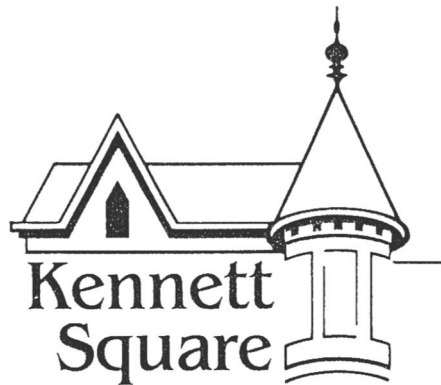


**BOROUGH OF KENNETT SQUARE,
PENNSYLVANIA**

**THE ANNUAL COMPREHENSIVE
FINANCIAL REPORT**



Matthew W. Fetick
Mayor

Kyle Coleman
Borough Manager

Lisa Ionata
Finance Director

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2021**

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**BOROUGH OF KENNETT SQUARE,
PENNSYLVANIA**

**THE ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2021**

Prepared by:

Lisa Ionata
Finance Director

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BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 TABLE OF CONTENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Page</u>
Introductory Section	
Letter of Transmittal	1 - 7
Certificate of Achievement for Excellence in Financial Reporting	8
List of Elected and Appointed Officials	9
Organization Chart	10
Street Map	11
Financial Section	
Independent Auditor's Report	12 - 14
Management's Discussion and Analysis (Unaudited)	15 - 28
Government-wide Financial Statements	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements	
<i>Governmental Funds</i>	
Balance Sheet	31
Reconciliation of Governmental Fund Balances to Net Position of Governmental Activities	32
Statement of Revenues, Expenditures, and Changes in Fund Balances	33
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	34
<i>Proprietary Funds</i>	
Statement of Net Position	35
Statement of Revenues, Expenses, and Changes in Net Position	36
Statement of Cash Flows	37
<i>Fiduciary Fund</i>	
Statement of Fiduciary Net Position	38
Statement of Changes in Fiduciary Net Position	39
Notes to the Financial Statements	40 - 67
Required Supplementary Information	
Budgetary Comparison Schedule	68
Note to the Budgetary Comparison Schedule	69
Schedule of Changes in the Net Police Pension Plan (Asset) Liability and Related Ratios Last Ten Fiscal Years	70
Schedule of Police Pension Plan Contributions Last Ten Fiscal Years	71
Schedule of Police Pension Plan Investment Returns Last Ten Fiscal Years	72
Schedule of Changes in the Net Non-Uniformed Pension Plan Liability and Related Ratios Last Ten Fiscal Years	73
Schedule of Non-Uniformed Pension Plan Contributions Last Ten Fiscal Years	74
Schedule of Non-Uniformed Pension Plan Investment Returns Last Ten Fiscal Years	75

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Page

Other Supplementary Information Section

Combining Balance Sheet, Nonmajor Governmental Funds	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances, Nonmajor Governmental Funds	77

Statistical Section (Unaudited)

Contents	78
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Schedules

Financial Trends

Net Position by Components Last Ten Fiscal Years	1	79
Changes in Net Position Last Ten Fiscal Years	2,2,2	80 - 81
Governmental Activities Tax Revenues by Source Last Ten Fiscal Years	3	82
Fund Balances, Governmental Funds Last Ten Fiscal Years	4	83
Changes in Fund Balances, Governmental Funds Last Ten Fiscal Years	5	84

Revenue Capacity

Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years	6	85
All Direct and Overlapping Property Tax Rates Last Ten Fiscal Years	7	86
Principal Property Taxpayers Current Year and Nine Years Ago	8	87
Property Tax Levies and Collections Last Ten Fiscal Years	9	88

Debt Capacity

Ratio of Outstanding Debt by Type Last Ten Fiscal Years	10	89
Ratio of General Obligation Bonded Debt Outstanding Last Ten Fiscal Years	11	90
Direct and Overlapping Governmental Activities Debt	12	91
Legal Debt Margin Information Last Ten Fiscal Years	13	92
Pledged-Revenue Coverage of Water Fund Last Ten Fiscal Years	14	93
Pledged-Revenue Coverage of Sewer Fund Last Ten Fiscal Years	15	94
Pledged-Revenue Coverage of Parking Fund Last Ten Fiscal Years	16	95

Demographic and Economic Information

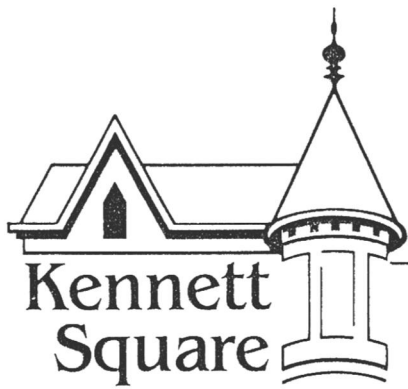
Demographic and Economic Statistics Last Ten Fiscal Years	17	96
Principal Employers Current Year and Nine Years Ago	18	97

Operating Information

Full-Time Equivalent Borough Employees by Function Last Ten Fiscal Years	19	98
Operating Indicators by Function Last Ten Fiscal Years	20	99
Capital Asset Statistics by Function Last Ten Fiscal Years	21	100

**INTRODUCTORY
SECTION**

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December 19, 2022

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 Annual Comprehensive Financial Report for the year ended December 31, 2021.

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.

U.S. 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 unmodified (“clean”) opinion of the Borough’s financial statements for the fiscal year ended December 31, 2021. This opinion states that the financial statements are fairly presented, in all material respects, in accordance with U.S. 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 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 2021, 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 2020 census population of 5,925. This is a decrease of 147 people compared to the 2010 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 2021 is \$250,284,960 which is an increase of \$26,312,800 over the last ten years. The County of Chester re-assessment last occurred back in 1998. The Borough Council approved a .60 mill increase in real estate taxes in 2004 to help support the Kennett Fire Company. The Borough tax for general purposes increased in 2019 by .40 mills. The total millage for general purposes is 6.15 mills, an increase of 1.9 mills over the last ten years. The total tax levied in 2022, including the Fire Company tax, is 6.75 mills. For 2022, 1 mill equates to \$250,284.96 in total revenue or approximately \$147.05 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 9.

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 members' 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, community development, social services 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. Borough Manager can approve transfers

between departments within a function. Transfer of appropriations between functions, however, requires the special approval of the Borough Council.

Factors Affecting Financial Condition

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

Local Economy. The Borough of Kennett Square is currently lucky enough to enjoy a favorable economic environment and local indicators point to continued stability. Kennett Square is a place of ethnic, cultural, and economic diversity. The county unemployment rate decreased from 4.4% to 2.8%, the state rate decreased from 7.1% to 5.5% by the end of December 2021. During this same time the Borough's unemployment rate decreased from 4.4% to 3.7%. This is evidence that the Borough, along with other nearby areas, are recovering well from the pandemic.

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 3,969 students enrolled in the school district, 1,592 attend schools located in the Borough.

The headquarters of Genesis Health Care, a health care provider, occupies two facilities located in Kennett Square's uptown. Genesis Health Care is one of the largest skilled nursing providers in the Country, with nearly 400 skilled nursing centers and senior living communities in 26 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 has featured 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. Due to COVID-19, some of these outdoor dining events have expanded capabilities for more frequent and continuous outdoor dining available.

Many events draw 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 events.

Long-Term Financial Planning. Through Strategic Planning in 2015 the Borough set out to fully fund the reserves in all Borough funds. By the end of 2019 the General Fund and Enterprise Funds had achieved those goals. The Borough completed a minor strategic planning effort in the summer of 2022 and will begin an annual strategic planning effort in the spring of 2023.

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 Borough partnered with the Delaware Valley Regional Planning Commission in 2017 to upgrade the majority of the Borough streetlights to LED.

Through repayment of nearly one million dollars in Revolving Loan Funds originally distributed to two local businesses the Borough has since developed a Revolving Loan Fund Program designed to assist in startup and expansion of businesses located within the Borough's corporate limits. To date about \$ 450,000 has been distributed.

Beginning in 2021, one of the largest remaining underutilized parcels in the Borough will be redeveloped. The former Bill Luke Chevy dealership property will be developed into residential uses; this development will add 167 new residents/apartments and additional tax base to the Borough. Construction is underway and expected to be completed in early 2023. The former NVF property will remain a longer-term project as it continues environmental cleanup. Zoning changes, to permit residential development, would need to be made, as well.

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 is under construction to remove Total Nitrogen from the effluent. A new process was designed in 2017

and began construction in early 2019 to meet the Nov. 2019 requirement. The cost of these improvements totaled nearly three and a half million dollars. With reserves near two million dollars in the sewer fund the need for a loan was necessary and \$2M was acquired in 2019 to assure sufficient funds were available. This project was completed in 2020.

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 project began construction in early 2019 and was completed in October 2020. All grant money has been received.

In the fall of 2022, the Borough received notice of a \$2 million RACP grant from the Commonwealth to help renovate the new Borough police station. This construction effort is expected to begin in the spring of 2023 and be completed in late 2023 or early 2024.

The five-year Capital Improvement Program (CIP) details the continuation of addressing infrastructure and other needs through the year 2024. The 2021 budget provides \$5.2 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. In recent years significant effort has been positioned around streamlining processes and closely monitoring escrow accounts and reimbursables across departments. 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 annual comprehensive financial report was made possible by the dedicated service of many of the employees of the Borough, particularly those in Administration and the Finance Department. 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, Borough Manager, and Finance Director, preparation of this report would not have been possible.

Respectfully submitted,

Kyle Coleman
Kyle Coleman
Borough Manager

Lisa Ionata
Lisa Ionata
Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Borough of Kennett Square
Pennsylvania**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2020

Christopher P. Morill

Executive Director/CEO

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
List of Elected and Appointed Officials
December 31, 2021

Elected Officials

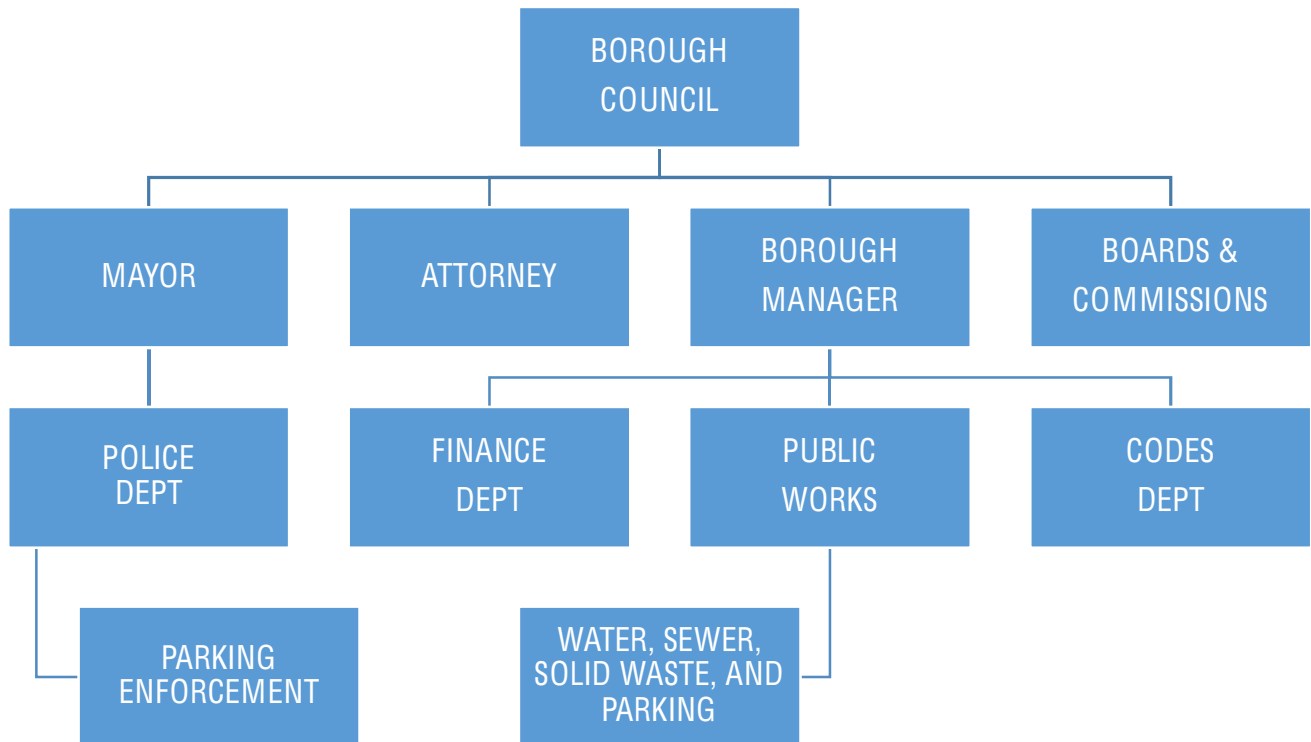
Mayor	Matthew W. Fetick
Council Member (President)	Brenda Mercomes
Council Member (Vice President)	Rosa Moore
Council Member	Doug Doerfler
Council Member	Ethan Cramer
Council Member	Peter Waterkotte
Council Member	LaToya Myers
Council Member	Mayra Zavala

Appointed Officials

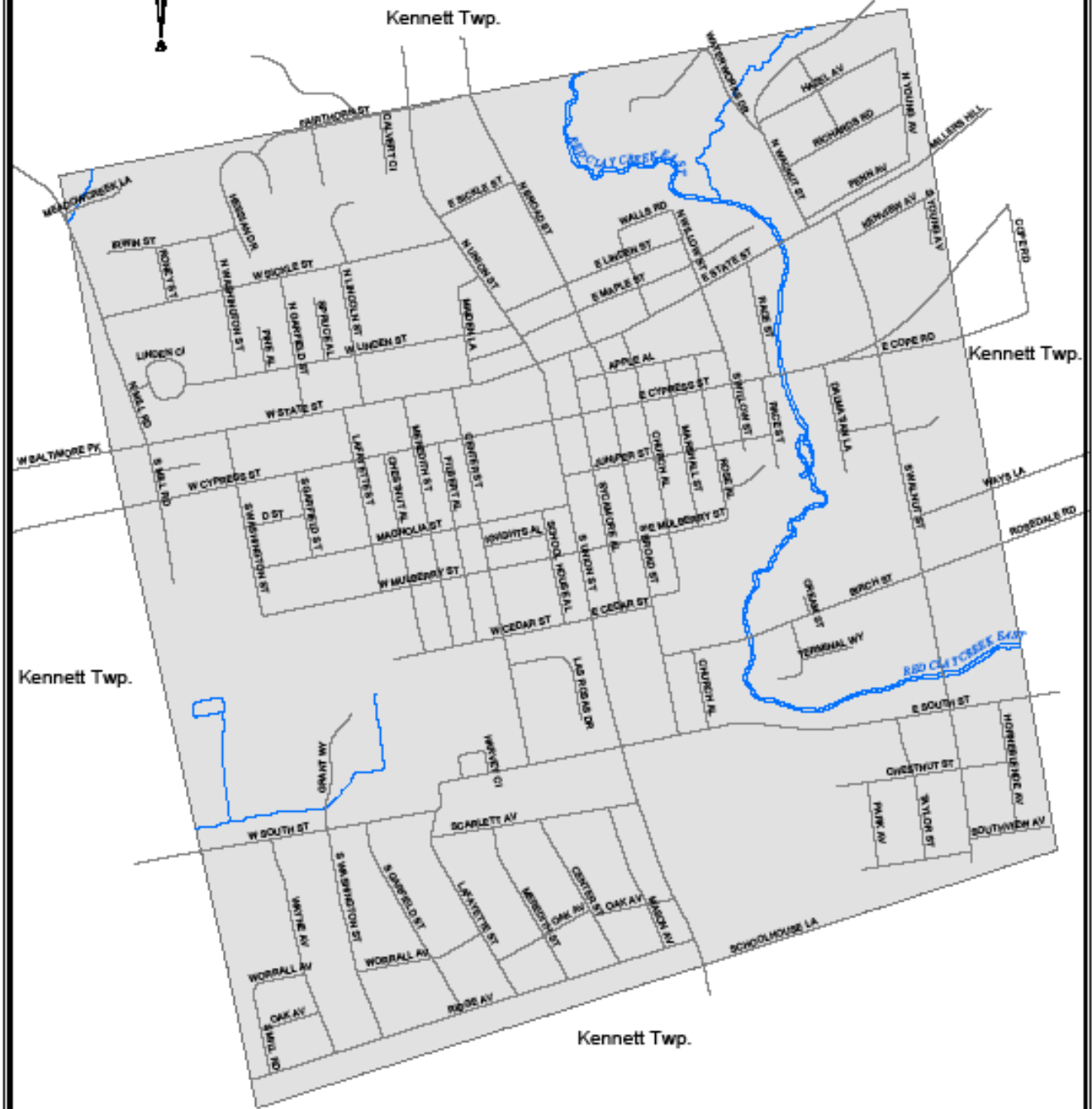
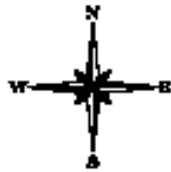
Borough Manager	Kyle Coleman
Attorney	Siana Bellwoar & McAndrew LLC
Finance Director	Lisa Ionata
Police Chief	William Holdsworth
Codes & Zoning Officer	Russell H. Drumheller
Public Works Director	Robert Moran

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

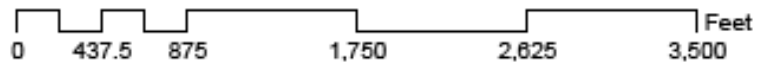
ORGANIZATION CHART



BOROUGH OF KENNETT SQUARE STREET MAP



1 inch equals 875 feet



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**FINANCIAL
SECTION**

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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 Audit of the Financial Statements

Opinions

We have audited the 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 ("the Borough"), Pennsylvania as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 as of December 31, 2021 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Borough's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for one year after the date that the financial statements are issued.



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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Adoption of Governmental Accounting Standards Board Pronouncements

As described in Note 1 to the financial statements, in 2021 the Borough adopted the provisions of Governmental Accounting Standards Board's Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* and Statement No. 93, *Replacement of Interbank Offered Rates*. Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 28, budgetary comparison information on pages 68 and 69 and pension plan information on pages 70 through 75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic



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

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.

Supplementary Information

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

The combining 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 nonmajor fund financial statements and the other information, such as the introductory and statistical sections are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Zelenkofske Axlerod LLC

ZELENKOFSCHE AXELROD LLC

Jamison, Pennsylvania
December 19, 2022

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BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

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, 2021. 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 \$21,719,535 (net position). Of this amount, \$5,092,823 (unrestricted net position) may be used to meet the Borough's ongoing obligations to its residents and creditors.

The Borough's governmental activities total net position increased by \$654,010, or 8.2%, from 2020 to 2021 and its unrestricted net position increased by \$134,577 during the same period.

The Borough's business-type activities total net position increased by \$1,135,915, or 8.7%, from 2020 to 2021 and its unrestricted net position increased by \$1,072,068 during the same period.

Net investment in capital assets (capital assets net of related debt) of the governmental-wide activities was \$14,929,733, a decrease of \$16,174 from 2020.

The total fund balance for the Borough's governmental funds was \$3,385,914 as of December 31, 2021.

The Borough's General Fund has a total fund balance of \$990,612. This fund balance increased by \$350,618 from 2020 to 2021.

As of December 31, 2021, the Borough had \$19,441,000 of debt outstanding. This represents an increase of \$8,951,000, or 88%, from the previous year. The amount of outstanding direct debt per capita increased from \$1,691 to \$3,281, a difference of \$1,590.

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, 2021

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 (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources, 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, 2021

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 (Nonmajor Governmental Funds).

Individual fund data for each of these Nonmajor Governmental Funds can be found under the Other 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*. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the government's various functions. The Borough of Kennett Square has no Internal Service Funds. 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.

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, and parking, all of which are considered to be major funds of the Borough of Kennett Square. The solid waste fund is considered a nonmajor fund.

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 police pension plan trust.

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 67 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 68 through 75 of this report.

Other supplementary information, combining nonmajor governmental funds financial statements are found on pages 76 through 77 of this report.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

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 \$21,719,535 at the close of 2021.

By far, the largest portion of the Borough of Kennett Square's net position (69%) 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, net of any unspent funds from debt issuance. 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, 2021 and 2020

An additional portion of the Borough of Kennett Square's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,092,823 is the unrestricted net position of December 31, 2021.

	Governmental Activities		Business-Type Activities		Totals		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021-2020
Assets							
Current and Other Assets	\$4,419,526	\$2,051,898	\$ 4,698,753	\$ 3,752,959	\$ 9,118,279	\$ 5,804,857	57.08%
Noncurrent Assets	1,806,731	1,057,605	69,169	-	1,875,900	1,057,605	100.00%
Capital Assets, Net	<u>16,661,407</u>	<u>8,261,639</u>	<u>16,599,115</u>	<u>17,183,960</u>	<u>33,260,522</u>	<u>25,445,599</u>	<u>30.71%</u>
Total Assets	<u>22,887,664</u>	<u>11,371,142</u>	<u>21,367,037</u>	<u>20,936,919</u>	<u>44,254,701</u>	<u>32,308,061</u>	<u>36.98%</u>
Deferred Outflows of Resources							
Deferred Outflows of Resources - Pension Activity	<u>415,788</u>	<u>120,677</u>	<u>311,367</u>	<u>270,415</u>	<u>727,155</u>	<u>391,092</u>	<u>85.93%</u>
Total Deferred Outflows of Resources	<u>415,788</u>	<u>120,677</u>	<u>311,367</u>	<u>270,415</u>	<u>727,155</u>	<u>391,092</u>	<u>-85.93%</u>
Liabilities							
Current Liabilities	1,357,022	653,987	1,038,280	659,972	2,395,302	1,313,959	82.30%
Long-Term Liabilities	<u>11,396,502</u>	<u>1,729,554</u>	<u>7,100,000</u>	<u>8,315,274</u>	<u>18,496,502</u>	<u>10,044,828</u>	<u>84.14%</u>
Total Liabilities	<u>12,753,524</u>	<u>2,383,541</u>	<u>8,138,280</u>	<u>8,975,246</u>	<u>20,891,804</u>	<u>11,358,787</u>	<u>83.93%</u>
Deferred Inflows of Resources							
Deferred Inflows of Resources - Pension Activity	<u>1,882,803</u>	<u>1,095,163</u>	<u>487,714</u>	<u>315,593</u>	<u>2,370,517</u>	<u>1,410,756</u>	<u>68.03%</u>
Net Position							
Net Investment in Capital Assets	6,457,618	6,537,639	8,472,115	8,408,268	14,929,733	14,945,907	-0.11%
Restricted	1,696,979	1,097,525	-	-	1,696,979	1,097,525	54.62%
Unrestricted	<u>512,528</u>	<u>377,951</u>	<u>4,580,295</u>	<u>3,508,227</u>	<u>5,092,823</u>	<u>3,886,178</u>	<u>-31.05%</u>
Total Net Position	<u>\$8,667,125</u>	<u>\$8,013,115</u>	<u>\$13,052,410</u>	<u>\$11,916,495</u>	<u>\$21,719,535</u>	<u>\$19,929,610</u>	<u>8.98%</u>

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Changes in Net Position - Years Ended December 31, 2021 and 2020

	Governmental Activities		Business-Type Activities		Totals		Total Percentage Change 2021-2020
	2021	2020	2021	2020	2021	2020	
Revenues							
Program Revenues							
Charges for Services	\$ 516,347	\$ 452,530	\$ 4,994,037	\$ 4,342,434	\$ 5,510,384	\$ 4,794,964	14.92%
Operating Grants and Contributions	481,311	520,942	-	-	481,311	520,942	-7.61%
Capital Grants and Contributions	8,902	-	18,750	996,701	27,652	996,701	-97.23%
General Revenues							
Taxes, Levied for General Purposes	3,392,777	3,305,556	-	-	3,392,777	3,305,556	2.64%
Gain on Sale of Assets	2,900	14,000	-	-	2,900	14,000	-79.29%
Investment Income and Rents, Net of Expense	123,944	120,096	289	3,784	124,233	123,880	-0.28%
Miscellaneous	28,826	41,190	-	-	28,826	41,190	-30.02%
Total Revenues	4,555,007	4,454,314	5,013,076	5,342,919	9,568,083	9,797,233	-2.34%
Expenses							
General Government	1,066,521	867,341	-	-	1,066,521	867,341	-22.96%
Public Safety	2,406,456	2,563,134	-	-	2,406,456	2,563,134	6.11%
Public Works							
Highways and Streets	942,348	869,452	-	-	942,348	869,452	-8.38%
Culture and Recreation	122,224	124,374	-	-	122,224	124,374	1.73%
Community Development	-	15	-	-	-	15	100.00%
Interest on Long-Term Debt	58,408	40,226	-	-	58,408	40,226	-45.20%
Water	-	-	994,344	1,011,276	994,344	1,011,276	1.67%
Sewer	-	-	1,492,329	1,280,779	1,492,329	1,280,779	-16.52%
Parking	-	-	329,574	349,365	329,574	349,365	5.66%
Solid Waste	-	-	365,954	349,210	365,954	349,210	-4.79%
Total Expenses	4,595,957	4,464,542	3,182,201	2,990,630	7,778,158	7,455,172	4.33%
Change in Net Position Before Transfers	(40,950)	(10,228)	1,830,875	2,352,289	1,789,925	2,342,061	-23.57%
Transfers	694,960	592,635	(694,960)	(592,635)	-	-	0.00%
Change in Net Position	654,010	582,407	1,135,915	1,759,654	1,789,925	2,342,061	-23.57%
Net Position at Beginning of Year	8,013,115	7,430,708	11,916,495	10,156,941	19,929,610	17,587,549	13.32%
Net Position at End of Year	\$ 8,667,125	\$ 8,013,115	\$ 13,052,410	\$ 11,916,495	\$ 21,719,535	\$ 19,929,610	8.98%

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

At the end of the current fiscal year, the Borough of Kennett Square net position increased from the previous year by \$1,789,925 (or 9%) to \$21,719,535.

The net investment in capital assets portion of the governmental activities net position decreased \$80,021 from the prior year, mainly from the bond issuance for the purchase and improvement of property only partially spent in 2021. Expenditures for the fit out of Borough Hall and the Police Station taking place in 2022 and 2023 will increase net investment in capital assets in future years. The Borough of Kennett Square's business-type activities had an increase of \$63,847 resulting from normal activity such as acquisition of capital assets, net of debt issuance and unspent funds, debt payments and depreciation of assets held.

The restricted portion of net position increased \$599,454 from the prior year to \$1,696,427. The amount is comprised of funds for pensions, unspent American Recovery Act Program funds, road improvements, and community development in fiscal year 2022.

The unrestricted portion increased from the prior year of \$3,886,178 to \$5,092,823 for the current year. This amount represents funds available to meet operating and capital obligations to the citizens and creditors of the Borough of Kennett Square.

Governmental Activities – Borough of Kennett Square's overall net position increased by \$654,010, from Governmental Activities during 2021. Some major elements of this increase are as follows:

Revenues - Total revenues increased \$194,116 (or 3.8%) during the current year.

- Charges for Services increased by \$63,817 essentially restoring this line item back to pre-COVID levels with the return of community events and building projects.
- Operating Grants and Contributions decreased minimally, by \$39,631, in 2021.
- Taxes levied for general purposes increased \$83,900. This increase is mainly attributed to the increase in Transfer Tax Revenue in 2021 (revenue generated from the sale of homes in the Borough).
- Investments Income and Rents, net of expenses, increased \$3,848 due to a slight increase in water tower rental receipts.
- Miscellaneous Revenue decreased by \$12,364 largely due to \$12,146 returned to the Borough from the pay-off of the capital lease related to the street light replacement program in 2020. Such a refund was not repeated in 2021.

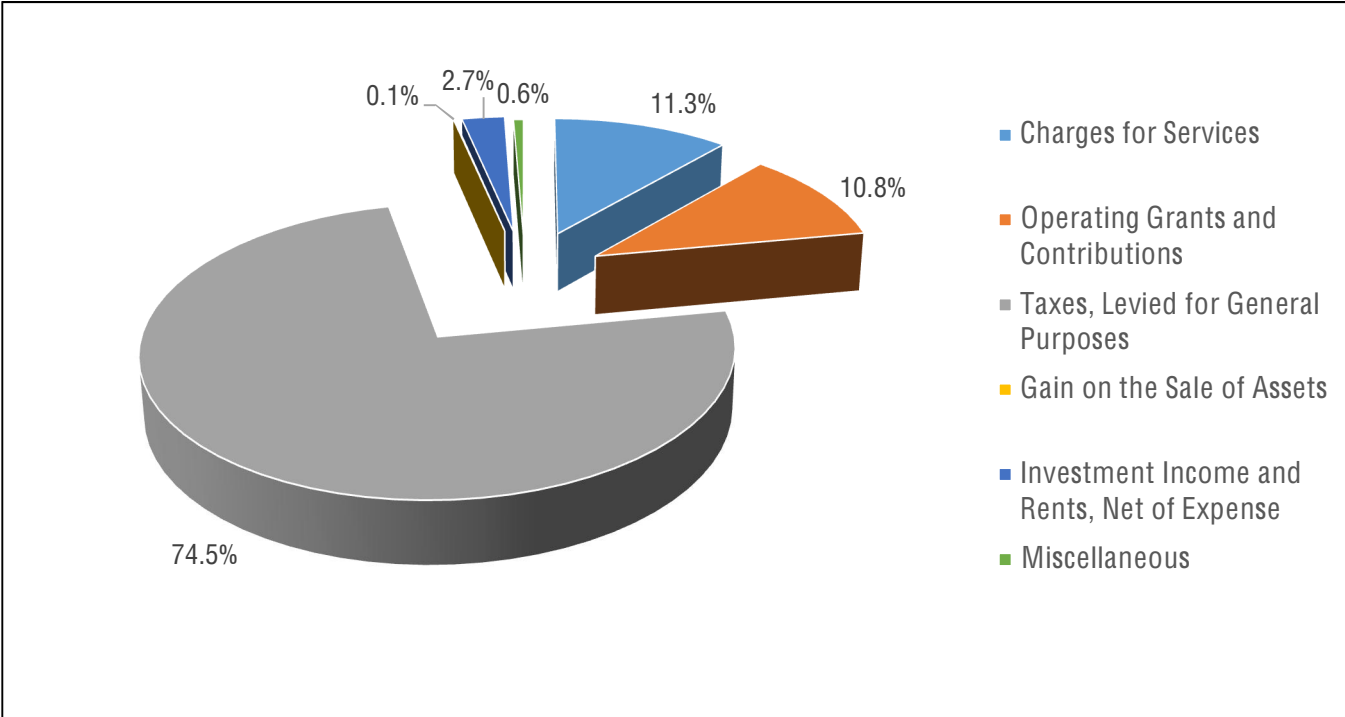
Expenses – Total expenses from governmental activities increased by \$131,415 (or 2.9%) during the current year. This increase is largely explained by restoration of normal operating activities after the pandemic.

- General Government increased by \$199,180 due to filling some long vacancies, search firm expenses, building expenses, and increase in the pension obligation.
- Public Safety (which includes Police and Codes) decreased by \$156,678 partially due to one police car purchased in 2021 as opposed to two purchased in 2020, and also the remaining balance on the Fire Truck loan was paid off in 2020, expenditure not repeated in 2021.
- Public Works increased by \$72,896 as the department filled vacant positions and replenished supplies in the snow removal section.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

- Culture and recreation and community development lines showed minimal year over year changes in 2021
- Interest on long-term debt increased by \$18,182 in 2021 due to the bond issuance in September of 2021 for a substantial building and property purchase.

Revenues by Source - Governmental Activities

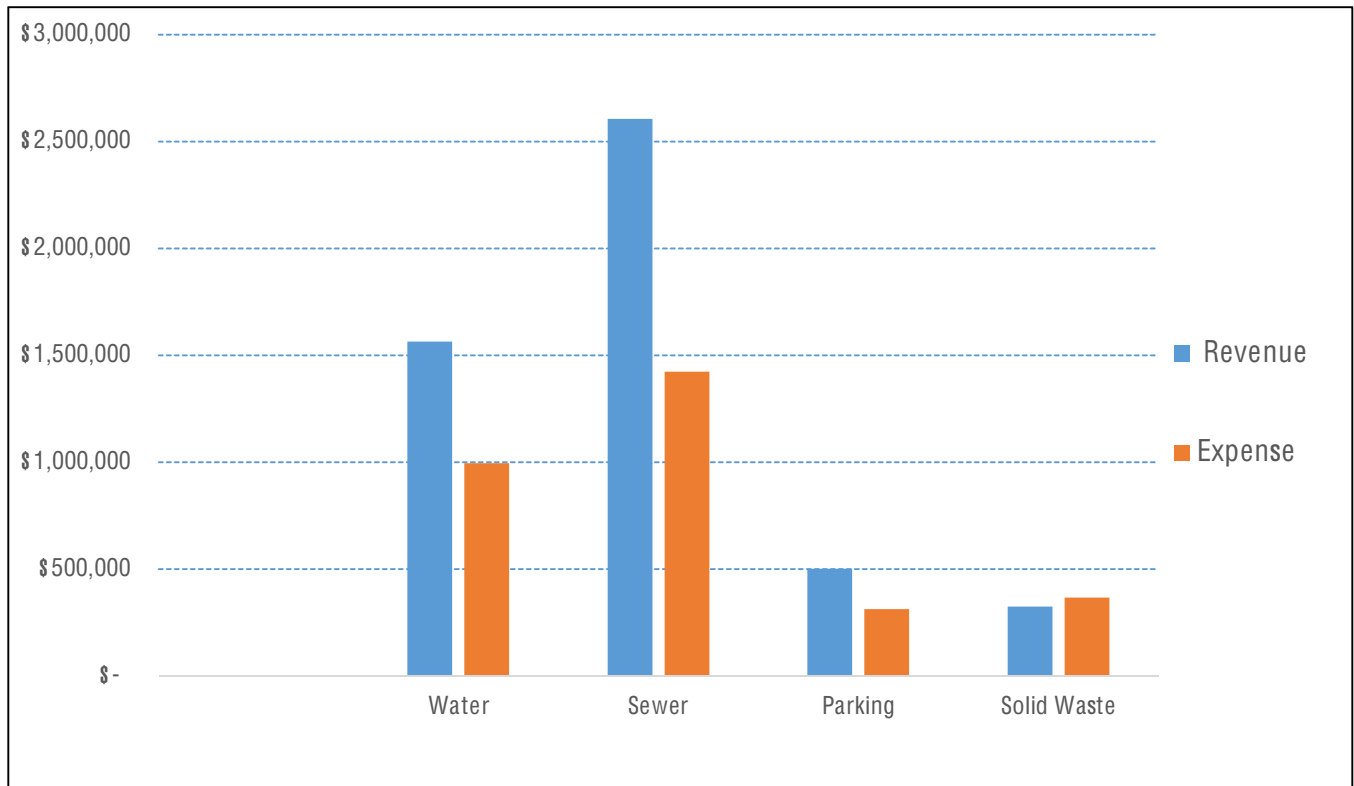


BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
 YEAR ENDED DECEMBER 31, 2021

Business-Type Activities - Business-type activities increased the Borough of Kennett Square's net position by \$1,135,915. The key elements of the increase are:

- Net Investment in capital assets increased from 2020 by \$63,847 (or less than 1%) to \$8,472,115,
- Unrestricted net position increased \$1,072,068 from 2020 to \$4,580,295 in 2021, and
- The transfers out for 2021 are \$694,960.

Expenses and Program Revenues - Business-Type Activities



BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Revenues by Source - Business-Type Activities

- Charges for services - \$4,994,037
- Capital grants and contributions - \$18,750
- Investment income (loss), net of expense – \$289

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 \$3,385,914, an increase of \$1,750,535 in comparison with the prior year. Of this, \$666,033 constitutes unassigned fund balance in the General Fund only. The unassigned balance rises to \$2,035,212 if bond proceeds available for planned capital projects is included. The restricted fund balance is \$2,719,881 for road improvements, community development, emergency management and American Rescue Plan Act money.

The General Fund is the chief operating fund of the Borough of Kennett Square. As mentioned above, at the end of the current fiscal year, the total fund balance of the General Fund was \$990,612. As a measure of the General Fund's liquidity, it may be useful to compare that amount to total fund expenditures of \$4,031,965 which represents 24.6% of total General Fund expenditures.

The Borough of Kennett Square's General Fund balance increased \$350,618 for the current fiscal year. Key factors for these results are as follows:

General Fund revenues increased approximately 3.6% or \$145,014:

Total tax revenues increased by \$97,103 (or 3%) largely due the housing market producing increased Real Estate Transfer Taxes as the Borough emerged from the pandemic in 2021.

Many categories experienced minor fluctuations from 2020 to 2021. Those categories were Licenses and Permits, Fines, Forfeits, and Costs, Interest and Rents Intergovernmental, and Miscellaneous.

Charges for Services/Fees increased by \$52,771 mainly because of new building and related permits ramping back up again after the pandemic.

Expenditures similarly increased approximately 3.8% or \$148,749:

Expenditures in general government, public safety, and culture and recreation were relatively flat between 2020 and 2021.

A increase in public works, highways, and streets category of \$94,819 or 23% was the Borough's largest fluctuation. This was due to the large decrease from 2019 to 2020, making the 2021 increase a start to restoring this category to normal levels. The previous reduction was due to the public works director vacancy for almost the entire year and COVID shut down related savings. For 2021 those vacancies were filled and activities restored.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

The Capital Projects Fund is maintained to account for major capital projects. At the end of the current fiscal year, the Capital Projects Fund had \$1,368,627 fund balance. This full amount is bond proceeds to be used for Borough Hall and Police Station fit out at the Borough's newly purchased property at 600 S Broad Street.

The Emergency Management Fund is used to account for the Borough's contributions to the local fire commission and other related costs associated with area volunteer fire/EMS. This fund automatically receives 0.6 mills of the Borough's tax revenue as well as 25% of the Local Services Taxes (LST) received by the Borough each year. Additional revenue is transferred to this fund annually as a matter of necessity to balance to fund and cover the obligations of the fund. At the end of the current fiscal year, the Emergency Management Fund had a fund balance of \$552.

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 \$4,641,826, the net position of the Sewer Fund at the end of the year amounted to \$5,372,258, the net position of the Parking Fund at the end of the year amounted to \$2,948,543, and the net position of the Solid Waste Fund at the end of the year amounted to \$89,783. The total increase/(decrease) in net position for these funds was \$309,554, \$855,500, \$30,035, and (\$59,174), 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 68. In 2021, there were a few budget amendments made to revenues and expenditures. The 2021 General Fund budget was adopted in December 2020.

During the year, revenues were under budget estimates by \$359,580, and expenditures were under budget estimates by \$257,423.

Tax revenues were less than the budget by \$101,568. Overcoming this difference, \$179,016 was collected but was recorded in the Emergency Management Fund.

Licenses and Permits exceeded the budget by \$1,431.

Fines and Forfeits were more than the expectation of the budgeted amount by \$1,186.

Interest and Rents also exceeded budget slightly at \$1,386.

Intergovernmental revenues were well below our adjusted budget because of the way American Rescue Act Revenue was treated for accounting purposes. This accounts for \$324,579 of the listed variance. Without that adjustment, the difference in this line would have been only \$5,974, and in the opposite direction (not a shortfall).

Charges for Services were more than its budget by \$34,005 for 2021. Some of the revenue line items in this category bounced back better than anticipated after COVID.

Miscellaneous revenues were higher than the budgeted amount by \$22,586. Reimbursements and refunds received in the current year were higher than anticipated.

General government expenditures (Administration, Finance, Legal and Municipal Building) were under budget by \$225,024; this was due to the expectation of renovations on the new Borough Hall that were expected to begin in 2021 but did not commence until 2022.

Public safety expenditures (Police and Codes) were \$57,156 under budget. This is due to unexpected savings in Police Overtime as Part Time Officer utilization was increased. Also, there were significant savings in Health and Benefits for both departments as employees elected the opt out benefit.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Public works expenditures (Public Works and Highways/Streets) were \$31,153 over budget. This section overspent slightly in most of their accounts and was not a result of an event or specific cause.

Culture and Recreation was minimally over budget by \$104.

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, 2021, amounted to \$33,260,522 (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 streetlights.

Current year additions included the purchase of a new Police vehicle, Public Works truck, Bobcat track loader, zero turn mower, pole building, vertical pumps, and road improvements. The major purchase included in 2021 is the building and property at 600 S Broad Street. 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
	<u> </u>	<u> </u>	<u> </u>
Capital Assets Not Being Depreciated			
Land	\$ 1,382,350	\$ 1,619,281	\$ 3,001,631
Construction In Progress	268,758	58,246	327,004
	<u>1,651,108</u>	<u>1,677,527</u>	<u>3,328,635</u>
Total Capital Assets Not Being Depreciated			
Capital Assets Being Depreciated			
Buildings & Improvements, Sewer & Water System	12,788,471	25,567,102	38,355,573
Machinery, Equipment, Vehicles	1,731,606	1,761,316	3,492,922
Infrastructure	7,538,050	-	7,538,050
	<u>22,058,127</u>	<u>27,328,418</u>	<u>49,386,545</u>
Total Capital Assets Being Depreciated			
Depreciation	<u>(7,047,828)</u>	<u>(12,406,830)</u>	<u>(19,454,658)</u>
Total Capital Assets Being Depreciated, Net	<u>15,010,299</u>	<u>14,921,588</u>	<u>29,931,887</u>
Capital Assets, Net	<u>\$ 16,661,407</u>	<u>\$ 16,599,115</u>	<u>\$ 33,260,522</u>

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Long-Term Debt and Liabilities

At the end of the fiscal year, the Borough of Kennett Square's total long-term liabilities were \$19,919,210. Of this amount \$19,693,407 is bonds and notes, and \$225,803 is compensated absences.

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.

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 2021, the available borrowing base of nonelectoral debt or general obligation bonds was \$4,671,058 and available nonelectoral and lease rental debt combined was \$14,315,881. More information can be found in Notes 5 and 6 in the notes to the basic financial statements.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

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 5,925 residents according to the 2020 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 2010 Census identified 2,084 dwelling units in the Borough. A total of 2,348 units were reported in the 2020 Census; this addition of 264 units represented a 11.2% increase in the Borough's housing stock. The majority of housing in the Borough is of the single-family unit type. In the 2020 Census, 51% of housing units were owner-occupied and 49% were rentals. The median value of owner-occupied units in the Borough was \$266,100. The median value of homes for Chester County in 2016-2020 Survey was \$369,500 and for the Commonwealth of Pennsylvania was \$187,500.

The 2016-2020 Survey also reported the Borough's median family income as \$64,028, compared to \$104,161 for the County of Chester and \$66,627 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, 2021

Next Year's Budget

Revenues projected in the 2022 budget are of a conservative nature based on the previous three years of actual collections. The General Fund millage rate for 2022 remained the same at 6.75 mills. Additionally, the water and sewer rates remained the same. However, the Borough removed the \$15 quarterly credit per account in the Water Fund, due to the rising costs of infrastructure replacement and repairs. The Solid Waste Fees were also increased due to the new contract for disposal services increasing drastically. The 2022 budget was balanced using no General Fund reserves.

In September 2021, the Borough purchased a large property from Genesis Healthcare located at 600 S. Broad Street. This property will be the future home of both Borough Hall and the Police Station following some minor renovations. This property is larger than the specific needs of the Borough so there is potential for lease/rental income in the future. This purchase was fully funded by ~\$10 million in Bonds (partially taxable) and will be amortized over 20 years.

During 2022, aggressive management of the budget by all departments will be required to ensure that the departments live within these adjusted expectations. Although the Borough has met or exceeded its targeted reserve goals in all funds, we must continue looking for ways to increase revenues and reduce expenditures to combat inflation, to sustain overall financial stability, and to support initiatives for the betterment of the residents.

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 600 South Broad Street, Kennett Square, PA 19348.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities	Business-Type Activities	Totals
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,819,503	\$ 4,006,179	\$ 5,825,682
Restricted Cash	1,687,197	-	1,687,197
Receivables, Net	912,826	692,574	1,605,400
Total Current Assets	<u>4,419,526</u>	<u>4,698,753</u>	<u>9,118,279</u>
Noncurrent Assets:			
Capital Assets, Net:			
Land	1,382,350	1,619,281	3,001,631
Construction in Progress	268,758	58,246	327,004
Buildings and Improvements	9,687,813	14,650,857	24,338,670
Land Improvements	1,574,825	-	1,574,825
Roads, Bridges, and Lights	3,357,428	-	3,357,428
Machinery, Equipment, and Vehicles	390,233	270,731	660,964
Total Capital Assets, Net	<u>16,661,407</u>	<u>16,599,115</u>	<u>33,260,522</u>
Net Pension Asset	1,806,731	69,169	1,875,900
Total Noncurrent Assets	<u>18,468,138</u>	<u>16,668,284</u>	<u>35,136,422</u>
Total Assets	<u>22,887,664</u>	<u>21,367,037</u>	<u>44,254,701</u>
Deferred Outflows of Resources:			
Deferred Outflows of Resources for Pensions	415,788	311,367	727,155
Total Deferred Outflows of Resources	<u>415,788</u>	<u>311,367</u>	<u>727,155</u>
Liabilities:			
Current Liabilities:			
Accrued Salaries and Benefits	438	-	438
Other Liabilities	636,297	11,280	647,577
Long Term Debt	379,000	1,027,000	1,406,000
Compensated Absences	16,708	-	16,708
Unearned Revenue	324,579	-	324,579
Total Current Liabilities	<u>1,357,022</u>	<u>1,038,280</u>	<u>2,395,302</u>
Noncurrent Liabilities:			
Long Term Debt	11,187,407	7,100,000	18,287,407
Compensated Absences	209,095	-	209,095
Total Noncurrent Liabilities	<u>11,396,502</u>	<u>7,100,000</u>	<u>18,496,502</u>
Total Liabilities	<u>12,753,524</u>	<u>8,138,280</u>	<u>20,891,804</u>
Deferred Inflows of Resources:			
Deferred Inflows of Resources for Pensions	1,882,803	487,714	2,370,517
Net Position:			
Net Investment in Capital Assets	6,457,618	8,472,115	14,929,733
Restricted for:			
Pension	339,716	-	339,716
Emergency Management	552	-	552
Future Projects	330,588	-	330,588
Road Improvements	73,017	-	73,017
Community Development	953,106	-	953,106
Unrestricted	<u>512,528</u>	<u>4,580,295</u>	<u>5,092,823</u>
Total Net Position	<u>\$ 8,667,125</u>	<u>\$ 13,052,410</u>	<u>\$ 21,719,535</u>

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

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	\$ 1,066,521	\$ 69,423	\$ 260	-	\$ (996,838)	\$ -	\$ (996,838)
Public Safety	2,406,456	436,937	240,310	-	(1,729,209)	-	(1,729,209)
Public Works, Highways & Streets	942,348	9,987	240,741	8,902	(682,718)	-	(682,718)
Culture/Recreation	122,224	-	-	-	(122,224)	-	(122,224)
Interest on Long-Term Debt	58,408	-	-	-	(58,408)	-	(58,408)
Total Governmental Activities	4,595,957	516,347	481,311	8,902	(3,589,397)	-	(3,589,397)
Business-Type Activities:							
Water	994,344	1,561,852	-	-	-	567,508	567,508
Sewer	1,492,329	2,605,880	-	-	-	1,113,551	1,113,551
Parking	329,574	502,096	-	18,750	-	191,272	191,272
Solid Waste	365,954	324,209	-	-	-	(41,745)	(41,745)
Total Business-Type Activities	3,182,201	4,994,037	-	18,750	-	1,830,586	1,830,586
Total Borough Activities	\$ 7,778,158	\$ 5,510,384	\$ 481,311	\$ 27,652	(3,589,397)	1,830,586	(1,758,811)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					1,649,656	-	1,649,656
Transfer Taxes					246,607	-	246,607
Earned Income Taxes					1,276,604	-	1,276,604
Local Services Taxes					138,167	-	138,167
Public Utility Taxes					3,212	-	3,212
Franchise Taxes					78,531	-	78,531
Gain on Sale of Assets					2,900	-	2,900
Investment Income & Rents					123,944	289	124,233
Miscellaneous Revenues					28,826	-	28,826
Total General Revenues					3,548,447	289	3,548,736
Transfers					694,960	(694,960)	-
Change in Net Position					654,010	1,135,915	1,789,925
Net Position:							
Beginning of Year					8,013,115	11,916,495	19,929,610
End of Year					\$ 8,667,125	\$ 13,052,410	\$ 21,719,535

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General Fund	Capital Projects Fund	Emergency Management Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 1,251,627	\$ 6,009	\$ 552	\$ 561,315	\$ 1,819,503
Restricted Cash	324,579	1,362,618	-	-	1,687,197
Taxes Receivable, Net	411,532	-	-	-	411,532
Other Receivables	36,486	-	-	464,808	501,294
Total Assets	\$ 2,024,224	\$ 1,368,627	\$ 552	\$ 1,026,123	\$ 4,419,526
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities					
Accrued Salaries & Benefits	\$ 438	\$ -	\$ -	\$ -	\$ 438
Unearned Revenue	324,579	-	-	-	324,579
Other Liabilities	636,297	-	-	-	636,297
Total Liabilities	961,314	-	-	-	961,314
Deferred Inflows of Resources					
Unavailable Revenue, Property Taxes	72,298	-	-	-	72,298
Fund Balances					
Restricted for					
Road Improvements	-	-	-	73,017	73,017
Community Development	-	-	-	953,106	953,106
Emergency Management	-	-	552	-	552
Future Projects	324,579	1,368,627	-	-	1,693,206
Unassigned	666,033	-	-	-	666,033
Total Fund Balances	990,612	1,368,627	552	1,026,123	3,385,914
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,024,224	\$ 1,368,627	\$ 552	\$ 1,026,123	\$ 4,419,526

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, 2021

Total Governmental Funds Balances	\$	3,385,914
Capital assets, net of accumulated depreciation used in governmental activities are not current financial resources and are not reported in the funds.		16,661,407
Deferred inflows and outflows of resources related to pension activities are not financial resources and therefore are not reported in the Governmental Funds.		(1,467,015)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Long Term Debt		(11,566,407)
Compensated Absences		(225,803)
Net Pension Asset		1,806,731
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>72,298</u>
Net Position of Governmental Activities	\$	<u><u>8,667,125</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, 2021

	General Fund	Capital Projects Fund	Emergency Management Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 3,137,545	\$ -	\$ 179,016	\$ -	\$ 3,316,561
Licenses and Permits	83,931	-	-	-	83,931
Fines, Forfeits and Costs	63,186	-	-	-	63,186
Interest and Rents	121,386	3	-	2,555	123,944
Intergovernmental	295,176	-	32,481	165,508	493,165
Charges for Services/Fees	447,761	-	-	-	447,761
Miscellaneous	29,086	-	-	-	29,086
Total Revenues	4,178,071	3	211,497	168,063	4,557,634
Expenditures:					
Current:					
General Government	896,942	8,580,081	-	-	9,477,023
Public Safety	2,505,101	-	355,452	-	2,860,553
Public Works, Highways and Streets	507,698	35,015	-	142,852	685,565
Culture and Recreation	122,224	-	-	-	122,224
Debt Service:					
Principal	-	300,000	-	-	300,000
Interest	-	69,778	-	-	69,778
Bond Issue Cost	-	143,593	-	-	143,593
Total Expenditures	4,031,965	9,128,467	355,452	142,852	13,658,736
Excess (Deficiency) of Revenues Over (Under) Expenditures	146,106	(9,128,464)	(143,955)	25,211	(9,101,102)
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	-	2,900	-	-	2,900
Proceeds from Bond Issuance	-	9,890,000	-	-	9,890,000
Premium from Bond Issuance	-	263,777	-	-	263,777
Interfund Transfers In	704,576	340,414	159,650	-	1,204,640
Interfund Transfers Out	(500,064)	-	(9,616)	-	(509,680)
Total Other Financing Sources (Uses)	204,512	10,497,091	150,034	-	10,851,637
Net Change in Fund Balances	350,618	1,368,627	6,079	25,211	1,750,535
Fund Balances (Deficit) at Beginning of Year	639,994	-	(5,527)	1,000,912	1,635,379
Fund Balances at End of Year	\$ 990,612	\$ 1,368,627	\$ 552	\$ 1,026,123	\$ 3,385,914

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, 2021

Net Change in Fund Balances - Governmental Funds	\$ 1,750,535
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 (\$385,805) exceeds capital assets additions \$8,785,573 in the current period.	8,399,768
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.	(5,527)
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.	300,000
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds.	(9,890,000)
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).	38,807
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. Pension expense	312,834
Governmental funds report the effect of debt issuance premiums, discounts, insurance premiums, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	<u>(252,407)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 654,010</u></u>

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

BOROUGH OF KENNETT SQUARE
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2021

	Water Fund	Sewer Fund	Parking Fund	Nonmajor Solid Waste Fund	Total Proprietary Funds
Assets:					
Current Assets:					
Cash and Cash Equivalents	\$ 1,389,491	\$ 2,055,748	\$ 491,082	\$ 69,858	\$ 4,006,179
Receivables, Net	226,649	446,000	-	19,925	692,574
Advance to Other Fund	-	75,000	-	-	75,000
Total Current Assets	1,616,140	2,576,748	491,082	89,783	4,773,753
Noncurrent Assets:					
Net Pension Asset	29,644	29,644	9,881	-	69,169
Advance to Other Fund	-	75,000	-	-	75,000
Capital Assets, Net:					
Land	-	1,076,387	542,894	-	1,619,281
CIP	40,236	18,010	-	-	58,246
Building and Improvements	3,074,166	6,851,816	4,724,875	-	14,650,857
Machinery, Equipment, and Vehicles	118,498	142,231	10,002	-	270,731
Total Capital Assets, Net:	3,232,900	8,088,444	5,277,771	-	16,599,115
Total Noncurrent Assets:	3,262,544	8,193,088	5,287,652	-	16,743,284
Total Assets	4,878,684	10,769,836	5,778,734	89,783	21,517,037
Deferred Outflows of Resources:					
Deferred Outflows of Resources-Pension Activities	133,443	133,443	44,481	-	311,367
Total Deferred Outflows of Resources	133,443	133,443	44,481	-	311,367
Liabilities:					
Current Liabilities:					
Advance From Other Fund	75,000	-	-	-	75,000
Other Liabilities	11,280	-	-	-	11,280
Bonds and Notes Payable	-	736,000	291,000	-	1,027,000
Total Current Liabilities	86,280	736,000	291,000	-	1,113,280
Noncurrent Liabilities:					
Advance From Other Fund	75,000	-	-	-	75,000
Bonds and Notes Payable	-	4,586,000	2,514,000	-	7,100,000
Total Noncurrent Liabilities	75,000	4,586,000	2,514,000	-	7,175,000
Total Liabilities	161,280	5,322,000	2,805,000	-	8,288,280
Deferred Inflows of Resources:					
Deferred Inflows of Resources - Pension Activities	209,021	209,021	69,672	-	487,714
Net Position:					
Net Investment in Capital Assets	3,232,900	2,766,444	2,472,771	-	8,472,115
Unrestricted	1,408,926	2,605,814	475,772	89,783	4,580,295
Total Net Position	\$ 4,641,826	\$ 5,372,258	\$ 2,948,543	\$ 89,783	\$ 13,052,410

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	Water Fund	Sewer Fund	Parking Fund	Nonmajor Solid Waste Fund	Total Proprietary Funds
Operating Revenues:					
Charges for Services	\$ 1,561,852	\$ 2,605,880	\$ 502,096	\$ 324,209	\$ 4,994,037
Operating Expenses:					
Water Pump/Purification	236,036	-	-	-	236,036
Water Collection/Distribution	468,682	-	-	-	468,682
Water Transport/Facility	37,558	-	-	-	37,558
Sewer Collection and Disposal	-	1,061,407	-	-	1,061,407
Operating Expenses	-	-	121,981	429	122,410
Contractual and Professional Services	-	-	-	365,217	365,217
Repairs and Maintenance	-	-	-	308	308
Legal Fees	-	13,490	-	-	13,490
Administration	-	8,993	18,438	-	27,431
Depreciation	252,068	338,643	170,901	-	761,612
Total Operating Expenses	994,344	1,422,533	311,320	365,954	3,094,151
Operating Income	567,508	1,183,347	190,776	(41,745)	1,899,886
Nonoperating Revenues (Expenses):					
Intergovernmental Revenue	-	-	18,750	-	18,750
Interest and Investment Revenue	110	11	168	-	289
Interest Expense	-	(69,796)	(18,254)	-	(88,050)
Total Nonoperating Revenues (Expenses)	110	(69,785)	664	-	(69,011)
Income Before Transfers	567,618	1,113,562	191,440	(41,745)	1,830,875
Transfers:					
Interfund Transfers Out	(258,064)	(258,062)	(161,405)	(17,429)	(694,960)
Change in Net Position	309,554	855,500	30,035	(59,174)	1,135,915
Net Position at Beginning of Year	4,332,272	4,516,758	2,918,508	148,957	11,916,495
Net Position at End of Year	\$ 4,641,826	\$ 5,372,258	\$ 2,948,543	\$ 89,783	\$ 13,052,410

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, 2021

	Water Fund	Sewer Fund	Parking Fund	Nonmajor Solid Waste Fund	Total Proprietary Funds
Cash Flow From Operating Activities					
Cash Received from Customers	\$ 1,766,896	\$ 2,917,444	\$ 743,426	\$ 320,379	\$ 5,748,145
Payments to Employees	(295,008)	(369,182)	(20,362)	-	(684,552)
Payments to Suppliers and Vendors	(486,225)	(771,857)	(150,225)	(365,954)	(1,774,261)
Net Cash Provided by Operating Activities	985,663	1,776,405	572,839	(45,575)	3,289,332
Cash Flows from Noncapital Financing Activities					
Operating Grants Received	-	-	18,750	-	18,750
Payment on advance to/from other funds	(75,000)	75,000	-	-	-
Transfers to/from Other Funds	(258,064)	(258,062)	(161,405)	(17,429)	(694,960)
Net Cash Provided (Used) by Noncapital Financing Activities	(333,064)	(183,062)	(142,655)	(17,429)	(676,210)
Cash Flows from Capital and Related Financing Activities					
Acquisition, Construction and Improvement	(103,915)	(72,852)	-	-	(176,767)
Payment of Debt	-	(562,000)	(77,000)	-	(639,000)
Payment of Interest	-	(72,881)	(24,861)	-	(97,742)
Net Cash Provided (Used) by Capital and Related Financing Activities	(103,915)	(707,733)	(101,861)	-	(913,509)
Cash Flows from Investing Activities					
Earnings on Investments	110	11	168	-	289
Net Increase (Decrease) in Cash and Cash Equivalents	548,794	885,621	328,491	(63,004)	1,699,902
Cash and Cash Equivalents at Beginning of Year	840,697	1,170,127	162,591	132,862	2,306,277
Cash and Cash Equivalents at End of Year	\$ 1,389,491	\$ 2,055,748	\$ 491,082	\$ 69,858	\$ 4,006,179
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income	\$ 567,508	\$ 1,183,347	\$ 190,776	\$ (41,745)	\$ 1,899,886
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation	252,068	338,643	170,901	-	761,612
Pension Activity	(38,957)	(57,149)	(30,168)	-	(126,274)
(Increase) Decrease in Receivables, Net	205,044	311,564	241,330	(3,830)	754,108
Net Cash Provided by Operating Activities	\$ 985,663	\$ 1,776,405	\$ 572,839	\$ (45,575)	\$ 3,289,332

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

BOROUGH OF KENNETT SQUARE
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND
DECEMBER 31, 2021

	<u>Pension Trust Fund</u>
Assets:	
Cash	\$ 318,162
Investments, at Fair Value	
Money Market and Mutual Funds	5,993,164
Receivables	<u>6,765</u>
Total Assets	<u>6,318,091</u>
Net Position:	
Restricted for Pensions	<u>\$ 6,318,091</u>

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

BOROUGH OF KENNETT SQUARE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2021

	Pension Trust Fund
Additions:	
Contributions:	
Employer Contributions	\$ 13,528
Member Contributions	56,912
State Aid	46,342
Investment Income	
Net appreciation in fair value of investments	904,289
Net investment income	904,289
Total Additions	1,021,071
Deductions:	
Benefits Paid	134,675
Total Deductions	134,675
Change in Net Position	886,396
Net Position at Beginning of Year, as Restated	5,431,695
Net Position at End of Year	\$ 6,318,091

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, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Borough of Kennett Square, Pennsylvania's (the "Borough") financial statements are prepared in accordance with U.S. 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.

Based on the criteria set forth by GASB, the Borough has determined that there are no organizations or agencies which qualify as component units which should be included in these financial statements with the exception of the Borough of Kennett Square Pension Plan. The Board of the Plan is appointed by the Borough and the Borough is financially responsible to the Plan.

Fiduciary Component Units

The Borough's Employee Retirement Trust Fund (the "Plan") was established to provide retirement, disability, and death benefits to eligible retirees of the Borough. The Plan is included in the financial reporting entity as a fiduciary fund because (1) the Plan is considered to be a separate legal entity, (2) the Retirement Board functions as the governing board of the Plan, and (3) the Plan imposes a financial burden on the Borough as it is legally obligated to make contributions to the Plan.

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 activities presents a comparison between direct expenses and program revenues for each function or program of the Borough's governmental activities.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Fund Financial Statements - Fund financial statements report detailed information about the Borough. The focus of Governmental and Proprietary Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column (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 Projects Fund is maintained to account for major capital projects and the accumulation of resources for acquisition of capital assets.

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 and parking meters throughout the Borough.

The Borough reports the following nonmajor Proprietary Fund:

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

Fiduciary Component Unit

The Borough's Police Pension Plan ("Plan") was established to provide retirement benefits to eligible retirees of the Borough. The Plan is included in the financial reporting entity as a fiduciary fund because (1) the Plan is considered to be a legally separate entity, (2) the Borough appoints a voting majority of the governing board, and (3) the Plan imposes a financial burden on the Borough as it is legally obligated to make contributions to the Plan.

As a general rule, the effect of Interfund activity has been eliminated from the government-wide financial statements.

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits.

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 acquisition 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, 2021

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 lien 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.

Unearned Revenue

Certain revenues received are deferred in the general fund. When expenditures are made, revenue will be recognized in that fund.

Deferred Outflows/Inflows of Resources

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In addition, the deferred inflow of resources related to pensions is reported in the government-wide and proprietary funds statements 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. Administrative expenses are paid with the use of unrestricted resources.

Fund Balance and GASB Statement No. 54

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

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. Adoption had no effect on the Borough's 2021 financial statements.

The Borough adopted the provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Adoption had no effect on the Borough's 2021 financial statements.

Pending Changes in Accounting Principles

The Governmental Accounting Standards Board has issued GASB Statement No. 87, *Leases*. This Statement is required to be adopted by the Borough for the year ending December 31, 2022.

The Governmental Accounting Standards Board has issued GASB Statement No. 91, *Conduit Debt Obligations*. This Statement is required to be adopted by the Borough for the year ending December 31, 2022.

The Governmental Accounting Standards Board has issued GASB Statement No. 92, *Omnibus 2020*. This Statement is required to be adopted by the Borough for the year ending December 31, 2022.

The Governmental Accounting Standards Board has issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. Sections of this Statement are required to be adopted in two phases by the Borough for the year ending December 31, 2021 and 2022.

The Governmental Accounting Standards Board has issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is required to be adopted by the Borough for the year ending December 31, 2023.

The Governmental Accounting Standards Board has issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement is required to be adopted by the Borough for the year ending December 31, 2023.

The Governmental Accounting Standards Board has issued GASB Statement No. 99, *Omnibus 2022*. Sections of this Statement are required to be adopted in two phases by the Borough for the year ending December 31, 2023 and 2024.

The Governmental Accounting Standards Board has issued GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No 62*. This Statement is required to be adopted by the Borough for the year ending December 31, 2024.

The Governmental Accounting Standards Board has issued GASB Statement No. 101, *Compensated Absences*. This Statement is required to be adopted by the Borough for the year ending December 31, 2024.

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2021

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, 2021, \$7,697,416 of the Borough's bank balance of \$8,197,416 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	\$ 7,656,385
State investment pools	<u>41,031</u>
	<u>\$ 7,697,416</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.

As of December 31, 2021, the Borough had the following investments:

Investment Type	Fair Value
Pension Activities	
Fixed Income Mutual Funds	\$ 1,242,703
Equity Mutual Funds	<u>4,750,461</u>
	<u>\$ 5,993,164</u>

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurement

The Borough categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. GASB Statement No. 72 sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Borough has ability to access.

Level 2 – Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in active markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As of December 31, 2021, the Borough had the following investments:

	12/31/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equity securities				
Equity mutual funds	\$ 4,750,461	\$ 4,750,461	\$ -	\$ -
Fixed income mutual funds	1,242,703	1,242,703	-	-
Total investments at fair value	<u>\$ 5,993,164</u>	<u>\$ 5,993,164</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2021, the Borough's investments in any single fund did not exceed 5% of the Borough's total investments.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2021

NOTE 3 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at December 31, 2021, are as follows:

Receivable Fund	Payable Fund	Amount
Sewer Fund	Water Fund	150,000
		\$ 150,000

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

Interfund transfers at December 31, 2021, are as follows:

Transfer In	Transfer Out	Amount
Capital Fund	General Fund	\$ 340,414
Emergency Management Fund	General Fund	159,650
General	Water Fund	258,064
General	Sewer Fund	258,062
General	Parking Fund	161,405
General	Solid Waste	17,429
General	Emergency Management Fund	9,616
		\$ 1,204,640

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, 2021

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance January 1, 2021	Additions	Deletions	Balance December 31, 2021
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 1,382,350	\$ -	\$ -	\$ 1,382,350
Construction in Progress	153,012	115,746	-	268,758
Total Capital Assets Not Being Depreciated	<u>1,535,362</u>	<u>115,746</u>	<u>-</u>	<u>1,651,108</u>
Capital Assets Being Depreciated				
Buildings and Improvements	1,867,392	8,482,793	-	10,350,185
Land Improvements	2,438,286	-	-	2,438,286
Roads, Bridges and Lights	7,538,050	-	-	7,538,050
Machinery, Equipment and Vehicles	1,553,991	187,034	(9,419)	1,731,606
Total Capital Assets Being Depreciated	<u>13,397,719</u>	<u>8,669,827</u>	<u>(9,419)</u>	<u>22,058,127</u>
Accumulated Depreciation				
Buildings and Improvements	(590,408)	(71,964)	-	(662,372)
Land Improvements	(808,989)	(54,472)	-	(863,461)
Roads, Bridges and Lights	(4,007,665)	(172,957)	-	(4,180,622)
Machinery, Equipment and Vehicles	(1,264,380)	(86,412)	9,419	(1,341,373)
Total Accumulated Depreciation	<u>(6,671,442)</u>	<u>(385,805)</u>	<u>9,419</u>	<u>(7,047,828)</u>
Total Capital Assets Being Depreciated, Net	<u>6,726,277</u>	<u>8,284,022</u>	<u>-</u>	<u>15,010,299</u>
Governmental Activities Capital Assets, Net	<u>8,261,639</u>	<u>8,399,768</u>	<u>-</u>	<u>16,661,407</u>
Business-Type Activities				
Capital Assets not Being Depreciated				
Land	1,619,281	-	-	1,619,281
Construction in Progress	-	58,246	-	58,246
Total Capital Assets not Being Depreciated	<u>1,619,281</u>	<u>58,246</u>	<u>-</u>	<u>1,677,527</u>
Capital Assets Being Depreciated				
Buildings and Improvements	25,545,925	21,177	-	25,567,102
Machinery, Equipment and Vehicles	1,663,972	97,344	-	1,761,316
Total Capital Assets Being Depreciated	<u>27,209,897</u>	<u>118,521</u>	<u>-</u>	<u>27,328,418</u>
Accumulated Depreciation				
Buildings and Improvements	(10,224,708)	(691,537)	-	(10,916,245)
Machinery, Equipment and Vehicles	(1,420,510)	(70,075)	-	(1,490,585)
Total Accumulated Depreciation	<u>(11,645,218)</u>	<u>(761,612)</u>	<u>-</u>	<u>(12,406,830)</u>
Total Capital Assets Being Depreciated, Net	<u>15,564,679</u>	<u>(643,091)</u>	<u>-</u>	<u>14,921,588</u>
Business-Type Activities Capital Assets, Net	<u>17,183,960</u>	<u>(584,845)</u>	<u>-</u>	<u>16,599,115</u>
Capital Assets, Net	<u>\$ 25,445,599</u>	<u>\$ 7,814,923</u>	<u>\$ -</u>	<u>\$ 33,260,522</u>

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities		
General Government	\$	44,444
Public Safety		60,781
Highways and Streets		280,580
	<u>\$</u>	<u>385,805</u>
Business-Type Activities		
Water	\$	252,068
Sewer		338,643
Parking		170,901
	<u>\$</u>	<u>761,612</u>

NOTE 5 LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Balance January 1, 2021	Additions	Reductions	Balance December 31, 2021	Due Within One Year
Governmental Activities					
Loans from Direct Borrowings	\$ 1,724,000	\$ -	\$ (300,000)	\$ 1,424,000	\$ 304,000
Loans from General Obligations	-	9,890,000	-	9,890,000	75,000
Issuance Discount/Premium	-	263,777	(11,370)	252,407	-
Net Pension Liability	56,237	-	(56,237)	-	-
Compensated Absences	264,610	-	(38,807)	225,803	16,708
Total Governmental Activities	<u>\$ 2,044,847</u>	<u>\$ 10,153,777</u>	<u>\$ (406,414)</u>	<u>\$ 11,792,210</u>	<u>\$ 395,708</u>
Business-Type Activities					
Loans from Direct Borrowings	\$ 8,766,000	\$ -	\$ (639,000)	\$ 8,127,000	\$ 1,027,000
Net Pension Liability	188,274	-	(188,274)	-	-
Total Business-Type Activities	<u>8,954,274</u>	<u>-</u>	<u>(827,274)</u>	<u>8,127,000</u>	<u>1,027,000</u>
Total Long-Term Liabilities	<u>\$ 10,999,121</u>	<u>\$ 10,153,777</u>	<u>\$ (1,233,688)</u>	<u>\$ 19,919,210</u>	<u>\$ 1,422,708</u>

The General Fund has been used to liquidate compensated absences and net pension liability.

During August 2021, the Borough issued General Obligation Bonds Series 2021 A and Series 2021 B in the amount of \$6,095,000 and \$3,795,000, respectively to fund the purchase and improvements to the Borough's new office building. The issuance had a bond premium of \$263,777 which will be amortized over the life of the bonds.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

Debt service requirements to maturity for governmental and business-type activities are as follows:

Year Ending December 31,	Loans from Direct Borrowings		
	Governmental Activities		Total
	Principal	Interest	
2022	304,000	19,224	323,224
2023	314,000	14,446	328,446
2024	93,000	11,592	104,592
2025	98,000	10,113	108,113
2026	101,000	8,574	109,574
2027 - 2031	514,000	19,555	533,555
	<u>\$ 1,424,000</u>	<u>\$ 83,504</u>	<u>\$ 1,507,504</u>

Year Ending December 31,	Loans from Direct Borrowings		
	Business-Type Activities		Total
	Principal	Interest	
2022	1,027,000	88,967	1,115,967
2023	1,030,000	76,300	1,106,300
2024	1,046,000	63,517	1,109,517
2025	1,058,000	50,534	1,108,534
2026	1,076,000	37,352	1,113,352
2027 - 2031	2,890,000	60,476	2,950,476
	<u>\$ 8,127,000</u>	<u>\$ 377,146</u>	<u>\$ 8,504,146</u>

Year Ending December 31,	Loans from Indirect Borrowings		
	Governmental Activities		Total
	Principal	Interest	
2022	75,000	217,230	292,230
2023	75,000	216,885	291,885
2024	270,000	215,682	485,682
2025	265,000	213,344	478,344
2026	275,000	210,397	485,397
2027 - 2031	3,870,000	906,856	4,776,856
2032 - 2036	2,710,000	511,117	3,221,117
2037 - 2041	2,350,000	180,730	2,530,730
	<u>\$ 9,890,000</u>	<u>\$ 2,672,241</u>	<u>\$ 12,562,241</u>

Year Ending December 31,	Total Outstanding Debt		
	Principal	Interest	Total
2022	1,406,000	325,421	1,731,421
2023	1,419,000	307,631	1,726,631
2024	1,409,000	290,791	1,699,791
2025	1,421,000	273,991	1,694,991
2026	1,452,000	256,323	1,708,323
2027 - 2031	7,274,000	986,887	8,260,887
2032 - 2036	2,710,000	511,117	3,221,117
2037 - 2041	2,350,000	180,730	2,530,730
	<u>\$ 19,441,000</u>	<u>\$ 3,132,891</u>	<u>\$ 22,573,891</u>

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

Long-term debt payable at December 31, 2021 is comprised of the following individual issuances:

Delaware Valley Regional Finance Authority, Guaranteed Note, 2019 Series A with interest at a fixed rate of 1.542% payable monthly on the 25th, maturity date is May 25, 2027. The full faith and taxing powers of the Borough are pledged for repayment of this debt.	\$ 3,411,000
Delaware Valley Regional Finance Authority, Guaranteed Note, 2019 Series B with interest at a fixed rate of 1.542% payable monthly on the 25th, maturity date is May 25, 2031. The full faith and taxing powers of the Borough are pledged for repayment of this debt.	993,000
Delaware Valley Regional Finance Authority, Guaranteed Note, 2019 Series C with interest at a fixed rate of 1.542% payable monthly on the 25th, maturity date is May 25, 2023. The full faith and taxing powers of the Borough are pledged for repayment of this debt.	431,000
Delaware Valley Regional Finance Authority, Guaranteed Note, 2020 Series A with interest at a fixed rate of .856% payable monthly on the 25th, maturity date is May 25, 2031. The full faith and taxing powers of the Borough are pledged for repayment of this debt.	2,805,000
Delaware Valley Regional Finance Authority, Guaranteed Note, 2020 Series B with interest at a fixed rate of .881% payable monthly on the 25th, maturity date is May 25, 2031. The full faith and taxing powers of the Borough are pledged for repayment of this debt.	1,911,000
General Obligation Bond Series A 2021 with interest payable June and December on the 1st, maturity date is June 1, 2036. The full faith and taxing powers of the Borough are pledged for repayment of this debt.	6,095,000
General Obligation Bond Series B 2021 with interest payable June and December on the 1st, maturity date is June 1, 2041. The full faith and taxing powers of the Borough are pledged for repayment of this debt.	3,795,000
	\$ 19,441,000

NOTE 6 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, 2021.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2021

NOTE 6 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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, 2021:

<u>General Obligation Notes</u>	<u>Original Issue Amount</u>	<u>Outstanding at December 31, 2021</u>	<u>Fair Value</u>
2019 Notes	\$ 6,345,000	\$ 4,835,000	\$ 525,498
2020 A Note	\$ 2,882,000	\$ 2,805,000	\$ 304,865
2020 B Note	\$ 1,938,000	\$ 1,911,000	\$ 207,700

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, 2021 on the Borough's government-wide and fund financial statements.

NOTE 7 TAXES

For 2021, the following tax was levied on the assessed value of real estate:

6.15 mills for general purposes and 0.60 for fire.

The taxable assessed valuation of property as of December 31, 2021, was \$252,485,999.
 Other taxes levied in 2021:

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 8 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 the 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. No stand-alone financial statements are issued for 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. 950, effective January 1, 2018. 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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2021

NOTE 8 POLICE PENSION PLAN (CONTINUED)

manage certain Plan assets to Nationwide Insurance Company. The Plan is required to file Form PC-201C biennially with the Pennsylvania Department of the Auditor General's Municipal Pension Reporting Program (MPR). The most recent filing was as of January 1, 2021.

Plan Membership – The Plan provides pensions for full-time uniformed employees of the Borough. At December 31, 2021, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	6
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>12</u>
	<u>20</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 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 most recent biennial actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

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 2021, the MMO obligation for the Police Pension Plan was \$59,870. Employee contributions in 2021 were \$56,912. Borough and Commonwealth contributions in 2021 were \$13,528 and \$46,342, 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.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2021

NOTE 8 POLICE PENSION PLAN (CONTINUED)

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, 2020, 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, 2021, the annual money-weighted rate of return on pension plan investments, net of investment expense, was 16.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The plan has no investment policy for credit risk. The credit ratings of the plan's investments (excluding obligations explicitly guaranteed by the U.S. government) are indicated on the table below.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
Fixed Income Mutual Funds	\$ 962,278	Not rated
Fixed Annuity Funds	280,425	Not rated
Equity Mutual Funds	4,750,461	Not rated
Total	<u>\$ 5,993,164</u>	

Interest Rate Risk for investments is the risk that a change in interest rates will adversely affect the fair value of an investment. The plan has no policy for interest rate risk. The maturities of the plan's debt investments are listed on the table below.

<u>Investment Type</u>	<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>6 - 10</u>	<u>N/A</u>
Fixed Income Mutual Funds	\$ 962,278	\$ 962,278	\$ -
Fixed Annuity Funds	280,425	-	280,425
	<u>\$ 1,242,703</u>	<u>\$ 962,278</u>	<u>\$ 280,425</u>

Net Pension Liability of the Borough

The components of the net pension liability (asset) of the Borough at December 31, 2021, were as follows:

Total Pension Liability	\$ 4,541,004
Plan Fiduciary Net Position	<u>(6,318,091)</u>
Net Pension (Asset) Liability	<u>\$ (1,777,087)</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 <u>139.13%</u>

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 8 POLICE PENSION PLAN (CONTINUED)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2021 and rolled forward to the reporting date, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open
Remaining Amortization Period	17 Years (Aggregate)
Asset Valuation Method	4-Year Smoothing
Inflation	2.50%
Salary Increases	5.5% per year, plus an additional increase of 10% in the final year of employment
Investment Rate of Return	6.75%, 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	2010 Public Plan - Public Safety mortality tables (PubS-2010) with mortality improvement projected from the year 2020 with rates derived from the Long-Range Demographic Assumptions for the 2020 Social Security Administration's Trustee Report.

Long-Term Expected Rate of Return

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 not funded through the MMO) 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, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity-Large Cap	4.09 - 7.34%
US Equity-Small/Mid Cap	5.01 - 9.06%
Non-US Equity-Developed	4.62 - 8.26%
Non-US Equity-Emerging	5.65 - 10.49%
US Corporate Bond-Core	0.88 - 2.02%
US Corporate Bond-High Yield	2.80 - 4.96%
Non-US Debt-Developed	0.44 - 1.89%
Non-US Debt-Emerging	2.69 - 4.76%
US Treasuries/Cash	0.07 - 0.53%

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 8 POLICE PENSION PLAN (CONTINUED)

Discount Rate - The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the plan will continue to be funded based on the Minimum Municipal Obligation as determined in accordance with Act 205. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension (Asset) Liability

	Governmental Activities:		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Balance at December 31, 2020*	<u>\$ 4,374,090</u>	<u>\$ 5,431,695</u>	<u>\$ (1,057,605)</u>
Changes for the Year:			
Service Cost	223,066		223,066
Interest	291,464		291,464
Differences between Expected & Actual Experience	(493,564)		(493,564)
Changes of Assumptions	280,623		280,623
Contributions			
Employer	-	59,870	(59,870)
Member	-	56,912	(56,912)
Net Investment Income	-	904,289	(904,289)
Benefit Payments & Refunds of Employee Contributions	(134,675)	(134,675)	-
Administrative Expense	-	-	-
	<u>166,914</u>	<u>886,396</u>	<u>(719,482)</u>
Net Changes			
	<u>166,914</u>	<u>886,396</u>	<u>(719,482)</u>
Balance at December 31, 2021	<u>\$ 4,541,004</u>	<u>\$ 6,318,091</u>	<u>\$ (1,777,087)</u>

* 12/31/2020 total pension liability and plan fiduciary net position were adjusted by \$14,091 to reflect the removal of a benefit payable accrual.

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 6.75%, 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 (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension (Asset) Liability	<u>\$ (1,124,104)</u>	<u>\$ (1,777,087)</u>	<u>\$ (2,313,366)</u>

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2021

NOTE 8 POLICE PENSION PLAN (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2021, the Borough recognized pension expense of (\$289,037) for the Police Pension Plan. At December 31, 2021, 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	\$ -	\$ 1,052,951
Change of Assumptions	282,346	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	620,832
	\$ 282,346	\$ 1,673,783

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,		
2022	\$	(278,148)
2023		(346,091)
2024		(241,002)
2025		(209,430)
2026		(98,309)
Thereafter		(218,457)
Total		\$ (1,391,437)

The Borough recognized combined pension expense of (\$312,834) for the Police Pension Plan and Non-Uniformed Pension Plan for the Borough for the year ended December 31, 2021.

NOTE 9 NON-UNIFORMED PENSION PLAN

Summary of Significant Accounting Policies

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

Investments are reported at fair value. The plan's assets with Pennsylvania Municipal Retirement System (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 Comprehensive Annual Financial Report which may be obtained

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 9 NON-UNIFORMED PENSION PLAN (CONTINUED)

by writing to the Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968.

Plan Description

The Borough participates in a defined benefit pension plan administered by the Pennsylvania Municipal Retirement System (PMRS). The full-time non-uniformed Borough employees hired after June 8, 1976 are eligible to participate in the PMRS Plan. PMRS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report, which may be obtained by writing to the Pennsylvania Municipal Retirement System, P.O. Box 1165, Harrisburg, PA 17108-1165 or by calling 1-800-622-7968.

Plan Membership

Membership of the plan consisted of the following at December 31, 2019:

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	5
Active plan members	<u>23</u>
	<u>40</u>

Benefits Provided - The PMRS Pension Plan provides retirement, survivor and disability benefits. Benefits vest at 100% after 12 years of service. Employees are eligible for normal retirement benefits at age 60. Employees terminating voluntarily after 20 years of service or involuntarily after eight years of service are eligible for early retirement. Annual retirement benefits are based on an employee's average annual salary during the last three years of employment, multiplied by years of service based on 1.25% times service if employed before January 1, 1990, 1.75% times service if employed between January 1, 1990 and December 31, 1995, and 2.10% times service if employed on or after January 1, 1996. The maximum benefit is 80% of the final average salary. Benefits are payable monthly for life with no Social Security offset. If a member is eligible to retire at time of death, the member's beneficiary receives the present value of accrued benefits. At retirement, a member may elect a survivor benefit. The plan disability benefit is provided for service-related disabilities, regardless of age or years of service. Disability benefits are offset by available workers' compensation benefits.

A 30% disability benefit is provided for nonservice-related disabilities for members with at least 10 years of service.

Funding Policy and Contribution Information

Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the plan's Minimum Municipal Obligation (MMO). The MMO is based upon the plan's biennial actuarial valuation. The MMO includes normal costs, estimated administrative expenses and amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability.

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2021

NOTE 9 NON-UNIFORMED PENSION PLAN (CONTINUED)

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 2020, the MMO for the Non-uniform Pension Plan was \$176,674. Employee contributions in 2020 were \$94,437. Borough and Commonwealth contributions in 2020 were \$185,237.

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, 2020:

Asset Class	Allocation	Rate of Return	of Return
Domestic Equities (large-capitalized firms)	25%	7.56%	5.31%
Domestic Equities (small-capitalized firms)	15%	8.31%	6.06%
International Developed Markets Equities	15%	7.78%	5.53%
International Emerging Markets Equities	10%	8.20%	5.95%
Real Estate	15%	7.50%	5.25%
Timber	5%	6.03%	3.78%
Fixed Income	15%	4.12%	1.87%
Total Portfolio	100.00%	7.80%	5.55%

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, 2020, was \$5,686,589. Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the plan and funded through investment earnings.

Concentrations - At December 31, 2020, none of the plan's individual investments exceeded 5% of the total portfolio.

Rate of Return - For the year ended December 31, 2020, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 13.8%. 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, 2021

NOTE 9 NON-UNIFORMED PENSION PLAN (CONTINUED)

Net Pension Liability (Asset) of the Borough

The Plan Net Pension Liability (Asset) is based on an actuarial valuation as of January 1, 2020 rolled forward to a measurement date of December 31, 2020.

Total Pension Liability	\$ 5,587,776
Plan Fiduciary Net Position	(5,686,589)
Net Pension Liability (Asset)	\$ (98,813)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.77%

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	5.25%
Projected salary increases (With inflation rate of 2.2%)	Age related scale with merit and inflation component
Cost-of-living adjustments/Inflation	2.8%

Actuarial assumptions based on PMRS Experience Study for the period January 1, 2014 to December 31, 2018

- Pre-retirement Mortality:
 Males: PUB-2010 General Employees male table
 Females: PUB-2010 General Employees female table
- Post-retirement mortality:
 Males: RP-2006 annuitant male table
 Females: RP-2006 annuitant female table

Investment Return Assumption decreased from 5.5% to 5.25% as of December 31, 2016.

PMRS Long-Term Expected Rate of Return

The PMRS System's long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future nominal rates of return (net of investment expenses) are developed for each asset class. These returns are combined to produce the System's Long-Term Expected Rate of Return by calculating the weighted average return for each asset class using each respective target asset allocation percentage and multiplying by the expected future nominal rate of return, while also factoring in covariance across asset classes, then deducting expected inflation (2.8%). Best estimates of geometric real rates of return for each utilized asset class are included in the pension plan's target asset allocation as of December 31, 2020.

Based on the aforementioned methodology, the Board has established the System's Long-Term Expected Rate of Return at 7.80%.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2021

NOTE 9 NON-UNIFORMED PENSION PLAN (CONTINUED)

In addition to determining the System's Long-Term Nominal Expected Rate of Return, the PMRS Board, under the laws of the Commonwealth of Pennsylvania (Act 15 of 1974), is obligated to develop and apply the Regular Interest Rate to each of the individual participating municipalities' actuarial asset accounts held by PMRS. The rationale for the difference between the System's Long-Term Nominal Expected Rate of Return and the individual participating municipalities' Regular Interest Rate is described in the following section "Discount Rate." As of December 31, 2020, this rate is equal to 5.25%.

The Board has determined the minimum acceptable confidence level for achieving the Regular Interest Rate to be 60%. The table below labeled "Confidence Levels for System Nominal Net and Real Rates of Return" identifies simulated portfolio returns at various confidence levels based on the most recent asset allocation study conducted by the Boards' investment consultant, Marquette Associates.

Confidence Interval	Nominal Net Rate of Return	Long-Term Expected Real Rate of Return
95%	4.09%	1.84%
90%	5.02%	2.77%
85%	5.51%	3.26%
80%	6.05%	3.80%
75%	6.44%	4.19%
70%	6.85%	4.60%
60%	7.46%	5.21%

Discount Rate - While it is often common practice to establish an actuarial discount rate that is equal to the Long-Term Expected Nominal Rate of Return, PMRS is required by law (Act 15 of 1974) to establish a discount rate equal to the Regular Interest Rate (Regular Interest Rate/Discount Rate). The PMRS Board establishes the Regular Interest Rate/Discount 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. As a starting point, the Board considers the following five quantitative factors in reviewing the Regular Interest Rate/Discount 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 annuity purchase rates (Pension Benefit Guarantee Corporation (PBGC) annuity rates have been used as a proxy for this)
4. PMRS System Long-Term Expected Nominal Rate of Return, and
5. PMRS investment expenses

A formula using these factors is as follows:

$$\text{Regular Interest Rate/Discount Rate} = (\text{Retiree Liability Percentage} \times \text{Smoothed PBGC Annuity Rates}) + (\text{Active Employee Liability Percentage} \times \text{System Long-Term Expected Rate of Return}) - (\text{Investment Expenses as a percentage of assets})$$

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 9 NON-UNIFORMED PENSION PLAN (CONTINUED)

The PMRS Board then considers the Regular Interest Rate/Discount Rate derived from the above formula against a variety of qualitative factors such as the desire to minimize Regular Interest Rate/Discount Rate volatility, probability of achieving the Regular Interest Rate, varying levels of asset allocation and liquidity, trending of annuity rates, total PMRS actuarial and fair value funding ratios, feedback from existing PMRS municipalities, and recommendations from the System's investment and actuarial consultants. The Regular Interest Rate/Discount Rate adopted by the PMRS Board and used to measure the individual participating municipalities' total pension liability was 5.25% as of December 31, 2020.

The Regular Interest Rate/Discount Rate will likely be less than the System Long-Term Expected Rate of Return. Should the System experience a prolonged period of investment returns in excess of the Regular Interest Rate/Discount Rate, the Board is authorized to allocate any applicable portion of any such excess in accordance with Board policies in the form of Excess Interest as provided for in the law.

The projection of cash flows for each underlying municipal plan, used to determine if any adjustment to the Regular Interest Rate/Discount Rate was required ("depletion testing"), used the following assumptions: 1) member contributions will be made at the current contribution rate, 2) participating plan sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate, and 3) the System's Long-Term Expected Rate of Return will be used in the depletion testing of the projected cash flows. Based on those assumptions, the PMRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Measurement Date, Balance at December 31, 2019	\$ 5,078,316	\$ 4,833,805	\$ 244,511
Changes for the Year:			
Service Cost	212,334	-	212,334
Interest	271,491	-	271,491
Differences Between Expended & Actual Experience	71,847	-	71,847
Changes of Assumptions	139,531	-	139,531
Contributions	-	-	-
Employer	-	185,237	(185,237)
PMRS Assessment	-	840	(840)
Member	-	94,437	(94,437)
Net Investment Income	-	239,643	(239,643)
Fair Value Investment Income	-	529,651	(529,651)
Benefit Payments & Refunds of Employee Contributions	(185,743)	(185,743)	-
PMRS Administrative Expense	-	(840)	840
Administrative Expense	-	(10,441)	10,441
Net Changes	<u>509,460</u>	<u>852,784</u>	<u>(343,324)</u>
Measurement Date, Balance at December 31, 2020	<u>\$ 5,587,776</u>	<u>\$ 5,686,589</u>	<u>\$ (98,813)</u>

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 9 NON-UNIFORMED PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Borough, calculated using the discount rate of 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:

	<u>1% Decrease (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
Net Pension Liability (Asset)	<u>\$ 577,745</u>	<u>\$ (98,813)</u>	<u>\$(668,103)</u>

Pension Expense Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2021, the Borough recognized pension expense of (\$23,797) for the Non-uniform Pension Plan. At December 31, 2020 measurement date, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Deferred Outflows of Resources:</u>		
Difference Between Expected and Actual Experience	\$ 62,812	\$ 146,561
Change of Assumptions	42,980	100,290
Contributions Subsequent to the Measurement Date	<u>27,650</u>	<u>64,516</u>
Total deferred outflows of resources	<u>\$ 133,442</u>	<u>\$ 311,367</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Deferred Inflows of Resources:</u>		
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	208,409	486,288
Change of Assumptions	<u>611</u>	<u>1,426</u>
Total deferred inflows of resources	<u>\$ 209,020</u>	<u>\$ 487,714</u>

\$92,166 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 calendar year ended December 31, 2022.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2021

NOTE 9 NON-UNIFORMED PENSION PLAN (CONTINUED)

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

Year Ending December 31,	Governmental Activities	Business-Type Activities
2022	\$ (34,561)	\$ (80,642)
2023	(9,467)	(22,088)
2024	(40,104)	(93,575)
2025	(19,096)	(44,558)
2026	-	-
Thereafter	-	-
Total	<u>\$ (103,228)</u>	<u>\$ (240,863)</u>

NOTE 10 COMMITMENTS AND CONTINGENCIES

Refuse Collections

In 2021, the Borough entered into a five-year agreement for the calendar years 2022-2026 with two additional one year options, with a private company to provide refuse collections. future minimum payments under the contract are as follows:

Refuse Collections

<u>Year Ending:</u>			
December 31, 2022	\$ 297,540	December 31, 2025	344,440
December 31, 2023	312,417	December 31, 2026	361,661
December 31, 2024	328,038	December 31, 2027	286,978
		December 31, 2028	414,067
		Total	<u>\$2,345,141</u>

Rental Income

The Borough collects approximately \$9,900 per month from several companies for allowing telephone antennas on the Borough's water towers. Total rental income in 2021 was approximately \$118,900

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 11 RISK MANAGEMENT

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

NOTE 12 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2021, expenditures exceed appropriations in the following General Fund department levels (the legal level of budgetary control):

Public Works, Highways and Streets	\$ 31,153
Culture and Recreation	\$ 104

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

NOTE 13 RISKS AND UNCERTAINTIES

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the Borough's operations and financial results are uncertain at this time.

NOTE 14 RESTATEMENT

The fiduciary statement of net position was restated as of 1/1/2021 by \$14,901 to \$5,431,695 to reflect the removal of a benefit payable accrual.

NOTE 15 SUBSEQUENT EVENTS

The Borough has evaluated all subsequent events through the report issue date of December 19, 2022. No events were identified that need to be disclosed.

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

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BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget Positive (Negative)
Revenues				
Taxes	\$ 3,179,113	\$ 3,239,113	\$ 3,137,545	\$ (101,568)
Licenses and Permits	93,500	82,500	83,931	1,431
Fines, Forfeits and Costs	82,000	62,000	63,186	1,186
Interest and Rents	120,000	120,000	121,386	1,386
Intergovernmental	389,203	613,782	295,176	(318,606)
Charges for Services/Fees	343,756	413,756	447,761	34,005
Miscellaneous	6,500	6,500	29,086	22,586
Total Revenues	<u>4,214,072</u>	<u>4,537,651</u>	<u>4,178,071</u>	<u>(359,580)</u>
Expenditures				
Current				
General Government	991,966	1,121,966	896,942	225,024
Public Safety	2,562,257	2,562,257	2,505,101	57,156
Public Works, Highways and Streets	426,545	476,545	507,698	(31,153)
Culture and Recreation	122,120	122,120	122,224	(104)
Community Development	6,500	6,500	-	6,500
Total Expenditures	<u>4,109,388</u>	<u>4,289,388</u>	<u>4,031,965</u>	<u>257,423</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>104,684</u>	<u>248,263</u>	<u>146,106</u>	<u>(102,157)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Assets	30,000	30,000	-	(30,000)
Interfund Transfers In	767,830	707,830	704,576	(3,254)
Interfund Transfers Out	(902,514)	(902,514)	(500,064)	402,450
Total Other Financing Sources (Uses)	<u>(104,684)</u>	<u>(164,684)</u>	<u>204,512</u>	<u>369,196</u>
Net Change in Fund Balance	-	83,579	350,618	267,039
Fund Balance at Beginning of Year	<u>636,862</u>	<u>636,862</u>	<u>639,994</u>	<u>3,132</u>
Fund Balance at End of Year	<u>\$ 636,862</u>	<u>\$ 720,441</u>	<u>\$ 990,612</u>	<u>\$ 270,171</u>

See accompanying note to the budgetary comparison schedule.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
NOTE TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2021

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, however no depreciation expense is budgeted. The Borough's legal level of budgetary control is at the function level.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service Cost	\$ 223,066	\$ 222,341	\$ 204,619	\$ 187,908	\$ 178,112	\$ 146,556	\$ 138,916	\$ 147,423
Interest	291,464	300,471	269,191	291,281	267,224	262,266	241,510	239,413
Differences Between Expected & Actual Experience	(493,564)	88,122	(683,764)	-	(173,472)	-	(269,279)	-
Changes of Assumptions	280,623	-	-	-	67,903	-	-	-
Benefit payments	(134,675)	(168,461)	(128,654)	(105,396)	(140,594)	(146,824)	(81,101)	(81,101)
Net Change in Total Pension Liability	166,914	442,473	(338,608)	373,793	199,173	261,998	30,046	305,735
Total Pension Liability - Beginning	4,374,090 **	3,916,716	4,255,324	3,881,531	3,682,358	3,420,360	3,390,314	3,084,579
Total Pension Liability - Ending (a)	\$ 4,541,004	\$ 4,359,189	\$ 3,916,716	\$ 4,255,324	\$ 3,881,531	\$ 3,682,358	\$ 3,420,360	\$ 3,390,314
Plan Fiduciary Net Position								
Contributions								
Employer	\$ 59,870	\$ 68,555	\$ 99,719	\$ 95,565	\$ 74,861	\$ 125,843	\$ 120,280	\$ 97,176
Member	56,912	53,241	56,923	53,830	49,341	48,494	48,926	46,245
Net Investment Income	904,289	513,817	748,380	(110,705)	490,578	303,033	(29,099)	250,324
Benefit Payments, Including Refunds of Member Contributions	(134,675)	(168,461)	(128,654)	(105,396)	(140,594)	(146,824)	(81,101)	(81,101)
Administrative Expense	-	-	(9,691)	(7,155)	(7,809)	(7,395)	(1,850)	(6,495)
Net Change in Plan Fiduciary Net Position	886,396	487,152	766,677	(73,861)	466,377	323,151	57,156	306,149
Plan Fiduciary Net Position - Beginning	5,431,695 **	4,949,642	4,182,965	4,256,826	3,790,449	3,467,298	3,410,142	3,103,993
Plan Fiduciary Net Position - Ending (b)	\$ 6,318,091	\$ 5,416,794	\$ 4,949,642	\$ 4,182,965	\$ 4,256,826	\$ 3,790,449	\$ 3,467,298	\$ 3,410,142
Net Pension (Asset) Liability, Ending (a)-(b)	\$ (1,777,087)	\$ (1,057,605)	\$ (1,032,926)	\$ 72,359	\$ (375,295)	\$ (108,091)	\$ (46,938)	\$ (19,828)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	139.13%	124.26%	126.37%	98.30%	109.67%	102.94%	101.37%	100.58%
Covered Payroll	\$ 1,193,039	\$ 1,102,453	\$ 1,117,490	\$ 1,125,058	\$ 983,653	\$ 1,000,048	\$ 981,476	\$ 945,276
Net Pension (Asset) Liability as a Percentage of Covered Payroll	-148.95%	-95.93%	-92.43%	6.43%	-38.15%	-10.81%	-4.78%	-2.10%

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

** Beginning total pension liability and plan fiduciary net position were adjusted by \$14,901 to reflect the removal of a benefit payable accrual.

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

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 59,870	\$ 68,555	\$ 99,719	\$ 95,565	\$ 74,767	\$ 125,729	\$ 120,291	\$ 97,078
Contributions in Relation to the Actuarially Determined Contribution	59,870	68,555	99,719	95,565	74,767	125,729	120,291	97,078
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,193,039	\$ 1,102,453	\$ 1,117,490	\$ 1,125,058	\$ 983,653	\$ 1,000,048	\$ 981,476	\$ 945,276
Contribution as a Percentage of Covered Payroll	5.02%	6.22%	8.92%	8.49%	7.60%	12.57%	12.26%	10.27%

Notes to Schedule

Valuation Date

January 1, 2019

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, Open 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.

Changes to Benefits

Effective 1/1/2019 an early retirement provision was added allowing a participant to retire after having attained age 50 and 12 years of service and commence benefits immediately. The benefit will be actuarially reduced for early commencement. The killed-in-service survivor benefit was removed in accordance with Act 51 of 2009.

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	16.42%	10.43%	17.96%	-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,	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 212,334	\$ 202,293	\$ 210,146	\$ 194,277	\$ 158,519	\$ 153,759	\$ 143,285
Interest	271,491	256,773	229,756	217,058	204,635	189,380	172,509
Differences Between Expected & Actual Experience	71,847	-	300,954	-	4,963	-	45,752
Changes of Assumptions	139,531	-	-	-	110,760	(14,234)	-
Transfers	-	-	-	-	-	72,500	-
Benefit Payments and Refunds of Employee Contributions	(185,743)	(175,334)	(253,704)	(103,128)	(91,891)	(91,891)	(109,769)
Net Change in Total Pension Liability	509,460	283,732	487,152	308,207	386,986	309,514	251,777
Total Pension Liability - Beginning	5,078,316	4,794,584	4,307,432	3,999,225	3,612,239	3,302,725	3,050,948
Total Pension Liability - Ending (a)	\$ 5,587,776	\$ 5,078,316	\$ 4,794,584	\$ 4,307,432	\$ 3,999,225	\$ 3,612,239	\$ 3,302,725
Plan Fiduciary Net Position							
Contributions	\$ 185,237	\$ 159,925	\$ 150,222	\$ 135,797	\$ 124,133	\$ 126,720	\$ 92,874
Employer	840	740	820	740	700	700	-
PMRS Assessment	94,437	80,010	72,236	56,620	45,963	40,613	40,406
Member	239,643	221,196	214,319	199,819	280,912	1,858	165,641
Net Investment Income	529,651	600,923	(427,975)	408,061	-	-	-
Fair Value Investment Income	-	-	-	-	-	72,500	-
Transfers	(185,743)	(175,334)	(253,704)	(103,128)	(91,891)	(91,891)	(109,769)
Benefit Payments, Including Refunds of Member Contributions	(11,281)	(8,386)	(10,304)	(9,869)	(9,882)	(7,801)	(6,719)
Administrative Expense	852,784	879,074	(254,386)	688,040	349,935	142,699	182,433
Net Change in Plan Fiduciary Net Position	4,833,805	3,954,731	4,209,117	3,521,077	3,171,142	3,028,443	2,846,010
Plan Fiduciary Net Position - Beginning	\$ 5,686,589	\$ 4,833,805	\$ 3,954,731	\$ 4,209,117	\$ 3,521,077	\$ 3,171,142	\$ 3,028,443
Plan Fiduciary Net Position - Ending (b)	\$ (98,813)	\$ 244,511	\$ 839,853	\$ 98,315	\$ 478,148	\$ 441,097	\$ 274,282
Net Pension Liability (Asset), Ending (a)-(b)	101.77%	95.19%	82.48%	97.72%	88.04%	87.79%	91.70%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	\$ 1,323,904	\$ 1,377,145	\$ 1,352,514	\$ 1,350,087	\$ 1,216,755	\$ 1,176,642	\$ 1,072,980
Covered Payroll	-7.46%	17.75%	62.10%	7.28%	39.30%	37.49%	25.56%
Net Pension Liability as a Percentage of Covered Payroll							

*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*

Year Ended, December 31,	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 176,674	\$ 170,008	\$ 150,962	\$ 136,477	\$ 124,813	\$ 127,398	\$ 92,854
Contributions in Relation to the Actuarially Determined Contribution	186,077	160,665	151,042	136,537	124,833	127,420	92,874
Contribution Excess	<u>\$ (9,403)</u>	<u>\$ 9,343</u>	<u>\$ (80)</u>	<u>\$ (60)</u>	<u>\$ (20)</u>	<u>\$ (22)</u>	<u>\$ (20)</u>
Covered Payroll	<u>\$ 1,323,904</u>	<u>\$ 1,377,145</u>	<u>\$ 1,352,514</u>	<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>14.06%</u>	<u>11.67%</u>	<u>11.17%</u>	<u>10.11%</u>	<u>10.26%</u>	<u>10.83%</u>	<u>8.66%</u>

Notes to Schedule

Valuation Date

January 1, 2020

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
Remaining Amortization Period	Amortization Periods in Act 205
Asset Valuation Method	Based Upon Municipal Reserves
Discount Rate	5.25%
Inflation	2.80%
Salary Increases	Age Related Scale with Merit and Inflation Component
COLA Increases	2.80% for those eligible for a COLA
Pre-Retirement Mortality - Males	PUB-2010 General Employees male table
Pre-Retirement Mortality - Females	PUB-2010 General Employees female table
Post-Retirement Mortality - Males	RP-2006 annuitant male table
Post-Retirement Mortality - Females	RP-2006 annuitant female table

*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 INVESTMENT RETURNS
 LAST TEN FISCAL YEARS*

	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return, Net of Investment Expense	13.80%	6.70%	7.00%	17.84%	8.23%	0.10%	5.50%

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

** N/A - Percentage not available at time of report issuance

**OTHER
SUPPLEMENTARY
INFORMATION**

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BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2021

	<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	\$ 73,017	\$ 488,298	\$ 561,315
Loans Receivable	-	464,808	464,808
	<u>73,017</u>	<u>953,106</u>	<u>1,026,123</u>
Fund Balances:			
Restricted for Road Improvements	73,017	-	73,017
Restricted for Community Development	-	953,106	953,106
	<u>\$ 73,017</u>	<u>\$ 953,106</u>	<u>\$ 1,026,123</u>

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2021

	<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	\$ 80	\$ 2,475	\$ 2,555
Intergovernmental	<u>165,508</u>	<u>-</u>	<u>165,508</u>
Total Revenues	<u>165,588</u>	<u>2,475</u>	<u>168,063</u>
Expenditures:			
Current:			
Public Works, Highways and Streets	<u>142,852</u>	<u>-</u>	<u>142,852</u>
Total Expenditures	<u>142,852</u>	<u>-</u>	<u>142,852</u>
Net Change in Fund Balances	22,736	2,475	25,211
Fund Balances at Beginning of Year	<u>50,281</u>	<u>950,631</u>	<u>1,000,912</u>
Fund Balances at End of Year	<u><u>\$ 73,017</u></u>	<u><u>\$ 953,106</u></u>	<u><u>\$ 1,026,123</u></u>

**STATISTICAL
SECTION**

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STATISTICAL SECTION

This part of the Borough of Kennett Square's annual comprehensive 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 9

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

10 through 16

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

17 through 18

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

Operating Information

19 through 21

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 Annual Comprehensive 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)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 1,790,798	\$ 3,581,605	\$ 4,614,032	\$ 5,403,576	\$ 6,224,155	\$ 6,149,029	\$ 5,838,379	\$ 6,106,801	\$ 6,537,639	\$ 6,457,618
Restricted	478,336	570,960	150,853	139,050	41,380	88,584	33,614	2,035,402	1,097,525	1,696,979
Unrestricted	1,602,203	561,157	232,333	1,398,087	834,170	808,008	1,276,838	(711,495)	377,951	512,528
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	\$ 3,871,337	\$ 4,713,722	\$ 4,997,218	\$ 6,940,713	\$ 7,099,705	\$ 7,045,621	\$ 7,148,831	\$ 7,430,708	\$ 8,013,115	\$ 8,667,125
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 2,887,044	\$ 3,005,037	\$ 4,000,712	\$ 4,829,713	\$ 5,026,849	\$ 5,175,792	\$ 5,483,220	\$ 6,559,420	\$ 8,408,268	\$ 8,472,115
Restricted	5,753	6	2	-	-	-	-	-	-	-
Unrestricted	1,372,370	1,748,512	1,889,358	2,149,826	2,507,169	3,310,519	3,788,956	3,597,421	3,508,227	4,580,295
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION	\$ 4,265,167	\$ 4,753,555	\$ 5,890,072	\$ 6,979,539	\$ 7,534,018	\$ 8,486,311	\$ 9,272,176	\$ 10,156,841	\$ 11,916,495	\$ 13,052,410
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 4,677,842	\$ 6,586,642	\$ 8,614,744	\$ 10,233,289	\$ 11,251,004	\$ 11,324,821	\$ 11,321,599	\$ 12,666,221	\$ 14,945,907	\$ 14,929,733
Restricted	484,089	570,966	150,855	139,050	41,380	88,584	33,614	2,035,402	1,097,525	1,696,979
Unrestricted	2,974,573	2,309,669	2,121,691	3,547,913	3,341,339	4,118,527	5,065,794	2,885,926	3,886,178	5,092,823
TOTAL PRIMARY GOVERNMENT ACTIVITIES NET POSITION	\$ 8,136,504	\$ 9,467,277	\$ 10,887,290	\$ 13,920,252	\$ 14,633,723	\$ 15,531,932	\$ 16,421,007	\$ 17,587,549	\$ 19,929,610	\$ 21,719,535

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

SCHEDULE 2

(Accrual basis of accounting)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
EXPENSES										
Governmental activities:										
General government	\$ 781,722	\$ 747,318	\$ 811,076	\$ 795,753	\$ 1,558,189	\$ 549,597	\$ 717,076	\$ 896,326	\$ 867,341	\$ 1,066,521
Public safety	2,292,283	2,444,901	2,416,397	2,988,736	2,649,698	2,493,800	2,852,582	2,780,746	2,563,134	2,406,456
Public works:										
Sanitation	-	-	-	-	-	-	-	-	-	-
Highways and streets	793,108	889,774	1,307,972	743,901	608,744	1,019,110	957,377	1,176,586	869,452	942,348
Culture and recreation	82,922	76,126	78,736	115,503	106,098	89,929	111,785	123,831	124,374	122,224
Community development	15,575	19,371	23,587	75,815	28,032	3,092	265	84	15	-
Interest on long-term debt	115,027	111,219	106,967	125,649	186,282	87,976	87,958	106,576	40,226	58,408
Miscellaneous	-	-	-	-	-	-	-	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES EXPENSES	4,080,637	4,288,709	4,744,735	4,845,357	5,137,043	4,243,504	4,727,043	5,084,149	4,464,542	4,595,957
Business-type activities:										
Water	882,741	879,114	974,593	799,724	848,234	1,185,173	1,029,738	1,147,954	1,011,276	994,344
Sewer	980,826	871,884	955,896	899,489	1,045,808	1,654,636	1,248,806	1,267,285	1,280,779	1,492,329
Parking	244,200	238,076	259,387	257,952	322,638	589,579	424,726	574,849	349,365	329,574
Solid Waste	386,459	351,569	371,846	364,846	365,359	308,914	322,639	328,373	349,210	365,954
TOTAL BUSINESS-TYPE ACTIVITIES EXPENSES	2,494,226	2,340,643	2,561,722	2,322,011	2,582,039	3,738,302	3,025,909	3,318,461	2,990,630	3,182,201
TOTAL PRIMARY GOVERNMENT EXPENSES	\$ 6,574,863	\$ 6,629,352	\$ 7,306,457	\$ 7,167,368	\$ 7,719,082	\$ 7,981,806	\$ 7,752,952	\$ 8,402,610	\$ 7,455,172	\$ 7,778,158
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	\$ 92,034	\$ 83,186	\$ 77,307	\$ 143,998	\$ 57,637	\$ 49,462	\$ 105,280	\$ 101,162	\$ 73,985	\$ 69,423
Public safety	294,148	277,325	386,828	397,017	330,008	372,611	352,198	375,928	373,835	436,937
Public works:										
Sanitation	-	-	-	-	-	-	-	-	-	-
Highways and streets	44,236	35,244	25,643	37,850	33,640	47,642	30,452	38,834	4,710	9,987
Culture and recreation	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	233	87	11	9	67	170	-	-	-	-
Operating grants and contributions	333,069	459,521	1,052,960	1,431,177	520,926	539,462	522,750	517,603	520,942	481,311
Capital grants and contributions	497,664	564,371	12,188	849,627	312,109	29,104	-	-	-	8,902
TOTAL GOVERNMENTAL ACTIVITIES PROGRAM REVENUES	\$ 1,261,384	\$ 1,419,734	\$ 1,554,937	\$ 2,859,678	\$ 1,254,387	\$ 1,038,451	\$ 1,010,680	\$ 1,033,527	\$ 973,472	\$ 1,006,560

(continued)

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

SCHEDULE 2.2

(Accrual basis of accounting)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PROGRAM REVENUES										
Business-type activities:										
Charges for services:										
Water	\$ 1,235,741	\$ 1,259,644	\$ 1,444,077	\$ 1,450,548	\$ 1,454,042	\$ 1,510,887	\$ 1,397,309	\$ 1,242,095	\$ 1,453,155	\$ 1,561,852
Sewer	1,567,049	1,750,098	1,704,567	1,833,393	1,931,916	2,067,285	2,324,748	2,634,029	2,071,934	2,605,880
Parking	565,707	557,029	554,382	594,065	596,524	588,821	594,680	598,589	468,012	502,096
Solid Waste	323,170	324,965	348,110	360,559	379,647	384,405	366,194	368,136	349,333	324,209
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	226,409	673,591	260,931	-	-	-	244,549	996,701	18,750
TOTAL BUSINESS-TYPE ACTIVITIES PROGRAM REVENUES	3,691,667	4,118,145	4,724,727	4,499,496	4,362,129	4,551,398	4,682,931	5,087,398	5,339,135	5,012,787
TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES	\$ 4,953,051	\$ 5,537,879	\$ 6,279,664	\$ 7,359,174	\$ 5,616,516	\$ 5,589,849	\$ 5,693,611	\$ 6,120,925	\$ 6,312,607	\$ 6,019,347
NET (EXPENSE) REVENUE	\$ (2,819,253)	\$ (2,868,975)	\$ (3,189,798)	\$ (1,985,679)	\$ (3,882,656)	\$ (3,205,053)	\$ (3,716,363)	\$ (4,050,622)	\$ (3,491,070)	\$ (3,589,397)
Governmental activities	1,197,441	1,777,502	2,163,005	2,177,485	1,780,090	813,096	1,657,022	1,768,937	2,348,505	1,830,586
Business-type activities	(1,621,812)	(1,091,473)	(1,026,793)	191,806	(2,102,566)	(2,391,957)	(2,059,341)	(2,281,685)	(1,142,565)	(1,758,811)
TOTAL PRIMARY GOVERNMENT NET EXPENSE	\$ 575,629	\$ 686,029	\$ 1,136,212	\$ 386,681	\$ (322,476)	\$ (1,578,861)	\$ (402,319)	\$ (512,748)	\$ (893,060)	\$ (928,225)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes, levied for general purposes	\$ 1,087,576	\$ 1,187,653	\$ 1,211,273	\$ 1,484,483	\$ 1,530,887	\$ 1,511,096	\$ 1,420,727	\$ 1,647,150	\$ 1,658,149	\$ 1,649,656
Property taxes, levied for general purposes	92,075	92,767	135,106	152,832	148,811	166,880	138,708	148,215	154,214	246,607
Transfer taxes	1,245,755	1,071,853	1,089,701	1,324,225	1,251,816	1,218,582	1,264,214	1,283,042	1,262,883	1,276,604
Earned income taxes	118,028	168,328	157,414	160,372	130,107	102,014	156,345	159,084	143,703	138,167
Local services taxes	3,158	3,218	2,928	2,953	3,449	3,123	3,118	2,836	3,182	3,212
Public utility taxes	75,799	83,323	88,210	91,429	95,247	95,714	92,342	88,695	83,425	78,531
Franchise taxes										
Investment income and rents, net of interest expense	132,902	113,618	92,912	70,284	95,520	73,635	80,767	114,143	120,096	123,944
Other	16,502	17,800	1,750	43,461	35,811	200,789	39,075	22,586	41,190	28,826
Gain (loss) on disposal of capital assets	689,983	972,800	714,000	750,000	750,000	45,417	624,277	185,023	14,000	2,900
Transfers	3,461,778	3,711,360	3,473,294	4,080,039	4,041,648	3,417,250	3,819,573	4,332,499	4,073,477	4,243,407
TOTAL GOVERNMENTAL ACTIVITIES	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000
Business-type activities:										
Investment income and rents, net of interest expense	(438,339)	(316,314)	(312,488)	(303,773)	(475,611)	3,215	(246,880)	(447,547)	3,784	289
Miscellaneous	(689,983)	(972,800)	(714,000)	(750,000)	(750,000)	(45,417)	(624,277)	(681,725)	(592,635)	(694,960)
Transfer	(1,128,322)	(1,289,114)	(1,026,488)	(1,053,773)	(1,225,611)	(42,202)	(871,157)	(884,272)	(588,851)	(694,671)
TOTAL BUSINESS-TYPE ACTIVITIES	\$ (2,256,644)	\$ (2,578,228)	\$ (2,052,976)	\$ (2,117,546)	\$ (2,451,222)	\$ (86,404)	\$ (1,552,314)	\$ (1,613,544)	\$ (1,158,702)	\$ (1,100,342)
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ 2,333,456	\$ 2,422,246	\$ 2,446,806	\$ 3,026,266	\$ 2,816,037	\$ 3,375,048	\$ 2,948,416	\$ 3,448,227	\$ 3,484,626	\$ 3,548,736
CHANGE IN NET POSITION										
Governmental activities	\$ 642,525	\$ 842,385	\$ 283,496	\$ 2,094,360	\$ 158,992	\$ 212,197	\$ 103,210	\$ 281,877	\$ 582,407	\$ 654,010
Business-type activities	69,119	488,388	1,136,517	1,123,712	554,479	770,894	785,865	884,665	1,759,654	1,135,915
TOTAL PRIMARY GOVERNMENT CHANGE IN NET POSITION	\$ 711,644	\$ 1,330,773	\$ 1,420,013	\$ 3,218,072	\$ 713,471	\$ 983,091	\$ 889,075	\$ 1,166,542	\$ 2,342,061	\$ 1,789,925

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

SCHEDULE 3

(Accrual basis of accounting)

Fiscal Year	Property Taxes	Earned Income	Local Services Tax	Property Transfer	Mechanical Device	Total
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
2019	1,647,150	1,283,042	159,084	148,215	-	3,237,491
2020	1,658,149	1,262,883	143,703	154,214	-	3,218,949
2021	1,649,656	1,276,604	138,167	246,607	-	3,311,034

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

SCHEDULE 4

(Modified accrual basis of accounting)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
GENERAL FUND										
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	14,943	-	-	-	-	-	-	-	-	324,579
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	276,650	36,005	52,658	303,454	556,379	489,079	498,866	636,862	639,994	666,033
TOTAL GENERAL FUND	291,593	36,005	52,658	303,454	556,379	489,079	498,866	636,862	639,994	990,612
ALL OTHER GOVERNMENTAL FUNDS										
Restricted	464,409	570,960	148,853	463,324	504,470	962,816	972,839	996,949	995,385	2,395,302
Assigned, reported in:										
Special Revenue Fund	7	-	-	115,132	17,371	64,382	202,938	-	-	-
Unassigned, reported in:										
Capital Projects Fund	-	(466,989)	(488,577)	(21,973)	(233,753)	(24,202)	-	-	-	-
TOTAL ALL OTHER GOVERNMENTAL FUNDS	464,416	103,971	(339,724)	556,483	288,088	1,002,996	1,175,777	996,949	995,385	2,395,302
TOTAL GOVERNMENTAL FUNDS	\$ 756,009	\$ 139,976	\$ (287,066)	\$ 859,937	\$ 844,467	\$ 1,492,075	\$ 1,674,643	\$ 1,633,811	\$ 1,635,379	\$ 3,385,914

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

SCHEDULE 5

(Modified accrual basis of accounting)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues										
Taxes	\$ 2,531,594	\$ 2,520,601	\$ 2,549,663	\$ 3,072,091	\$ 3,035,043	\$ 3,050,404	\$ 3,086,464	\$ 3,247,859	\$ 3,220,919	\$ 3,316,561
Licenses and permits	81,599	87,423	93,510	96,629	101,547	99,014	90,605	94,295	86,725	83,931
Fines, forfeits and cost	43,770	39,665	38,608	52,052	42,517	54,443	67,649	74,654	52,440	63,186
Interest, dividends and rents	133,135	113,705	92,923	70,293	95,587	73,805	80,767	114,143	120,096	123,944
Intergovernmental revenues	833,091	1,027,110	1,066,776	2,249,791	836,236	931,136	527,874	520,958	522,559	493,165
Charges for services and fees	375,807	346,886	433,676	507,266	366,670	409,134	419,218	434,070	394,990	447,761
Miscellaneous	5,841	5,094	13,494	29,576	6,046	212,582	34,869	23,667	44,555	29,086
TOTAL REVENUES	4,004,837	4,140,494	4,288,650	6,077,698	4,483,646	4,830,518	4,307,446	4,509,646	4,442,284	4,557,634
Expenditures										
General government	808,910	721,894	726,580	788,930	901,516	550,540	824,385	894,296	894,998	9,477,023
Public safety	2,258,012	2,371,922	2,407,804	3,087,650	2,626,416	2,615,059	2,730,684	2,826,783	2,772,486	2,860,553
Public works:										
Highways and streets	1,487,183	2,194,704	1,855,661	1,907,685	1,299,004	716,323	660,295	1,049,248	658,770	685,565
Culture and recreation	82,922	76,126	71,596	102,331	92,926	89,929	111,785	123,831	124,374	122,224
Community development	545,845	21,371	12,940	42,933	208	3,092	265	84	15	-
Debt service:										
Principal	247,000	252,089	251,850	284,737	292,815	200,587	361,777	2,395,313	555,330	300,000
Interest	113,086	109,021	105,011	102,630	113,915	87,824	88,348	107,671	41,378	69,778
Issuance Cost	-	-	-	2,516	39,981	-	-	-	-	143,593
TOTAL EXPENDITURES	5,542,958	5,747,127	5,431,442	6,319,412	5,366,781	4,263,354	4,777,539	7,397,226	5,047,351	13,658,736
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,538,121)	(1,606,633)	(1,142,792)	(241,714)	(883,135)	567,164	(470,093)	(2,887,580)	(605,067)	(9,101,102)
OTHER FINANCING SOURCES (USES)										
Sales of capital assets	16,502	17,800	1,750	43,461	35,811	-	5,000	185,023	14,000	2,900
Proceeds from debt issuance	-	-	-	570,000	2,565,643	-	-	1,980,000	-	9,890,000
Proceeds from capital lease	-	-	-	27,406	42,122	35,028	-	-	-	-
Payment to refunding agent	-	-	-	-	(2,525,911)	-	-	-	-	-
Transfer in	1,102,915	1,790,007	1,268,771	1,332,300	1,069,979	223,064	1,079,940	1,296,747	1,345,979	1,204,640
Transfer out	(412,932)	(817,207)	(554,771)	(582,300)	(319,979)	(177,647)	(455,663)	(615,022)	(753,344)	(509,680)
Bond issuance	-	-	-	-	-	-	-	-	-	263,777
Debt service principal	-	-	-	-	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	706,485	990,600	715,750	1,390,867	867,665	80,445	629,277	2,846,748	606,635	10,851,637
NET CHANGE IN FUND BALANCES	\$ (831,636)	\$ (616,033)	\$ (427,042)	\$ 1,149,153	\$ (15,470)	\$ 647,609	\$ 159,184	\$ (40,832)	\$ 1,568	\$ 1,750,535
DEBT SERVICE AS A PERCENTAGE OF NON-CAPITAL EXPENDITURES	8.5%	8.1%	8.7%	7.8%	8.5%	7.0%	9.4%	33.8%	11.8%	7.6%

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

Fiscal Year Ended December 31,	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value (1)	Total Direct Tax Rate (Mills)	Estimated Actual Taxable Value	Assessed Value (1) as a Percentage of Actual Value
	Residential Property	Commercial Property					
2012	197,727,700	67,085,380	40,840,920	223,972,160	4.850	379,613,831	59.0%
2013	198,065,730	67,415,320	40,872,630	224,608,420	5.350	373,103,688	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	414,294,849	55.3%
2016	210,514,790	68,771,740	42,405,130	236,881,400	6.350	362,203,976	65.4%
2017	213,221,040	69,105,870	42,596,180	239,730,730	6.350	387,725,586	61.8%
2018	215,257,550	69,707,740	42,596,180	242,369,110	6.350	414,447,863	58.5%
2019	217,911,960	71,683,970	42,596,180	246,999,750	6.750	424,179,547	58.2%
2020	218,459,940	73,531,700	41,706,680	249,256,530	6.750	467,122,433	53.4%
2021	220,162,390	75,401,559	43,077,950	250,284,960	6.750	469,665,904	53.3%

Source: Pennsylvania State Tax Equalization Board, Tax Duplicate

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

SCHEDULE 7

(Per \$1,000 of Assessed Value)

Year	Overlapping Rates									
	Borough			School District			County			
	Fire Purposes Millage	General Total	Other Purposes Millage	General Total	Debt, Parks & Libraries Millage	General Purposes	General Purposes	General Purposes	General Total	Total
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	1.383	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	1.493	2.876	4.369	40.5979
2019	0.60	6.15	6.75	-	30.4479	30.4479	1.358	3.011	4.369	41.5669
2020	0.60	6.15	6.75	-	30.9497	30.9497	1.265	3.104	4.369	42.0687
2021	0.60	6.15	6.75	-	31.4582	31.4582	1.354	3.197	4.551	42.7592

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 8

Taxpayer	2021			2012		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
State Street Associates LP	\$ 7,773,330	1	3.08%	\$ 11,329,460	1	5.06%
Kennett Center LP	5,147,730	2	2.04%	7,597,700	2	3.39%
Magnolia Place 2018 LLC	3,196,000	3	1.27%	-	-	-
Kennett Square Borough	2,943,320	4	1.17%	-	-	-
Everts, Richard & Donna	2,514,960	5	1.00%	1,121,350	9	0.50%
Tritea LLC	2,491,000	6	0.99%	2,184,000	3	0.98%
Mar Ann Holding Assoc	2,103,300	7	0.83%	1,127,620	8	0.50%
ARC DBPPROP001 LLC	2,052,000	8	0.81%	-	-	-
Ruane, Patrick J & Strine, Walter M	1,916,250	9	0.76%	1,916,250	4	0.86%
Cannery Row Properties LLP	1,891,680	10	0.75%	-	-	-
Race Park LLC	-	-	-	1,349,790	5	0.60%
LGB - 148 West State Street	-	-	-	1,251,870	6	0.56%
Rockhopper LLC	-	-	-	1,163,400	7	0.52%
Bosley & Reynolds	-	-	-	1,007,860	10	0.45%
TOTALS	\$ 32,029,570		12.69%	\$ 30,049,300		13.42%

Source: Chester County Assessment Office Manager

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

SCHEDULE 9

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
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%	28,130	1,476,082	98.1%
2017	1,522,290	1,460,909	96.0%	34,730	1,495,639	98.2%
2018	1,539,044	1,487,258	96.6%	27,798	1,515,056	98.4%
2019	1,667,248	1,647,150	98.8%	20,098	1,667,248	100.0%
2020	1,682,482	1,658,149	98.6%	15,737	1,673,886	99.5%
2021	1,689,423	1,649,656	97.6%	-	1,649,656	97.6%

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

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA

RATIO OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS (Unaudited)

SCHEDULE 10

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)	
	General Obligation Bonds	Direct Placement Borrowing	Promissory Note	Capital Leases	Water Revenue Bonds	Sewer Revenue Notes	General Obligation Notes	General Obligation Bonds				Direct Placement Borrowing
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	36,086	-	557,000	-	7,454,000	-	10,931,405	6.6%	1,771
2018	2,199,000	-	355,120	165,479	-	506,000	-	6,725,000	-	9,950,599	5.5%	1,606
2019	-	1,980,000	158,814	140,516	-	453,000	4,365,000	-	6,083,307	13,180,637	7.2%	2,125
2020	-	1,724,000	-	-	-	-	-	-	8,766,000	10,490,000	5.1%	1,691
2021	9,890,000	1,424,000	-	-	-	-	-	-	8,127,000	19,441,000	9.7%	3,281

(1) See Schedule 17 for personal income and population data.

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

SCHEDULE 11

<u>Fiscal Year</u>	<u>General Obligation Debt</u>	<u>Percentage of Estimated Actual Taxable Value (1) of Property</u>	<u>Per Capita (2)</u>
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	2,565,643	0.7%	417
2017	2,461,000	0.6%	399
2018	2,199,000	0.6%	355
2019	2,138,814	0.5%	345
2020	1,724,000	0.4%	278
2021	11,314,000	2.4%	1,910

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 85 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 96.

BOROUGH OF KENNETT SQUARE, PENNSYLVANIA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2021 (Unaudited)

SCHEDULE 12

	<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)	\$ 19,441,000	100.00%	\$ <u>19,441,000</u>
OVERLAPPING DEBT			
County of Chester (2)	582,044,394	0.64%	3,733,363
Kennett Consolidated School District (3)	32,831,195	12.29%	<u>4,035,501</u>
TOTAL OVERLAPPING DEBT			<u>7,768,864</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 27,209,864</u>

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

(2) County debt as of December 31, 2021, based on the ratio of Kennett Square's assessed valuation to Chester County's 2021 assessed valuation.

(3) The School District debt as of June 30, 2021, 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 2021 Annual Comprehensive Financial Report, and the Kennett Consolidated School District 2021 Audit.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total three years net adjusted revenues:	\$ 21,247,504	\$ 22,949,952	\$ 23,717,606	\$ 26,714,795	\$ 23,272,087	\$ 28,543,954	\$ 27,218,068	\$ 27,176,076	\$ 28,008,412	\$ 28,934,468
Debt limit for general obligation bonds:										
Average borrowing base revenues	7,082,501	7,649,984	7,905,869	8,904,932	7,757,362	9,514,651	9,072,689	9,058,692	9,336,137	9,644,823
Debt limit percent	250%	250%	250%	250%	250%	250%	250%	250%	250%	250%
Debt limit	17,706,253	19,124,960	19,764,673	22,262,330	19,393,405	23,786,628	22,681,723	22,646,730	23,340,343	24,112,058
Total amount of debt applicable to debt limit	3,528,000	3,275,911	3,027,122	3,307,174	2,748,347	2,884,319	2,554,120	2,138,814	1,724,000	19,441,000
LEGAL DEBT MARGIN	\$ 14,178,253	\$ 15,849,049	\$ 16,737,551	\$ 18,955,156	\$ 16,645,058	\$ 20,902,309	\$ 20,127,603	\$ 20,507,916	\$ 21,616,343	\$ 4,671,058
Debt limit for general obligation bonds and lease rental debt:										
Average borrowing base revenues	\$ 6,531,341	7,082,501	\$ 7,649,984	\$ 7,905,869	\$ 8,904,932	\$ 7,757,362	\$ 9,072,689	\$ 9,058,692	\$ 9,336,137	\$ 9,644,823
Debt limit percent	350%	350%	350%	350%	350%	350%	350%	350%	350%	350%
Debt limit	22,859,695	24,788,754	26,774,944	27,670,541	31,167,262	27,150,767	31,754,413	31,705,422	32,676,481	33,756,881
Total amount of debt applicable to debt limit	3,775,000	3,546,078	3,304,195	3,055,205	3,325,055	2,785,454	2,590,206	2,304,293	1,864,516	19,441,000
LEGAL DEBT MARGIN	\$ 19,084,695	21,242,676	\$ 23,470,749	\$ 24,615,336	\$ 27,842,207	\$ 24,365,313	\$ 29,164,207	\$ 29,401,129	\$ 30,811,965	\$ 14,315,881

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 14

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service Requirements (3)		Coverage
				Principal	Interest	
2012	1,196,463	759,287	437,176	145,669	7,514	2.85
2013	1,161,616	879,114	282,502	23,628	3,923	10.25
2014	1,180,821	844,361	336,460	24,628	2,923	12.21
2015	1,591,985	672,618	919,367	25,670	1,881	33.37
2016	1,396,878	669,653	727,225	25,336	795	27.83
2017	1,353,323	936,940	416,383	-	-	N/A
2018	1,334,293	776,856	557,437	-	-	N/A
2019	1,242,095	889,957	352,138	-	-	N/A
2020	1,453,155	762,019	691,136	-	-	N/A
2021	1,561,962	742,276	819,686	-	-	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.

N/A - Not applicable as there were no debt service requirements

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

SCHEDULE 15

Fiscal Year	Gross Revenues (1)	Less: Operating Expenses (2)	Net Available Revenue	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
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	1.72
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
2019	2,634,029	1,007,027	1,627,002	528,000	103,826	631,826	2.58
2020	2,071,934	817,273	1,254,661	563,000	121,919	684,919	1.83
2021	2,605,891	1,083,890	1,522,001	562,000	69,796	631,796	2.41

(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.

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

SCHEDULE 17

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)
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%
2019	6,202	183,083,040	29,520	35.9	12	4,164	2.9%
2020	6,202	207,252,234	33,417	36.1	12	4,156	4.4%
2021	5,925	199,488,825	33,669	36.1	12	3,969	3.7%

(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 18

Employers	2021			2012		
	Employees	Rank	Percentage of Total Borough Employment	Employees	Rank	Percentage of Total Borough Employment
Genesis Health Care	631	1	15.6%	698	1	16.0%
Kennett Consolidated School District	225	2	5.6%	315	3	7.2%
YMCA of the Brandywine Valley	164	3	4.1%	379	2	8.7%
Friends Boarding Home	91	4	2.2%	98	5	2.2%
George Krapf Jr & Sons lbc	80	5	2.0%	116	4	-
Creamery on Birch	63	6	1.6%	-	-	-
Rawden Management	61	7	1.5%	-	-	-
Kennett Workers Affiliates LLC	57	8	1.4%	-	-	-
Bravo Landscaping Inc	56	9	1.4%	-	-	-
Lily's Sushi & Grill Inc	49	10	1.2%	-	-	-
Half Moon Restaurant & Saloon	-	-	-	57	6	1.3%
WaWa Inc. #35	-	-	-	47	7	-
Vitalize Consulting Services	-	-	-	47	8	1.1%
Country Butcher	-	-	-	46	9	1.1%
Borough of Kennett Square	-	-	-	43	10	1.0%
Totals	<u>1,477</u>		<u>36.5%</u>	<u>1,846</u>		<u>38.5%</u>

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

SCHEDULE 19

Fiscal Year	General Government	Public Safety		Public Works	Sewer	Total
		Police	Codes			
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
2019	5	19	4	6	4	38
2020	5	19	4	6	4	38
2021	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

SCHEDULE 20

FUNCTION	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Police										
Physical arrests	303	281	323	295	265	242	208	235	62	182
Parking violations	4,675	3,807	3,699	2,547	2,994	3,021	2,749	3,765	1,636	2,198
Traffic violations	779	622	767	809	809	1,604	1,540	1,782	1,214	1,686
Codes										
Rental inspections	1,200	1,212	1,212	1,212	1,212	1,212	1,212	1,212	46	852
Commercial inspections	330	330	330	330	330	330	315	315	315	487
Highway and streets										
Street resurfacing (miles)	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	<0.1	0.7	0.3	0.3
Water										
Average daily consumption (thousands of gallons)	492	479	477	483	501	471	508	477	435	426
Wastewater										
Average daily sewage treatment (thousands of gallons)	487	520	571	595	600	617	821	809	803	728
Parking										
Street metered spaces	225	225	225	225	225	230	153	134	134	134
Garage metered spaces	39	39	39	39	39	39	40	40	41	41
Lots metered spaces	49	49	49	49	59	36	50	40	40	40
Street permit spaces	27	27	27	27	27	27	96	9	9	9
Garage permit spaces	311	311	311	211	211	211	308	408	404	404
Lots permit spaces	155	155	155	155	167	167	136	39	39	39

Source: Borough of Kennett Square Department Heads.

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

SCHEDULE 21

FUNCTION	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General governmental	1	1	1	1	1	1	1	1	1	2
Municipal building										
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	2
Patrol units	8	8	8	8	8	8	8	8	8	8
Vehicles	10	10	10	10	10	13	13	10	11	10
Codes										
Vehicles	2	2	2	2	3	3	4	3	3	3
Public works										
Maintenance garage	1	3	3	3	3	3	3	3	3	3
Vehicles	14	14	14	14	14	15	16	16	17	17
Streets (miles)	25	25	25	25	25	25	25	25	25	25
Streetlights	410	410	410	410	410	410	427	427	427	427
Traffic signals	21	21	21	21	21	21	57	57	57	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	2	2	2	2	2	2	2
Water mains (miles)	22	22	22	22	22	22	22	22	22	22
Fire hydrants	143	143	143	143	145	145	145	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)	19	19	19	19	19	19	19	19	19	19
Parking										
Garage	1	1	1	1	1	1	1	1	2	1
Lots	6	6	6	6	6	6	6	5	5	5

Source: Borough of Kennett Square Department Heads

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