575,327	871,884	703,443	40,000	172,516	212,516	3.31
2014	1,549,047	743,615	805,432	47,000	151,264	198,264	4.06
2015	1,714,070	699,886	1,014,184	439,000	149,289	588,289	3.51
2016	1,898,526	843,657	1,054,869	501,000	145,569	646,569	1.63
2017	1,971,094	1,216,178	754,916	513,000	141,478	654,478	1.15
2018	2,253,164	984,587	1,268,577	521,000	137,391	658,391	1.93

(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
PLEGGED-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	Total	
2009	513,818	118,617	395,201	160,000	170,252	330,252	1.20
2010	499,909	96,330	403,579	170,000	165,932	335,932	1.20
2011	585,730	256,837	328,893	-	83,010	83,010	3.96
2012	567,370	125,149	442,221	-	117,962	117,962	3.75
2013	557,029	238,076	318,953	135,000	99,056	234,056	1.36
2014	556,203	126,960	429,243	217,150	96,174	313,324	1.37
2015	595,589	123,179	472,410	220,000	90,903	310,903	1.52
2016	599,352	148,938	450,414	225,000	87,100	312,100	1.44
2017	588,821	412,582	176,239	158,000	61,126	219,126	(0.80)
2018	594,680	306,292	288,388	259,000	55,497	314,497	(0.92)

(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)
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	114,600,042	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%
2016	6,160	154,511,280	25,083	35.0	12	4,206	3.8%
2017	6,174	164,740,842	26,683	36.1	12	4,198	3.1%
2018	6,195	181,724,130	29,334	35.4	12	4,145	3.2%

- (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	2018			2009		
	Employees	Rank	Percentage of Total Borough Employment	Employees	Rank	Percentage of Total Borough Employment
Genesis Health Care	724	1	14.3%	630	1	14.0%
YMCA of the Brandywine Valley	370	2	7.3%	335	3	7.5%
Compass Group USA	223	3	4.4%			
Kennett Consolidated School District	220	4	4.3%	366	2	8.2%
Friends Boarding Home	115	5	2.3%	174	4	3.9%
George Krapf Jr & Sons Ibc	93	6	1.8%			
Voravong Service	87	7	1.7%			
MV Kennett Square Inc	83	8	1.6%			
Victory Brewing Company	75	9	1.5%	92	5	2.1%
WT Hospice Holdings LLC	72	10	1.4%			
Kennett Symphony of Chester County	72	10	1.4%			
WaWa Inc. #35				79	6	1.8%
S&E Hospitality Group				50	7	1.1%
County of Chester				50	8	1.1%
Borough of Kennett Square				48	9	1.1%
St Patrick's Roman Catholic Church				47	10	1.0%
Totals	<u>2,134</u>		<u>42.1%</u>	<u>1,871</u>		<u>41.7%</u>

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

SCHEDULE 22

Fiscal Year	General Government	Public Safety		Public Works	Water and Sewer	Total
		Police	Codes			
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
2016	4	19	3	6	4	36
2017	4	19	4	6	4	37
2018	5	19	4	6	4	38

Source: Borough of Kennett Square Finance Office.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

FUNCTION	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Physical arrests	281	327	304	303	281	323	295	265	242	208
Parking violations	6,092	4,336	5,763	4,675	3,807	3,699	2,547	2,994	3,021	2,749
Traffic violations	1,169	1,048	919	779	622	767	809	809	1,604	1,540
Codes										
Rental inspections	1,099	1,190	1,200	1,200	1,212	1,212	1,212	1,212	1,212	1,212
Commercial inspections	330	330	330	330	330	330	330	330	330	315
Highway and streets										
Street resurfacing (miles)	1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1
Water										
Average daily consumption (thousands of gallons)	482	502	499	492	479	477	483	501	471	508
Wastewater										
Average daily sewage treatment (thousands of gallons)	596	577	577	487	520	571	595	600	617	821
Parking										
Street metered spaces	225	225	225	225	225	225	225	225	230	153
Garage metered spaces	39	39	39	39	39	39	39	39	39	40
Lots metered spaces	49	49	49	49	49	49	49	59	36	50
Street permit spaces	27	27	27	27	27	27	27	27	27	96
Garage permit spaces	311	311	311	311	311	311	211	211	211	308
Lots permit spaces	155	155	155	155	155	155	155	167	167	136

Source: Borough of Kennett Square Department Heads.

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

SCHEDULE 24

FUNCTION	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	9	9	9	10	10	10	10	10	13	13
Codes										
Vehicles	2	2	2	2	2	2	2	3	3	4
Public works										
Municipal building	-	-	-	-	-	-	-	-	-	-
Maintenance garage	1	1	1	1	3	3	3	3	3	3
Vehicles	14	14	14	14	14	14	14	14	15	16
Streets (miles)	25	25	25	25	25	25	25	25	25	25
Streetlights	410	410	410	410	410	410	410	410	410	427
Traffic signals	21	21	21	21	21	21	21	21	21	57
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	2	2	2	2
Water mains (miles)	22	22	22	22	22	22	22	22	22	22
Fire hydrants	143	143	143	143	143	143	143	145	145	145
Sewer										
Pump stations	4	4	4	4	4	4	4	4	4	4
Sanitary sewers (miles)	20	20	20	20	20	20	20	20	20	20
Storm sewers (miles)	18	19	19	19	19	19	19	19	19	19
Parking										
Garage	1	1	1	1	1	1	1	1	1	1
Lots	6	6	6	6	6	6	6	6	6	6

Source: Borough of Kennett Square Finance Office.