

*In the opinion of Bond Counsel, interest on the Bonds will be excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions, subject to the conditions described in "TAX MATTERS" herein. In addition, interest on the Bonds will not be treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code"), for purposes of the federal alternative minimum tax. Under the existing laws of the Commonwealth of Pennsylvania, interest on the Bonds will be free from Pennsylvania personal income taxation and Pennsylvania corporate net income taxation but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. For a more complete discussion, see "TAX MATTERS" herein.*

**\$30,000,000**  
**County of Chester**  
**Commonwealth of Pennsylvania**  
**General Obligation Bonds, Series of 2018**

**Dated:** Date of Issuance**Interest Payable:** January 15 and July 15**Principal Due:** July 15 (as shown on inside cover)**First Interest Payment:** July 15, 2018

The County of Chester, Pennsylvania (the "County") will issue its \$30,000,000 aggregate principal amount of General Obligation Bonds, Series of 2018 (the "Bonds") in registered form in denominations of \$5,000 and any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as the registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof only under the book-entry system maintained by DTC through its brokers and dealers who are, or act through, DTC participants ("DTC Participants"). The purchasers of the Bonds will not receive physical delivery of the Bonds. For so long as any purchaser is the beneficial owner of a Bond, that purchaser must maintain an account with a broker or a dealer who is, or acts through, a DTC Participant to receive payment of principal of and interest on the Bonds. See "**BOOK-ENTRY-ONLY SYSTEM**" herein. If, under the circumstances described herein, Bonds are ever issued in certificated form, the Bonds will be subject to registration of transfer, exchange and payment as described herein. The principal of the Bonds will be paid to the registered owners or assigns, when due, upon presentation and surrender of the Bonds to U.S. Bank National Association (the "Paying Agent"), acting as paying agent, registrar and sinking fund depository, at its corporate trust office in Philadelphia, Pennsylvania. Interest on the Bonds is payable initially on July 15, 2018, and thereafter, semiannually on January 15 and July 15 of each year, until the principal sum thereof is paid. Payment of interest on the Bonds will be made by check drawn on the Paying Agent mailed to the registered owners of the Bonds as of the Record Date (see "**THE BONDS**" herein).

**The Bonds are subject to redemption prior to maturity as provided herein.**

The Bonds are general obligation bonds of the County, payable from its tax and other general revenues. The County has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year and will duly and punctually pay or cause to be paid from the sinking fund established under the Ordinance (defined herein) or any of its other revenues or funds, the principal of the Bonds and the interest thereon, at the place, on the dates and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the County irrevocably has pledged its full faith, credit and taxing power, which taxing power includes the power to levy *ad valorem* taxes on all taxable real property within the County, presently unlimited as to rate or amount for such purpose (see "**DEFAULTS AND REMEDIES**" herein).

Proceeds of the Bonds will be used for: (1) financing a portion of the County's ongoing five-year capital plan as further described within this Official Statement; and (2) payment of costs incurred by the County in connection with the issuance of the Bonds (see "**PURPOSE OF THE ISSUE**" herein).

The Bonds are an authorized investment for fiduciaries in the Commonwealth of Pennsylvania pursuant to the Pennsylvania Probate, Estate and Fiduciaries Code, Act of June 30, 1972, No. 164, P.L. 508, as amended and supplemented.

*This cover contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices attached hereto, to obtain information essential to their making an informed investment decision.*

**MATURITIES, AMOUNTS, RATES, YIELDS, PRICES & CUSIP NUMBERS**  
**(See Inside Front Cover)**

The Bonds are offered when, as and if issued by the County, subject to withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Bond Counsel, Cozen O'Connor, Philadelphia, Pennsylvania, to be furnished upon delivery of the Bonds. Certain other legal matters will be passed upon for the County by Thomas L. Whiteman, Esquire, of West Chester, Pennsylvania, County Solicitor and for the Underwriters by Saul Ewing Arnstein & Lehr LLP, Philadelphia, Pennsylvania. PFM Financial Advisors LLC of Harrisburg, Pennsylvania serves as Financial Advisor to the County in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through DTC or its agent in New York, New York, on or about May 31, 2018.

PiperJaffray



**\$30,000,000**  
**County of Chester**  
**Commonwealth of Pennsylvania**  
**General Obligation Bonds, Series of 2018**

**MATURITIES, AMOUNTS, RATES, YIELDS, PRICES & CUSIP NUMBERS**

**Dated:** Date of Issuance

**Principal Due:** July 15 (as shown below)

**Interest Payable:** January 15 and July 15

**First Interest Payment:** July 15, 2018

<b>Maturity Date</b> <b>(July 15)</b>	<b>Principal</b> <b>Amount</b>	<b>Interest</b> <b>Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP*</b>
2019	\$5,000	2.000%	1.890%	100.120%	165573M86
2020	985,000	3.000%	1.950%	102.171%	165573M94
2021	1,030,000	5.000%	2.070%	108.812%	165573N28
2022	1,085,000	5.000%	2.160%	111.141%	165573N36
2023	1,135,000	5.000%	2.270%	113.128%	165573N44
2024	1,195,000	5.000%	2.360%	114.964%	165573N51
2025	1,255,000	5.000%	2.450%	116.569%	165573N69
2026	1,315,000	5.000%	2.540%	117.948%	165573N77
2027	1,380,000	5.000%	2.600%	119.376%	165573N85
2028	1,450,000	5.000%	2.660%**	118.840%**	165573N93
2029	1,525,000	5.000%	2.710%**	118.395%**	165573P26
2030	1,600,000	5.000%	2.760%**	117.952%**	165573P34
2031	1,680,000	5.000%	2.790%**	117.687%**	165573P42
2032	1,765,000	5.000%	2.850%**	117.160%**	165573P59
2033	1,850,000	5.000%	2.910%**	116.635%**	165573P67
2034	1,945,000	5.000%	2.980%**	116.027%**	165573P75
2035	2,040,000	5.000%	3.020%**	115.681%**	165573P83
2036	2,145,000	5.000%	3.060%**	115.336%**	165573P91
2037	2,250,000	5.000%	3.090%**	115.079%**	165573Q25
2038	2,365,000	5.000%	3.120%**	114.821%**	165573Q33

\*Registered trademark of the American Bankers Association, CUSIP numbers are provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of Bonds only at the time of issuance of the Bonds and the County and the Underwriters do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

\*\*Price/Yield to optional redemption date of July 15, 2027.

**County of Chester**  
Commonwealth of Pennsylvania

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**BOARD OF COMMISSIONERS**

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Michelle Kichline	Chair
Kathi Cozzone	Vice-Chair
Terence Farrell	Member

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**OTHER COUNTY OFFICIALS**

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Yolanda Van de Krol	Clerk of Courts
Margaret Reif	Controller
Christina VandePol, M.D.	Coroner
Thomas P. Hogan	District Attorney
Matt Holliday	Prothonotary
Rick Loughery	Recorder of Deeds
Terri Clark	Register of Wills
Carolyn B. Welsh	Sheriff
Patricia Maisano	Treasurer

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Thomas L. Whiteman, Esq.	Solicitor
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**BOND COUNSEL**  
COZEN O'CONNOR  
Philadelphia, Pennsylvania

**FINANCIAL ADVISOR**  
PFM FINANCIAL ADVISORS LLC  
Harrisburg, Pennsylvania

**UNDERWRITERS' COUNSEL**  
SAUL EWING ARNSTEIN & LEHR LLP  
Philadelphia, Pennsylvania

**UNDERWRITERS**  
PIPER JAFFRAY & CO.  
Philadelphia, Pennsylvania

PNC CAPITAL MARKETS LLC Philadelphia, Pennsylvania	RBC CAPITAL MARKETS, LLC Philadelphia, Pennsylvania
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**PAYING AGENT**  
U.S. BANK NATIONAL ASSOCIATION  
Philadelphia, Pennsylvania

**COUNTY ADDRESS**  
Chester County  
Finance Department  
313 West Market Street, Suite 6902  
P.O. Box 2748  
West Chester, PA 19380-0991

This Official Statement does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. No dealer, broker, salesman or other person has been authorized by the County to give information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. The information set forth herein has been obtained from the County and from other sources which are believed to be reliable but the County does not guarantee the accuracy or completeness of information from sources other than the County.

This Official Statement is not to be construed as a contract or agreement among the County, the Underwriters and the purchasers or owners of any offered Bonds. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in any of the information set forth herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE ORDINANCE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS OR THE ORDINANCE IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF CERTAIN STATES, IF ANY, IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE ORDER AND PLACEMENT OF THE MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE FORWARD-LOOKING STATEMENTS, AS SUCH TERM IS DEFINED IN SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. IN THIS RESPECT, SUCH FORWARD-LOOKING STATEMENTS ARE IDENTIFIED BY THE USE OF THE WORDS ESTIMATE, PROJECT, ANTICIPATE, EXPECT, FORECAST, INTEND OR BELIEVE OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. SUCH FORWARD-LOOKING INFORMATION INVOLVES IMPORTANT RISKS AND UNCERTAINTIES THAT COULD RESULT IN THE ACTUAL INFORMATION BEING SIGNIFICANTLY DIFFERENT FROM THAT EXPRESSED IN THIS OFFICIAL STATEMENT. POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS. SUCH RISKS AND UNCERTAINTIES WHICH COULD AFFECT THE REVENUES AND BONDS OF THE COUNTY INCLUDE, AMONG OTHERS, CHANGES IN ECONOMIC CONDITIONS, MANDATES FROM OTHER GOVERNMENTS AND VARIOUS OTHER EVENTS, CONDITIONS AND CIRCUMSTANCES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE COUNTY. SUCH FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT. THE COUNTY DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGES IN THE COUNTY'S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

The County does not generally publish its business plans and strategies or make external disclosures of its anticipated financial position or results of operations. Accordingly, the County does not intend to update or otherwise revise the forecasted financial information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, the County does not intend to update or revise the forecasted financial information to reflect changes in general economic or industry conditions. Additional information relating to the principal assumptions used in preparing the projections is set forth herein.

Neither the County's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forecasted information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forecasted information.

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# OFFICIAL STATEMENT

## \$30,000,000 County of Chester Commonwealth of Pennsylvania General Obligation Bonds, Series of 2018

### INTRODUCTION

This Official Statement, including the cover and inside cover pages hereof and Appendices hereto, is furnished by the County of Chester, Pennsylvania (the "County"), in connection with the offering of its \$30,000,000 aggregate principal amount General Obligation Bonds, Series of 2018 (the "Bonds"). The Bonds are dated their date of issuance and are being issued pursuant to the Ordinance of the Board of Commissioners of the County enacted on April 25, 2018 (the "Ordinance"), and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania (the "Commonwealth") (53 Pa. C.S. §8001 *et seq.*), as amended (the "Act"). Issuance of the Bonds will be approved by the Department of Community and Economic Development of the Commonwealth pursuant to the Act prior to the delivery of the Bonds.

The Bonds will be general obligation bonds of the County and will be payable from its tax and other general revenues. The County has covenanted in the Ordinance that it will include the amount of debt service for the Bonds in its budget for each fiscal year, that it will appropriate such amounts from its general revenues for the payment of such debt service in each such fiscal year, and that it will duly and punctually pay or cause to be paid the principal of the Bonds and the interest thereon at the dates and place and in the manner stated in the Bonds. For such budgeting, appropriation and payment, the County has irrevocably pledged its full faith, credit and taxing power, which taxing power includes the power to levy ad valorem taxes on all taxable property within the County, presently without limitation as to rate or amount for the payment of debt approved under the Act. See "**THE BONDS – Security**" and "**DEFAULTS AND REMEDIES**" herein.

### PURPOSE OF THE ISSUE

Proceeds of the Bonds will be used for: (1) financing a portion of the County's ongoing five-year capital plan, known as the Capital Investment Program including, but not limited to (i) the funding of the County's public safety buildings and emergency radio systems; (ii) the continuation of the County's Open Space program; (iii) the funding of a portion of the County's Community Revitalization program to provide the County's share of the cost of capital projects to be undertaken with certain other local government units; (iv) the construction of and improvements to County facilities, including the acquisition and installation of equipment and fixtures thereto; (v) the development of and capital improvements to County park facilities and trails; and (vi) the funding of various County infrastructure improvements, including Chester County Water Resources Authority projects, bridge projects and public transportation related projects; and (2) payment of costs incurred by the County in connection with the issuance of the Bonds.

### ESTIMATED SOURCES AND USES OF BOND PROCEEDS

The following is a summary of the estimated sources and uses of the proceeds from the issuance of the Bonds.

<b>Sources of Funds</b>	<b>Bonds</b>
Par Amount of the Bonds .....	\$30,000,000.00
Plus: Original Issue Premium .....	4,671,270.10
<b>Total Sources of Funds</b> .....	<b>\$34,671,270.10</b>

<b>Uses of Funds</b>	
Construction Fund Deposit .....	\$34,433,245.10
Costs of Issuance <sup>(1)</sup> .....	238,025.00
<b>Total Uses of Funds</b> .....	<b>\$34,671,270.10</b>

<sup>(1)</sup>Includes legal, underwriters' discount, financial advisor, printing, credit ratings, paying agent, CUSIP and miscellaneous fees.

## AUTHORITY TO ISSUE

The County is authorized to issue the Bonds pursuant to the Act. Under the Act, the General Assembly of the Commonwealth of Pennsylvania has granted full power and authority to issue Bonds to every local government unit in the Commonwealth, including the County, subject to certain limitations, restrictions and conditions set forth in the Act. The County has authorized the issuance of the Bonds by enacting the Ordinance in accordance with the provisions of the Act. The Bonds will be issued as nonelectoral debt of the County without the approval of the electorate. As required by the Act, the County expects to receive approval of the Department of Community and Economic Development of the Commonwealth to incur the debt evidenced by the Bonds.

## THE BONDS

### Description

The Bonds will be issued in fully registered form, in denominations of \$5,000 and integral multiples thereof. The Bonds will be in the aggregate principal amount of \$30,000,000. The Bonds will be dated the date of issuance thereof and will bear interest at the rates and mature in the amounts and on the dates set forth on the inside front cover of this Official Statement. Interest on the Bonds will be payable initially on July 15, 2018, and thereafter, semiannually on January 15 and July 15 of each year (each, an "Interest Payment Date"), until the maturity date of such Bonds or, if any Bond is subject to redemption prior to maturity, until the date fixed for redemption thereof, if payment of the redemption price has been duly made or provided for.

When issued, the Bonds will be registered in the name of Cede & Co., as nominee for DTC, New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive any physical delivery of certificates evidencing Bonds, and beneficial ownership of the Bonds will be evidenced only by book entries. See "**BOOK-ENTRY- ONLY SYSTEM**" herein.

### Payment of Principal and Interest

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, payments of principal of, redemption premium, if any, and interest on the Bonds, when due, are to be made to DTC and all such payments shall be valid and effective to satisfy fully and to discharge the Bonds of the County with respect to, and to the extent of, principal, redemption premium, if any, and interest so paid.

Interest on the Bonds will be payable to the registered owner thereof from the Interest Payment Date next preceding the date of registration and authentication of such Bonds, unless: (a) such Bonds are registered and authenticated as of an Interest Payment Date, in which event such Bonds shall bear interest from said Interest Payment Date, or (b) such Bonds are registered and authenticated after a Regular Record Date (hereinafter defined) and before the next succeeding Interest Payment Date, in which event such Bonds shall bear interest from such succeeding Interest Payment Date, or (c) such Bonds are registered and authenticated on or prior to the Regular Record Date preceding July 15, 2018, in which event such Bonds shall bear interest from the date of issuance thereof, or (d) as shown by the records of U.S. Bank National Association, as paying agent (the "Paying Agent"), interest on such Bonds shall be in default, in which event such Bonds shall bear interest from the date on which interest was last paid on such Bonds. Interest on the Bonds will be payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and address shall appear, at the close of business on the fifteenth (15<sup>th</sup>) day (whether or not a day on which the Paying Agent is open for business) next preceding the applicable Interest Payment Date (the "Regular Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Bonds subsequent to such Regular Record Date and prior to such Interest Payment Date, unless the County shall be in default in payment of interest due on such Interest Payment Date. In the event of any such default, such defaulted interest shall be payable to the person in whose name such Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of such Bonds not less than ten (10) days preceding such special record date. Such notice shall be mailed to the persons in whose names such Bonds are registered at the close of business on the fifth (5<sup>th</sup>) day preceding the date of mailing.

If the date for payment of the principal of or interest on any Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth or in the jurisdiction in which the principal corporate trust office of the Paying Agent is located are authorized or required by law or executive order to close (a "Holiday"), then the date for payment of such principal or interest shall be the next succeeding day which is not a Holiday, and payment on such date shall have the same force and effect as if made on the nominal date established for such payment.

If the use of the Book-Entry-Only System for the Bonds is discontinued for any reason, certificates evidencing such Bonds will be issued to the Beneficial Owners thereof and payment of principal, redemption premium, if any and interest on such Bonds shall be made as described in the following paragraph.

The principal amount of the Bonds, when due upon maturity or upon any earlier redemption, will be paid to the registered owners thereof, or registered assigns, upon surrender of such Bonds to the Paying Agent at its corporate trust office in Philadelphia, Pennsylvania (or to any successor paying agent at its designated office(s)).

## **Transfer, Exchange and Registration of Bonds**

Subject to the provisions described below under “**BOOK-ENTRY-ONLY SYSTEM**,” Bonds are transferable or exchangeable by the registered owners thereof upon surrender of such Bonds to the Paying Agent, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the County and the Paying Agent, duly executed by the registered owner of such Bonds or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of Bonds in the registration books and shall authenticate and deliver at the earliest practicable time in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same maturity for the aggregate principal amount which the registered owner is entitled to receive. The County and the Paying Agent may deem and treat the registered owner of any Bonds as the absolute owner thereof (whether or not payment of or on such Bonds shall be overdue) for the purpose of receiving payment of or on account of principal and interest and for all other purposes, and the County and the Paying Agent shall not be affected by any notice to the contrary.

The Paying Agent shall not be required: (i) to issue, transfer or exchange any of the Bonds during a period beginning at the close of business on the fifth (5th) day next preceding the day of selection of Bonds to be redeemed and ending at the close of business on the day on which such notice is given, or (ii) to transfer or exchange any Bond selected for redemption in whole or in part.

## **Security**

The Bonds are general obligation bonds of the County, payable from its tax and other general revenues. The County has covenanted that it will provide in its budget for each year, and will appropriate from its general revenues in each such year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from the Sinking Fund, as hereinafter defined, or any of its other revenues or funds, the principal of each of the Bonds and the interest thereon at the dates and place and in the manner stated on such Bonds, and for such budgeting, appropriation and payment the County irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy *ad valorem* taxes on all taxable property within the County, presently without limitation as to rate or amount for such purpose. The Act presently provides for enforcement of debt service payments as hereinafter described (see “**DEFAULTS AND REMEDIES**” herein).

## **Sinking Fund**

A sinking fund for the payment of debt service on the Bonds, designated “Sinking Fund – General Obligation Bonds, Series of 2018” (the “Sinking Fund”), will be established under the Ordinance and maintained by the Paying Agent, as sinking fund depository. The County shall deposit in the Sinking Fund a sufficient sum not later than the date when interest or principal is to become due on the Bonds so that on each payment date the Sinking Fund will contain an amount which, together with any other funds available therein, is sufficient to pay, in full, interest and principal then due on the Bonds.

The Sinking Fund shall be held by the Paying Agent, as sinking fund depository, and invested by the Paying Agent in such securities or shall be deposited in such funds or accounts as are authorized by the Act, upon direction of the County. Such deposits and securities shall be in the name of the County, but subject to withdrawal or collection only by the Paying Agent, as sinking fund depository, and such deposits and securities, together with the interest thereon, shall be a part of the Sinking Fund.

The Paying Agent, as sinking fund depository, is authorized without further order from the County to pay from the Sinking Fund the principal of and interest on the Bonds, as and when due and payable.

## **BOOK-ENTRY-ONLY SYSTEM**

*The information in this section has been obtained from materials provided by DTC for such purpose. The County and the Underwriters do not guaranty the accuracy or completeness of such information and such information is not to be construed as a representation of the County or the Underwriters. The websites referenced below are included for reference only and the information contained therein is not incorporated by reference in this Official Statement.*

Initially, the Bonds will be issued as fully-registered bonds in the name of Cede & Co., as nominee of DTC, New York, New York, as registered owner of the Bonds. Purchasers of such Bonds will not receive physical delivery of bond certificates. For purposes of this Official Statement, so long as all of the Bonds are immobilized in the custody of DTC, references to holders or owners of the Bonds (except under “**TAX MATTERS**” herein) mean DTC or its nominee.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, as applicable, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing

Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for such Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents, as applicable. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to any Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts such Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates evidencing such Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates evidencing the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

THE COUNTY, THE PAYING AGENT AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE BONDS: (A) PAYMENTS OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS, OR (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE BONDS, OR (C) NOTICES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS PARTICIPANTS ARE ON FILE WITH DTC.

NONE OF THE COUNTY, THE PAYING AGENT OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR: (A) SENDING TRANSACTION STATEMENTS; (B) MAINTAINING, SUPERVISING OR REVIEWING THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (C) PAYMENT OR THE TIMELINESS OF

PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF, OR INTEREST ON, THE BONDS; (D) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE OR OTHER COMMUNICATION WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE ORDINANCE TO BE GIVEN TO HOLDERS OR OWNERS OF THE BONDS; OR (E) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BONDS.

## **REDEMPTION OF BONDS**

### **Optional Redemption**

The Bonds stated to mature on and after July 15, 2028 are subject to redemption prior to maturity at the option of the County, as a whole or from time to time in part, in any order of maturity or portion of a maturity as selected by the County on July 15, 2027 or any date thereafter, upon payment of a redemption price of 100% of the principal amount, plus interest accrued to the redemption date.

If less than an entire year's maturity of Bonds are to be redeemed at any particular time, such Bonds so to be called for redemption shall be chosen by lot by the Paying Agent.

### **Notice of Redemption**

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the County and the Paying Agent shall send redemption notices only to Cede & Co. (See "**BOOK-ENTRY-ONLY SYSTEM**" herein for further information.)

Notice of any redemption shall be given by first class mail, postage prepaid, mailed by the Paying Agent not less than 30 or more than 60 days before the redemption date to the registered owners of the Bonds at their addresses as they appear on the bond register maintained by the Paying Agent. Such notice shall be given in the name of the County, shall identify the Bonds to be redeemed (and, in the case of a partial redemption of any Bonds, the respective principal amounts thereof to be redeemed), shall specify the redemption date and the redemption price, and shall state that on the redemption date the Bonds called for redemption will be payable at the corporate trust office of the Paying Agent in Philadelphia, Pennsylvania and that from the date of redemption interest will cease to accrue. The Paying Agent shall use "CUSIP" numbers (if then generally in use) in notices of redemption as a convenience of Bond owners, provided that any such redemption notice shall state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in any notice of redemption and that reliance may be placed only on the identification numbers prefixed "R-" printed on the Bonds. Failure to mail any notice of redemption, or any defect therein, or in the mailing thereof, with respect to any Bond shall not affect the validity of any proceeding for redemption of other Bonds so called for redemption.

On the date designated for redemption, and upon deposit with the Paying Agent of funds sufficient for payment of the principal of and accrued interest on the Bonds or portions thereof called for redemption, interest on the Bonds or portions thereof called for redemption shall cease to accrue and such Bonds or portions thereof shall cease to be entitled to any benefit or security under the Ordinance, and registered owners of such Bonds or portions thereof so called for redemption shall have no rights with respect to such Bonds, except to receive payment of the principal of and accrued interest on such Bonds to the date fixed for redemption.

With respect to any optional redemption of Bonds, if at the time of mailing such notice of redemption, the County shall not have deposited with the Paying Agent moneys sufficient to redeem all the Bonds called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption moneys with the Paying Agent not later than the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

### **Manner of Redemption**

For the purpose of selection of Bonds for redemption, any Bond of a denomination greater than \$5,000 shall be treated as representing such number of separate Bonds, each of the denomination of \$5,000, as is obtained by dividing the actual principal amount of such Bond by \$5,000. Any Bond which is to be redeemed only in part shall be surrendered at the corporate trust office of the Paying Agent in Philadelphia, Pennsylvania, together with a duly executed instrument of transfer in form satisfactory to the Paying Agent, and the registered owner of such Bond shall receive, without service charge, a new Bond or Bonds, of any authorized denomination as requested by such registered owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

If the redemption date for any Bonds shall be a Holiday, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Holiday, and payment on such date shall have the same force and effect as if made on the nominal date of redemption.

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## **DESCRIPTION OF THE COUNTY**

### **Introduction**

The County is governed by a Board of three County Commissioners (the “Board of Commissioners”) elected for four-year terms. Other County officials elected at large for four-year terms include: the Clerk of the Courts, Controller (“County Controller”), Coroner, District Attorney, Prothonotary, Recorder of Deeds, Register of Wills, Sheriff, and Treasurer (“County Treasurer”). In addition, there are fourteen Judges of the Court of Common Pleas elected for ten-year terms and three Senior Judges. The Board of Commissioners has power of appointment of various other officials, including the Solicitor, Public Defender, and various departmental directors. Among the major functions within the County government is: Administrative, Judicial, Correctional and Human Services. The County also operates a Parks and Recreation system and a Geriatric Center, Pocopson Home.

The County is located in southeastern Pennsylvania, approximately 30 miles west of the City of Philadelphia. The Borough of West Chester is the county seat. The County has 73 political subdivisions, consisting of one third class city (Coatesville), 15 boroughs, and 57 townships. There are also 14 school districts providing elementary and secondary education. The County is bounded on the north by Montgomery and Berks Counties and the Schuylkill River, on the east by Delaware County, on the south by the States of Delaware and Maryland, and on the west by Lancaster County. The County is part of the Philadelphia Metropolitan Statistical Area (“PMSA”).

The County contains some of the most productive agricultural land in the Commonwealth. Population and employment have boomed during the past thirty years as suburban development spread westward and as high technology businesses grew along the Route 202 corridor.

### **Summary of Financial Factors**

2010 Census Population:	498,886
Market Value of Taxable Real Property, 2018 <sup>(1)</sup>	\$71,977,906,758
Assessed Valuation of Taxable Real Property, 2018 <sup>(1)</sup>	\$38,148,290,582
Ratio of Assessed to Market Valuation <sup>(1)</sup>	53.00%
2018 Market Valuation Per Capita	\$144,277
2018 Assessed Valuation Per Capita	\$76,467

<sup>(1)</sup> 2016 STEB Ratio used.

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## Largest Taxpayers

The ten largest taxpayers in the County and their 2018 assessments are listed below:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessment</u>	<u>% of Total</u>
Hankin Group	Property Management	\$180,141,280	0.47%
Liberty Property Ltd. Partnership	Real Estate Investment	141,001,130	0.37%
WPT Land 2 LP*	Real Estate Investment	138,253,920	0.36%
Horatio Realty (Vanguard)	Financial Investment Firm	127,776,510	0.34%
Haven At Atwater/RT TC Atwater	Apartment Complex	90,195,340	0.24%
Chesterbrook Partners	Property Management	76,246,020	0.20%
Exton Square, Inc.	Shopping Mall	66,363,880	0.17%
Brandywine Square	Shopping Mall	62,316,000	0.16%
Kendal-Crosslands/Crosslands Corp.	Retirement Community	53,524,410	0.14%
Cerner Health (formerly Seimens)	Software Systems (Medical)	47,495,290	0.12%
<b>Total</b>		<b>\$983,313,780</b>	<b>2.57%</b>

\* New Owners - 31 parcels purchased from Liberty Property.

Source: County Assessment Office.

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## COUNTY FINANCES, TAXES AND DEBT

### Calendar Year

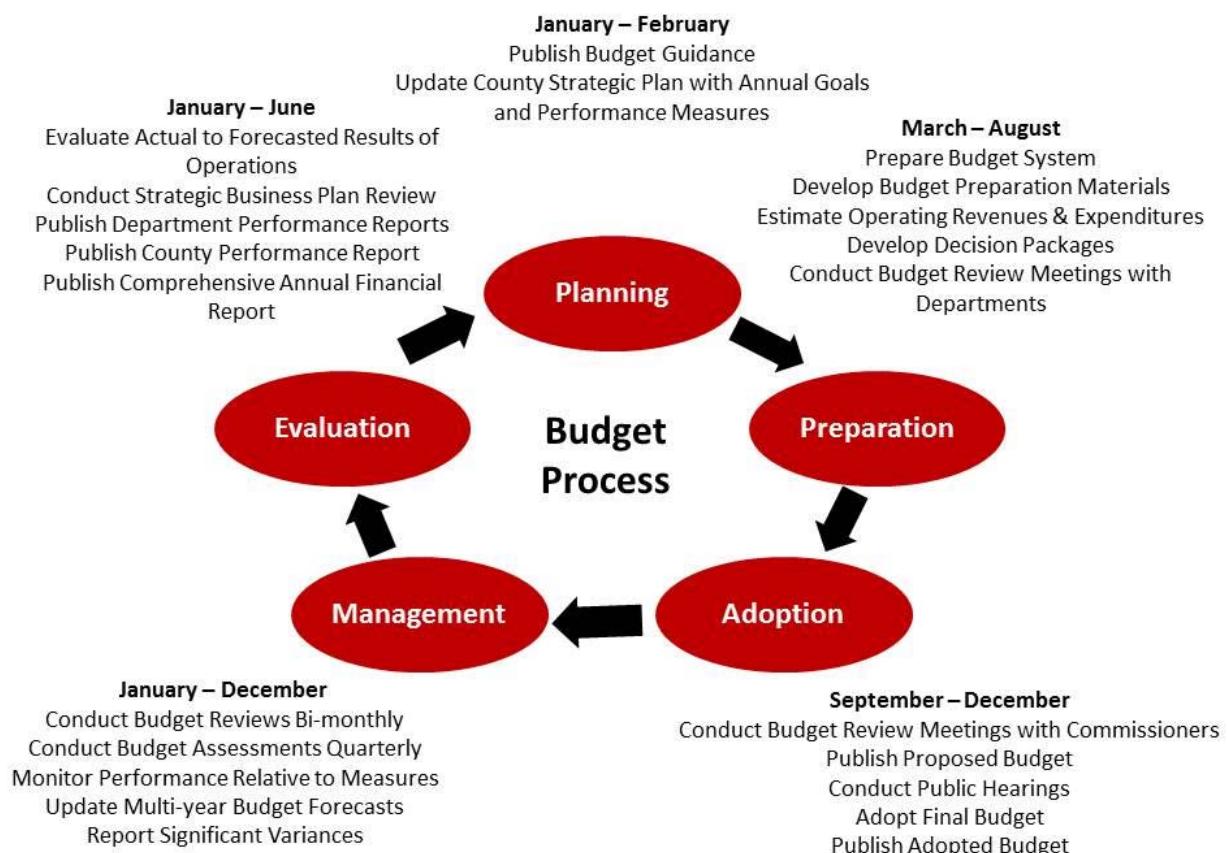
The County's budget year commences on the first day of each January and ends with the last day of December.

### Statutory Budgeting Requirements

As required by the Commonwealth of Pennsylvania County Code, as amended (the "County Code"), the proposed budget is made available for public inspection for at least 20 days prior to the date of adoption, with adoption required by December 31. Subsequent to the budget approval, the Board of Commissioners adopts the appropriation measures required to put the budget into effect and fix the rate of taxation.

An annual budget is required to be legally adopted for the County's General Fund. Although not legally required, the County also adopts budgets for all of its other funds. Within 15 days subsequent to the legal adoption of the budget, the Board of Commissioners files a budget report with the Department of Community and Economic Development of the Commonwealth.

### Budget Process



## **County Taxing Power**

As part of adopting the County's budget each year, the Board of Commissioners fixes by resolution the rate of taxation on real estate for each year. Below is a table that summarizes the maximum statutory rates for counties of the third class. Counties of the third class may exceed the 25 mill limit for "General Purpose" real estate taxes by petitioning the Court of Common Pleas for relief. In this event, the Court of Common Pleas may permit up to five additional mills to be levied. The County is empowered to levy *ad valorem* taxes on real property without limitation on rates or amounts to pay debt service on the general obligation debt of the County. Further, the County is empowered to levy *ad valorem* taxes on real property without limit as to rate or amount for libraries, parks and recreation. Tax Assessment provides the tax duplicate as of the year's end to the County Treasurer. The County Treasurer then sends tax bills on or before January 15 based on the duplicate to all properties appearing on the duplicate. Taxpayers paying their taxes between January 15 and March 15 are entitled to a 2% discount. Taxes paid March 16 through January 15 are paid at face amount. Taxpayers failing to pay such taxes after January 15 of the following year are subject to a penalty of 10%. Liens are filed against all delinquent accounts by January 15 of the year following the tax notice.

### **Statutory Tax Limits and 2018 Tax Rates**

<b>Type of Tax</b>	<b>Legal Limit</b>	<b>2018 Levies</b>
Personal Property Tax <sup>(1)</sup>	4 mills	-
Real Estate Taxes		
General Purposes	25 mills	2.876
Debt Service	No Limit	1.222
Lease Rental Payments to Authorities	10 mills	-
Institution Districts	10 mills	-
Parks and Playgrounds	No Limit	0.087
Libraries	No Limit	0.184
Road and Bridges	6 mills	-
Bridges	6 mills	-
Community Colleges <sup>(2)</sup>	-	-
 TOTAL		4.369

<sup>(1)</sup> The County has not levied a Personal Property Tax since 1996.

<sup>(2)</sup> Local sponsors may levy any tax permitted by law to support a community college. The tax cannot exceed 5 mills of the market value of real estate, except for cities of the first class and school districts of the first class whose tax may not exceed one mill of the market value of real estate.

## **Investments**

The types of investments that the County may utilize are limited by statute. The County Code permits counties of the third class to invest in the following types of securities:

1. United States Treasury bills.
2. Short-term obligations of the United States or its agencies or instrumentalities.
3. Savings deposits or time deposits of Pennsylvania institutions that is either insured or secured by collateral pledged by the depository as provided by law.
4. Obligations of the United States or its agencies or instrumentalities backed by the full faith and credit of the United States and obligations of Pennsylvania, its agencies or instrumentalities, or its political subdivisions secured by a full faith and credit pledge.
5. Shares of investment companies registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, which only invest in the above listed allowable investments.
6. Certificates of deposit from any institution, subject to certain restrictions, that are either insured or collateralized by a pledge of assets of the institution, including loans, or as approved by law.
7. Commercial paper and prime commercial paper of corporations with assets in excess of \$1,000,000,000 and satisfying certain requirements.

In addition to the investments permitted by the County Code referenced above, Act 10 of 2016, which became effective on May 24, 2016, expands authorized investments for municipal authorities and local governments, including the County. The new investments are approved in addition to the investments currently authorized under the County Code. Such additional investment categories enumerated in Act 10, but not specifically authorized under the County Code, include:

- Obligations, participations or other instruments of any federal agency, instrumentality or United States government-sponsored enterprise, and not limited to short-term obligations as currently authorized under the County Code, if such debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three (3) years or less, issued by a nationally or state-chartered bank, a federal or state savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one (1) year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one (1) year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days' maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.

The County invests idle cash from operations and the unexpended proceeds of bond issues. Checks and balances are incorporated in the investment procedures. Investments are initiated by the County Finance Department, but confirmations of investments are reported to the offices of the independently elected County Treasurer and County Controller. The investments of the County's operating and capital projects fund portfolio as of December 31, 2017 are:

**COUNTY OF CHESTER  
OPERATING AND CAPITAL PROGRAM PORTFOLIO**

<b><u>Investments on December 31, 2017</u></b>	<b><u>Amount</u></b>	<b><u>Percentage of Total</u></b>
Bank CD's	\$70,000,000.00	62.303%
Bank Deposits	42,203,960.00	37.564%
Money Markets	<u>149,516.00</u>	<u>0.133%</u>
Total	<u>\$112,353,476.00</u>	<u>100.000%</u>

Source: County Finance Department.

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## Real Estate Valuation

Based on the table below, the assessed valuation of real property in the County in 2017 was 71.04 percent residential, 17.03 percent commercial, 9.03 percent exempt (utilities and railroads), 1.76 percent farm and 1.14 percent industrial. A change in assessing farmland occurred with the passage of Acts 515, 319 and 56 protecting farmland and open space by granting lowered preferential assessments to eligible properties of this type, which are otherwise assessed according to their market value.

## Property Assessment

A trend of assessment by land use in the County appears below:

### COUNTY OF CHESTER ASSESSMENT BY LAND USE

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017<sup>(1)</sup></u>
Residential	\$28,653,795,779	\$28,835,287,289	\$29,039,909,843	\$29,218,902,146	\$29,664,993,469
Commercial	6,559,204,289	6,638,648,739	6,727,642,972	6,856,872,905	7,111,580,720
Farm	710,731,480	712,191,660	713,671,610	718,430,610	734,252,165
Industrial	482,537,020	466,264,590	468,130,905	474,826,975	473,955,203
Exempt <sup>(2)</sup>	3,613,593,245	3,593,185,794	3,636,971,084	3,686,529,704	3,772,161,784
<b>Total</b>	<b>\$40,019,861,813</b>	<b>\$40,245,578,072</b>	<b>\$40,586,326,414</b>	<b>\$40,955,562,340</b>	<b>\$41,756,943,341</b>

<sup>(1)</sup> As of December 31, 2017.

<sup>(2)</sup> Exempt property includes utilities and railroads.

Source: County Assessment Office and County Audit Report.

Additional assessment data are presented in the following tables.

### COUNTY OF CHESTER REAL PROPERTY ASSESSMENT DATA

<b>Year</b>	<b>Estimated Market Value</b>	<b>Total Taxable Assessed Value<sup>(1)</sup></b>	<b>Assessment Ratio</b>
2009	\$68,918,204,104	\$36,526,648,175	53.00%
2010	65,920,039,446	36,519,701,853	55.40%
2011	65,070,243,916	36,439,336,593	56.00%
2012	61,667,806,129	36,384,005,616	59.00%
2013	60,906,287,206	36,665,584,898	60.20%
2014	64,066,728,631	36,966,502,420	57.70%
2015	67,278,237,399	37,272,143,519	55.40%
2016	67,380,328,639	37,328,702,066	55.40%
2017	67,870,474,643	37,600,242,952	55.40%
2018 <sup>(2)(3)</sup>	71,977,906,758	38,148,290,582	53.00%

(1) Does not include exempt properties.

(2) 2016 STEB ratio used.

(3) As of January 1, 2018.

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## SCHOOL DISTRICT MARKET VALUE AND ASSESSED VALUES

<b>SCHOOL DISTRICT*</b>	<b>2015 MARKET VALUE</b>	<b>2015 ASSESSED VALUE</b>	<b>2016 MARKET VALUE</b>	<b>2016 ASSESSED VALUE</b>
Avon-Grove	\$2,727,625,683	\$1,891,686,467	\$2,733,103,464	\$1,902,271,305
Coatesville Area	4,162,959,282	2,894,356,697	4,263,512,826	2,910,704,595
Downington Area	7,784,393,500	5,263,370,845	8,142,234,462	5,351,210,899
Great Valley	5,381,647,892	3,480,006,861	5,606,909,502	3,575,844,223
Kennett Consolidated	2,887,769,813	2,008,051,785	3,000,073,554	2,017,294,755
Octorara Area	1,337,020,048	914,434,893	1,312,294,871	916,885,238
Owen J. Roberts	3,248,262,831	2,296,298,888	3,316,120,152	2,319,407,319
Oxford Area	1,702,394,389	1,127,943,404	1,716,097,903	1,135,974,434
Phoenixville Area	3,150,119,302	2,035,442,674	3,230,601,182	2,042,526,264
Spring Ford Area	165,119,088	116,461,230	168,096,958	116,080,940
Tredyffrin-Easttown	8,152,508,719	4,858,055,707	8,525,707,090	4,889,775,012
Twin Valley	966,054,479	659,823,450	980,619,414	669,132,120
Unionville-Chadds Ford	3,592,236,039	2,466,589,477	3,715,938,670	2,485,238,273
West Chester Area	12,891,822,543	8,345,996,336	13,370,341,641	8,376,071,418

\*Does not include two school districts located primarily in other counties.

Source: The Tax Equalization Division (TED) (formerly PA State Tax Equalization Board (STEB))

### Tax Collection Data

The following table reviews the County's total collections for the years 2013 through 2017.

### COUNTY OF CHESTER REAL PROPERTY TAX COLLECTION DATA

<b>Year</b>	<b>Tax Levy</b>	<b>Current Year Collections</b>	<b>Current Year Tax Levy</b>	<b>Total Current Plus Delinquent Collections</b>	<b>Total Collections as Percent of Total Tax Levy</b>
			<b>Current as Percent of Total Tax Levy</b>	<b>Delinquent Collections</b>	<b>as Percent of Total Tax Levy</b>
2013	\$151,924,640	\$147,617,485	97.20%	\$151,135,962	99.50%
2014	152,851,335	148,485,408	97.10%	152,206,601	99.60%
2015	154,628,180	150,415,110	97.30%	154,013,155	100.15%
2016	156,484,199	151,844,735	97.00%	155,246,279	99.20%
2017	158,821,916	159,047,184	100.14%	163,464,191	102.92%

Source: County Assessment Office and County Audit Reports.

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**Tax Rates**

**COUNTY OF CHESTER TAX RATES – 2018**  
**County – Municipality – School District**

TOTAL MILLS	DISTRICT	MILLAGE			SCH	
		#	NAME	CO 18	TWP 18	DIST
9.5690	7 ATGLEN			4.3690	5.2000	Oct
8.3690	4 AVONDALE			4.3690	4.0000	A-G
5.9690	65 BIRMINGHAM			4.3690	1.6000	U-CF
7.8270	39 CALN			4.3690	3.4580	Coat
5.1190	35 CHARLESTOWN			4.3690	0.7500	GrVy
18.1280	16 COATESVILLE			4.3690	13.7590	Coat
12.0190	11 DOWNTONGTOWN			4.3690	7.6500	Down
5.3690	51 EAST BRADFORD			4.3690	1.0000	WC
7.2340	30 EAST BRANDYWINE			4.3690	2.8650	Down
5.6190	40 EAST CALN			4.3690	1.2500	Down
7.3690	18 EAST COVENTRY			4.3690	3.0000	OJR
7.3690	47 EAST FALLOWFIELD			4.3690	3.0000	Coat
5.6190	53 EAST GOSHEN			4.3690	1.2500	WC
@	61 EAST MARLBORO			4.3690	2.1830	@
4.8690	24 EAST NANTMEAL			4.3690	0.5000	OJR
4.3690	69 EAST NOTTINGHAM			4.3690	0.0000	Oxf
4.8090	26 EAST PIKELAND			4.3690	0.4400	Phoe
6.4690	21 EAST VINCENT			4.3690	2.1000	OJR
4.8140	42 EAST WHITELAND			4.3690	0.4450	GrVy
8.3830	55 EASTTOWN			4.3690	4.0140	T-E
4.6260	70 ELK			4.3690	0.2570	Oxf
4.3690	13 ELVERSON			4.3690	0.0000	TwVy
6.8640	72 FRANKLIN			4.3690	2.4950	A-G
6.6690	45 HIGHLAND			4.3690	2.3000	Oct
6.3690	12 HONEY BROOK BORO			4.3690	2.0000	TwVy
5.3490	22 HONEY BROOK TWP			4.3690	0.9800	TwVy
6.4690	62 KENNETT TWP			4.3690	2.1000	Kenn
10.7190	3 KENNETT SQUARE			4.3690	6.3500	Kenn
9.0440	73 LONDON BRITAIN			4.3690	4.6750	A-G
5.6190	59 LONDON GROVE			4.3690	1.2500	A-G
4.3690	46 LONDONDERRY			4.3690	0.0000	Oct
4.6190	56 LOWER OXFORD			4.3690	0.2500	Oxf
9.0390	2 MALVERN			4.3690	4.6700	GrVy
10.7690	10 MODENA			4.3690	6.4000	Coat
6.0890	60 NEW GARDEN			4.3690	1.7200	Kenn
5.3690	71 NEW LONDON			4.3690	1.0000	A-G
5.1190	49 NEWLIN			4.3690	0.7500	U-CF

TOTAL MILLS	DISTRICT	MILLAGE			SCH	
		#	NAME	CO 18	TWP 18	DIST
6.9190	17 NORTH COVENTRY			4.3690	2.5500	OJR
16.6190	6 OXFORD			4.3690	12.2500	Oxf
14.3690	8 PARKESBURG			4.3690	10.0000	Oct
4.8990	58 PENN			4.3690	0.5300	A-G
5.8590	64 PENNSBURY			4.3690	1.4900	U-CF
10.2790	15 PHOENIXVILLE			4.3690	5.9100	Phoe
6.5690	63 POCOPSON			4.3690	2.2000	U-CF
6.6690	37 SADSBURY			4.3690	2.3000	Coat
7.0690	27 SCHUYLKILL			4.3690	2.7000	Phoe
11.9690	9 SOUTH COATESVILLE			4.3690	7.6000	Coat
4.8690	20 SOUTH COVENTRY			4.3690	0.5000	OJR
8.7390	14 SPRING CITY			4.3690	4.3700	SpFd
5.3640	66 THORNBURY			4.3690	0.9950	WC
6.7490	43 TREDYFFRIN			4.3690	2.3800	T-E
4.8690	57 UPPER OXFORD			4.3690	0.5000	Oxf
5.4030	32 UPPER UWCHLAN			4.3690	1.0340	Down
4.4890	33 UWCHLAN			4.3690	0.1200	Down
7.6690	38 VALLEY			4.3690	3.3000	Coat
4.3690	31 WALLACE			4.3690	0.0000	Down
4.3690	19 WARWICK			4.3690	0.0000	OJR
4.3690	50 WEST BRADFORD			4.3690	0.0000	Down
6.6770	29 WEST BRANDYWINE			4.3690	2.3080	Coat
5.3690	28 WEST CALN			4.3690	1.0000	Coat
11.3290	1 WEST CHESTER			4.3690	6.9600	WC
6.3690	44 WEST FALLOWFIELD			4.3690	2.0000	Oct
6.3690	52 WEST GOSHEN			4.3690	2.0000	WC
9.3690	5 WEST GROVE			4.3690	5.0000	A-G
6.0690	48 WEST MARLBORO			4.3690	1.7000	U-CF
5.0590	23 WEST NANTMEAL			4.3690	0.6900	TwVy
5.6890	68 WEST NOTTINGHAM			4.3690	1.3200	Oxf
5.1690	34 WEST PIKELAND			4.3690	0.8000	Down
6.9690	36 WEST SADSBURY			4.3690	2.6000	Oct
6.4590	25 WEST VINCENT			4.3690	2.0900	OJR
5.0880	41 WEST WHITELAND			4.3690	0.7190	WC
7.8690	67 WESTTOWN			4.3690	3.5000	WC
4.6490	54 WILLISTOWN			4.3690	0.2800	GrVy

Source: Chester County website.

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## Basis of Accounting

The County's annual financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when payment is due.

The County's audited financial reports and current budget are available to the public and can be provided upon request by contacting the County Controller's Office, located at 313 W. Market Street, Suite 6302, West Chester, PA 19380-0991. The County's Comprehensive Annual Financial Report for the Year Ended December 31, 2016 is attached hereto as Appendix E.

**COUNTY OF CHESTER  
SUMMARY OF COUNTY GENERAL FUND  
REVENUES AND EXPENDITURES AND SOURCES AND USES OF FUNDS<sup>(1)</sup>  
(For the years ended December 31)**

<b>Revenues:</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Taxes:					
Real Estate Taxes	\$97,824,759	\$100,991,455	\$101,667,685	\$103,367,614	\$104,170,293
Personal Property	19,822	14,240	11,080	-	13,156
Licenses and Permits	1,598,367	1,768,722	1,822,415	1,861,870	1,858,810
Court Costs and Fines	4,507,139	4,700,125	4,521,763	4,227,112	5,806,732
Interest and Rent	487,045	330,314	370,505	433,532	6,610,260
General Grants	4,957,248	5,470,683	6,501,796	6,406,837	15,044,220
Health and Welfare Grants	5,843,015	6,178,819	6,327,650	6,396,422	4,151,080
Departmental Earnings	14,355,669	14,682,540	13,393,782	14,276,884	575,616
Other Revenue Sources	3,112,818	3,737,192	3,931,066	4,608,400	4,086,422
Total Revenues	\$132,705,882	\$137,874,090	\$138,547,742	\$141,578,671	\$142,316,589
 <b>Expenditures:</b>					
Current:					
General Government	\$26,468,954	\$28,436,347	\$29,752,278	\$30,301,382	\$29,506,826
Judicial	36,735,223	36,290,869	36,773,352	36,203,994	37,437,975
Public Safety	3,033,227	3,477,661	4,318,633	4,395,032	3,611,670
Corrections	37,641,528	38,215,743	38,633,007	38,632,771	39,522,287
Human Services	9,466,516	9,075,318	8,872,198	9,417,535	9,539,544
Conservation and Development	5,062,191	5,192,455	5,350,697	5,400,245	5,654,302
Capital Outlay	69,500	51,607	-	-	-
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	\$118,477,139	\$120,740,000	\$123,700,165	\$124,350,959	\$125,272,604
Excess (Deficiency) of Revenues over Expenditures	\$14,228,743	\$17,134,090	\$14,847,577	\$17,227,712	\$17,043,985
Operating Transfers In	295,061	310,550	382,813	281,256	743,697
Operating Transfers Out	(18,618,126)	(16,486,129)	(18,071,428)	(14,407,837)	(11,917,697)
Transfer to Component Unit	-	-	-	-	-
Sale of Capital Assets	575,742	27,387	23,196	24,712	2,424
Total Other Financing Sources (Uses)	(\$17,747,323)	(\$16,148,192)	(\$17,665,419)	(\$14,101,869)	(\$11,171,576)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other (Uses)	(\$3,518,580)	\$985,898	(\$2,817,842)	\$3,125,843	\$5,872,409
Fund Balance, Beginning of Year (as originally reported)	\$43,242,274	\$39,723,694	\$40,709,592	\$37,891,750	\$41,017,593
<b>Fund Balance, End of Year</b>	<b>\$39,723,694</b>	<b>\$40,709,592</b>	<b>\$37,891,750</b>	<b>\$41,017,593</b>	<b>\$46,890,002</b>

<sup>(1)</sup>Totals may not add due to rounding.

Source: County Annual Financial Reports.

**COUNTY OF CHESTER**  
**SUMMARY OF COUNTY GENERAL FUND BUDGETED**  
**REVENUES AND EXPENDITURES AND SOURCES AND USES OF FUNDS**  
**(For the year ended December 31)**

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	<b>General Budget</b> <b>2017 <sup>(1)</sup></b>	<b>General Budget</b> <b>2018 <sup>(2)</sup></b>
<b>Revenues</b>		
Real Estate Taxes	\$106,491,670	\$108,608,246
Licenses and Permits	1,848,300	1,916,000
Court Costs and Fines	1,933,146	3,821,370
Interest and Rent	2,778,236	3,384,294
General Grants	5,509,092	5,826,187
Health and Welfare Grants	6,875,315	6,942,056
Departmental Earnings	17,768,142	15,786,326
Other Revenue Sources	10,346,285	10,630,995
<b>Total Revenues</b>	<b>\$153,550,186</b>	<b>\$156,915,474</b>
<b>Expenditures</b>		
General Government	\$47,345,602	\$47,664,011
Judicial	38,891,480	40,379,757
Public Safety	6,512,772	7,333,253
Corrections	42,810,058	43,504,955
Human Services	19,975,095	19,958,231
Conservation and Development	6,015,179	6,075,267
<b>Total Expenditures</b>	<b>\$161,550,186</b>	<b>\$164,915,474</b>
Excess (Deficiency) of Revenues over Expenditures	(\$8,000,000)	(\$8,000,000)
<b>Other Financing Sources (Uses) <sup>(3)</sup></b>		
Operating Transfers In	\$235,851	\$174,690
Operating Transfers Out	(14,375,882)	(14,932,085)
Transfer to Component Unit	-	-
Sale of capital assets	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(\$14,140,031)</b>	<b>(\$14,757,395)</b>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other (Uses)	(\$8,000,000)	(\$8,000,000)
<b>Fund Balance, Beginning of Year <sup>(4)</sup></b>	<b>\$46,890,002</b>	<b>\$50,700,000</b>
<b>Fund Balance, End of Year <sup>(4)</sup></b>	<b>\$38,890,002</b>	<b>\$42,700,000</b>

<sup>(1)</sup> As adopted December, 2016.

<sup>(2)</sup> As adopted December 13, 2017.

<sup>(3)</sup> Other Financing Sources (Uses) are included in the Revenues and Expenditures sections above.

<sup>(4)</sup> Projected.

Source: County Finance Department.

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## **Capital Investment Program**

The Capital Investment Program (“CIP”) identifies the County’s planned capital projects over the next five years and the funding sources for the projected projects. The CIP is comprised of projects funded in the Capital Reserve Fund and Capital Improvement Fund. Each year projects planned for the subsequent budget year are adopted during the annual budget process.

Pay-as-you-go projects are funded in the Capital Reserve Fund. The 2018 Capital Reserve Fund budget totals \$9.7 million. These projects are expected to be funded with County funds in addition to grant funding of approximately \$6.3 million and \$.6 million in fund balance from 2017.

Projects for the acquisition and/or construction of assets with an extended useful life are budgeted in the Capital Improvement Fund. These projects are financed through the issuance of general obligation notes and/or bonds. Also, from time to time, grant funding may be available to support the projects. The County estimates approximately \$120 million of capital expenditures to be funded from future bond proceeds during the period from 2019 to 2022 based on the County’s current Capital Investment Program.

Public safety projects include the Public Safety Training Campus, continued enhancement of the 9-1-1 communication system, and the upgrade of data transmission infrastructure. Open Space & Community Revitalization programs include municipal park and conservancy grants, acquisition of land for County parks and trails, farmland preservation easement purchases, and community revitalization grants. County Parks & Trails Development projects include funding for the development of, and major improvements to, County parks and trails, including the Chester Valley Trail and the Schuylkill River Trail. Infrastructure projects include repairs and improvements to existing flood-control dams, design and construction of wetlands mitigation, bridge improvements and Southeastern Pennsylvania Transportation Authority (“SEPTA”) transportation projects. Facilities projects include improvements at the Government Services Center, Historic Courthouse, Pocopson Home, Prison and Exton Library.

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## DEBT AND DEBT LIMITS

### **Debt Statement**

The following table shows the debt of the County after giving effect to the issuance of the Bonds.

#### **COUNTY OF CHESTER DEBT STATEMENT (As of April 1, 2018)**

	<b>Gross Outstanding<sup>(1)</sup></b>
<b>DIRECT DEBT OF THE COUNTY</b>	
General Obligation Bonds, Series of 2018 (last maturity 2038)	\$30,000,000
General Obligation Bonds, Series of 2017 (last maturity 2033)	71,935,000
General Obligation Bonds, Series A of 2016 (last maturity 2029)	96,760,000
General Obligation Bonds, Series of 2016 (last maturity 2036)	58,120,000
General Obligation Bonds, Series of 2015 (last maturity 2024)	80,155,000
General Obligation Bonds, Series of 2014 (last maturity 2034)	77,900,000
General Obligation Bonds, Series B of 2013 (last maturity 2022)	12,540,000
General Obligation Notes, Series of 2011 (last maturity 2024)	8,905,000
General Obligation Bonds, Series A of 2010 (last maturity 2025)	29,390,000
General Obligation Bonds, Series C of 2009 (last maturity 2019)	13,780,000
General Obligation Bonds, Series B of 2009 (last maturity 2032)	40,915,000
General Obligation Bonds, Series A of 2009 (last maturity 2022)	7,285,000
General Obligation Bonds, Series of 2009 (last maturity 2029)	24,710,000
<b>TOTAL GENERAL OBLIGATION DEBT</b>	<b>\$552,395,000</b>
 <b>Lease Rental Debt</b>	 \$1,495,000
<b>Total Direct Debt</b>	<b>\$553,890,000</b>
 <b>OVERLAPPING DEBT</b>	
Municipal General Obligation and Lease Rental Debt	\$469,980,803
School District General Obligation and Lease Rental Debt	1,340,249,695
<b>TOTAL OVERLAPPING DEBT</b>	<b>\$1,810,230,498</b>
 <b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	 \$2,364,120,498
 <b>Ratio of Total Debt to:</b>	
Market Value of Real Estate	3.51%
Assessed Valuation of Real Estate	6.33%
Population (2010)	\$4,739

<sup>(1)</sup> Includes the Bonds offered through this Official Statement.

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## **Types of Indebtedness under the Act**

The Act establishes three forms of debt for a local government unit: (i) electoral debt (debt incurred with the approval of the electors for which there is no limitation on the amount that may be so incurred), (ii) nonelectoral debt (debt of a local government unit not being electoral or lease rental debt for which the limitation on all such net debt which may be incurred is 300 percent of the borrowing base for the County), and (iii) lease rental debt (the principal amount of municipal authority debt or debt of another local government unit to be repaid by the local government unit pursuant to a lease, subsidy contract, guarantee or other form of agreement with the County pursuant to which such debt is or may be payable out of County tax revenues and other general revenues; the limitation on all such net debt which may be incurred, including any net nonelectoral debt incurred, is 400 percent of the borrowing base for the County). Any debt which qualifies under the Act as subsidized or self-liquidating may be deducted or excluded from the determination of any such debt incurred in determining the net debt of the local government unit to which such limitations are applicable. Certain other deductions are allowed in determining net debt.

## **Borrowing Capacity**

The Act establishes debt limits for local government units. The basis for determining nonelectoral borrowing capacity is related to adjusted revenues received over the most recent three fiscal years. The following is a calculation of the current “borrowing base”, which is the arithmetic average of the total revenues of the County after adjustments by the exclusion of certain subsidies, reimbursements, pledged revenues and non-recurring items:

Total Revenues for 2015	\$429,389,000
Total Revenues for 2016	451,621,000
Total Revenues for 2017*	<u>468,234,000</u>
 Total	<u><u>\$1,349,244,000</u></u>
 Annual Arithmetic Average (Borrowing Base)	<u><u>\$449,748,000</u></u>

\* Estimated.

Source: County officials.

The following is a calculation of the County’s current net debt limitations.

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### **Net Nonelectoral Debt Limit:**

Borrowing Base	\$449,748,000
Multiplier	300%
<b>Net Nonelectoral Debt Limit</b>	<b>\$1,349,244,000</b>

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### **Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit:**

Borrowing Base	\$449,748,000
Multiplier	400%
<b>Combined Net Nonelectoral Debt and Net Lease Rental Debt Limit</b>	<b>\$1,798,992,000</b>

In addition to the above, a county may utilize an additional debt limit of 100 percent of the borrowing base for additional nonelectoral or additional lease rental debt, or both, if the county has assumed county-wide responsibility for hospitals and other public health services, air and water pollution control, flood control, environmental protection, water distribution and supply systems, sewage and refuse collection and disposal systems, education at any level, highways, public transportation or port operations, but such additional debt limit may be so utilized only to provide funds for and towards the cost of capital facilities for any or any combination of the foregoing purposes. Debt, other than electoral debt, at any time incurred for such purposes or any of them, may be assigned by ordinance to this additional debt limit, if the remaining borrowing capacity within the regular limits is insufficient to finance other projects deemed necessary by the applicable board of county commissioners.

## **Future Financing**

The County anticipates issuing long-term debt in addition to the Bonds of up to approximately \$120 million within the next four years to fund a portion of its capital improvement projects. If market conditions are favorable, the County may also refund certain portions of its outstanding general obligation bonds.

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## **County Employees and Labor Relations**

The County currently employs approximately 2,656 persons, including 2,236 full-time employees and 420 part-time employees; of the total, 282 full-time equivalent personnel are at the Pocopson Home, its geriatric center. Three bargaining units, comprising 304 employees, represent employees in labor negotiations. The collective bargaining agreement with the union representing County Detectives expired December 31, 2017 (negotiations are currently underway). The collective bargaining agreement with the union representing Human Services' employees expires March 31, 2020 and the collective bargaining agreement with the union representing the County Court employees expires on December 31, 2018. The County has never suffered a strike by its employees.

## **Employee Retirement Plan (Retirement Pension Trust Fund)**

The County's Retirement System was established on January 1, 1943. The County's Retirement System is administered by the County's Retirement Board, which consists of the members of the Board of Commissioners, the County Controller, and the County Treasurer. The County's retirement plan is a defined benefit plan to which both the County and its employees contribute. Members are given the option to withdraw their accumulated contribution in full at retirement. An annual actuarial study determines the required County contribution. The minimum member contribution rate is fixed by class of membership (currently 5%), for employees hired before December 31, 2010. For employees hired after January 1, 2011, the minimum contribution rate fixed by a class of membership is 6%. Each member has the option of contributing up to an additional 10% of gross salary, to provide for a larger pension. The County's contributions may be reduced or eliminated by investment earnings in excess of the actuarial requirements that accumulate in the County's Retirement Fund Excess Earnings Account. The table which follows shows the number of participants, contributions, and payments of the County's Retirement System for the years 2012 through 2016.

<b>Year</b>	<b>Covered Employees</b>		<b>Annual Contributions</b>			<b>Annual Payments<sup>(2)</sup></b>	<b>Value of Assets<sup>(3)</sup></b>	<b>Total Liabilities<sup>(4)</sup></b>
	<b>Active</b>	<b>Retired<sup>(1)</sup></b>	<b>Employee</b>	<b>County</b>	<b>Total</b>			
2012	2,339	1,357	\$6,521,604	\$11,579,074	\$18,100,678	\$15,041,115	\$305,290,199	\$396,993,564
2013	2,349	1,414	6,497,708	9,880,939	16,378,647	15,892,598	362,368,515	420,245,532
2014	2,278	1,524	6,703,445	7,810,793	14,518,040	18,332,761	378,159,072	438,567,603
2015	2,293	1,511	7,151,007	6,025,657	13,176,664	19,702,148	363,600,790	467,274,023
2016	2,293	1,511	7,116,103	8,469,935	15,586,038	21,706,409	385,880,381	436,766,323

<sup>(1)</sup> Includes terminated employees entitled to benefits, but not yet receiving them.

<sup>(2)</sup> Including cost of living adjustments, if applicable.

<sup>(3)</sup> Market value.

<sup>(4)</sup> Actuarial basis.

Source: County Retirement Plan Actuary Reports, County Controller's Office.

The County had a budgeted contribution of \$9,640,000 for 2017. The County fully funded the annual required contribution for 2017 of \$9,681,308 per the actuarial report issued on April 12, 2017 by the Hay Group, the County's independent actuary (the "Actuarial Report"). The County's funded ratio, on an actuarial basis, as set forth in the Actuarial Report, is 85.6% as of January 1, 2017. The actuarial report assumes an investment rate of return of 7.5%, projected salary increases of 3.5%, an inflation rate of 3% and 5-year smoothing. For more information regarding the County's retirement plan, see the County's Comprehensive Annual Financial Report for the Year Ended December 31, 2016 attached hereto as Appendix E and the actuarial report, which is available, upon request, from the County Controller.

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## **Other Post-Employment Benefits (“OPEB”)**

- The health benefits option for retirees aged 55 to 65 was closed to new participants as of June 30, 2006 except for the County Detectives. Currently there are 18 County Detectives potentially eligible.
- Current enrollment in the health benefits option consists of five retirees and two spouses. In 2016, and in years beyond, it is anticipated that participation will decrease. As covered adults reach 65 years of age, the benefit ceases.
- Each retiree receives a \$5,000 life insurance policy; approximate cost is \$3 per year per participant.
- According to the County's benefit consultant actuaries, future OPEB benefits do not pose a material threat to the County's financial position.
- The County's OPEB contributions were as follows:

<u>Year</u>	<u>Expenditures</u>
2016	\$131,100
2015	182,600
2014	187,100
2013	231,100
2012	206,400

As of December 31, 2016, the County's net OPEB obligation was \$2,865,824. The County funds its OPEB obligation on a pay-as-you-go basis. For more information regarding the County's OPEB obligations, see the County's Comprehensive Annual Financial Report for the Year Ended December 31, 2016, attached hereto as Appendix E.

## **LITIGATION**

There is no litigation pending or to the County's knowledge threatened to: (1) restrain or enjoin the issuance and delivery of the Bonds; (2) contest the authority for or validity of the Bonds; or (3) contest the corporate existence or powers of the County. The County Solicitor will opine at closing that there is no litigation pending or to his knowledge threatened against the County that is not fully covered by insurance, or which, to the extent not covered by insurance, if adversely determined as to the County, would in the aggregate materially adversely affect its ability to pay the principal of and interest on the Bonds as and when the same become due and payable.

## **DEFAULTS AND REMEDIES**

The remedies available to registered owners of the Bonds upon any failure to pay principal or interest when due include those prescribed by the Act. If such failure should continue for 30 days, any registered owner will (subject to certain priorities) have the right to bring suit for the amount due such registered owner in the Court of Common Pleas of Chester County, Pennsylvania (the “Court”). If the County defaults in the payment of principal or interest, or if the County fails to comply with any provision of the Bonds or of the Ordinance, the registered owners of 25% in aggregate principal amount of the Bonds may appoint a trustee to represent the registered owners. Such trustee may, and upon written request of the registered owners of 25% in aggregate principal amount of the Bonds and being furnished with satisfactory indemnity must take one or more of the following actions, which will preclude similar action by the individual registered owners: (i) by mandamus or other proceeding at law or in equity, enforce all rights of the registered owners; (ii) bring suit on the Bonds; (iii) petition the Court to levy the amount due plus estimated costs of collection as an assessment upon all taxable real estate and other property subject to ad valorem taxation in the County (any such assessment will have the same priority and preference as to other liens or security interests as a lien for unpaid taxes); and (iv) by suit in equity, enjoin any acts and things which may be unlawful or in violation of the rights of the registered owners all as set forth more fully in the Act.

The General Assembly has enacted the Financially Distressed Municipalities Act of July 10, 1987, P.L. 246, No. 47 (the “Distressed Municipalities Act”), which sets forth a comprehensive system consisting of a judicial determination of financial distress, the appointment of a coordinator, the preparation of plans for debt restructuring, the availability of Commonwealth financial aid and the exploration of municipal consolidation and merger, among other provisions, to aid the efforts of a financially distressed municipality. Although the Distressed Municipalities Act is not a true debt adjustment statute, all plans must have a public hearing and all creditors are provided opportunity for comment. However, the Distressed Municipalities Act does authorize a financially distressed municipality, upon satisfaction of certain preconditions, to file a federal municipal debt adjustment action under Chapter 9 of the Federal Bankruptcy Code.

Enforcement of a claim for payment of principal or interest on the Bonds may be subject to the provisions of the federal bankruptcy laws, to the Distressed Municipalities Act, and to the provisions of other statutory laws enacted by Congress or the General Assembly of the Commonwealth and case law developed by courts having jurisdiction extending the time for payment or imposing other constraints upon enforcement insofar as such laws may be constitutionally applied.

## TAX MATTERS

### **Federal Tax Exemption**

The Internal Revenue Code of 1986, as amended (the “Code”) contains provisions relating to the tax-exempt status of interest on obligations issued by governmental entities which apply to the Bonds. These provisions include, but are not limited to, requirements relating to the use and investment of the proceeds of the Bonds and the rebate of certain investment earnings derived from such proceeds to the United States Treasury Department on a periodic basis. These and other requirements of the Code must be met by the County subsequent to the issuance and delivery of the Bonds in order for interest thereon to be and remain excludable from gross income for purposes of federal income taxation. The County has covenanted to comply with such requirements.

In the opinion of Bond Counsel, interest on the Bonds will be excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings and court decisions. The opinion of Bond Counsel is subject to the condition that the County complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The County has covenanted to comply with all such requirements. Interest on the Bonds is not treated as an item of tax preference under Section 57 of the Code for purposes of the federal alternative minimum tax; however, under the Code, to the extent that interest on the Bonds is a component of a corporate holder’s “adjusted current earnings,” a portion of that interest may be subject to the corporate alternative minimum tax for taxable years beginning before January 1, 2018. The alternative minimum tax on corporations has been repealed for taxable years beginning on or after January 1, 2018.

**Original Issue Premium.** All of the Bonds have been sold with original issue premium (the “Premium Bonds”). An amount equal to the excess of the initial public offering price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles. The amount of amortized bond premium (i) reduces the holder’s basis in the Premium Bond for purposes of determining gain or loss for federal income tax purposes upon the sale or other disposition of the Premium Bond and (ii) is not allowed as a deduction for federal income tax purposes to the holder. **Purchasers of any Premium Bonds, whether at the time of the initial issuance or subsequent thereto, should consult their own tax advisors with respect to the determination and treatment of premium.**

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral tax consequences to certain taxpayers, including, but not limited to, foreign corporations, certain S corporations, financial institutions, recipients of social security and railroad retirement benefits and property or casualty insurance companies. Bond Counsel expresses no opinion regarding any other federal tax consequences relating to the ownership or disposition of, or the amount, accrual or receipt of interest, on the Bonds.

No assurances can be given that amendments to the Code or other federal legislation will not be introduced and/or enacted which would cause interest on the Bonds to be subject, directly or indirectly, to Federal income taxation or adversely affect the market price of the Bonds or otherwise prevent the holders of the Bonds from realizing the full current benefit of the federal tax status of the interest thereon.

### **State Tax Exemption of the Bonds**

In the opinion of Bond Counsel, under the existing laws of the Commonwealth, the interest on the Bonds is free from Pennsylvania personal income taxation and Pennsylvania corporate net income taxation, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Profits, gains or income derived from the sale, exchange or other disposition of the Bonds are subject to state and local taxation within the Commonwealth. Bond Counsel expresses no opinion regarding any other state tax consequences relating to the ownership or disposition of, or the amount, accrual or the receipt of interest on, the Bonds.

This summary is based on laws, regulations, rulings and decisions now in effect, all of which may change. Any change could apply retroactively and could affect the continued validity of this summary. **Prospective purchasers should consult their tax advisors about the consequences of purchasing or holding the Bonds.**

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## **SECONDARY MARKET DISCLOSURE**

Under the terms of the Continuing Disclosure Agreement, the County will undertake to file with the Municipal Securities Rulemaking Board (“MSRB”) financial and other information concerning the County, all as set forth in Appendix D. The County’s obligations with respect to continuing disclosure, as it relates to the Bonds, shall terminate upon the prior redemption or payment in full of all of the Bonds.

The MSRB has been designated by the Securities Exchange Commission to be the central and sole repository for continuing disclosures information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other “obligated persons” with respect to municipal securities issues) are made available through the MSRB’s Electronic Municipal Market Access (“EMMA”) System, which may be accessed on the interest at <http://www.emma.msrb.org>.

A breach of the undertaking will not be a default under the Ordinance.

The County reserves the right to terminate its obligation to provide annual financial information and notices of material events, as set forth in the Continuing Disclosure Agreement, if and when such County no longer remains an “obligated person” with respect to the Bonds within the meaning of the Rule. The County acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bonds and shall be enforceable by the holders of such Bonds; provided that the Bondholders’ right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the County’s obligations hereunder and any failure by the County to comply with the provisions of this undertaking shall not be an event of default with respect to the Bonds.

The County has procedures in place to ensure ongoing timely filings of its continuing disclosure requirements.

## **RATINGS**

Moody’s Investor’s Service, Inc., Standard & Poor’s Global Services and Fitch Ratings, have assigned their municipal bond ratings of “Aaa (Stable Outlook)”, “AAA (Stable Outlook)”, and “AAA (Stable Outlook)”, respectively to this issue of Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of a rating should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency, if circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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## **UNDERWRITING**

Piper Jaffray & Co., acting on its own behalf and as representative of PNC Capital Markets LLC and RBC Capital Markets, LLC (collectively the “Underwriters”), have agreed, subject to certain conditions, to purchase the Bonds from the County, subject to certain conditions precedent, and will purchase all of the Bonds if any of such Bonds are purchased. The Bonds will be purchased by the Underwriters for an aggregate purchase price of \$34,609,170.10, which is equal to the par amount of the Bonds of \$30,000,000.00, less an underwriters’ discount of \$62,100.00, plus original issue premium of \$4,671,270.10.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and if applicable equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the County. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the County. The Underwriters do not make a market in credit default swaps with respect to municipal securities at this time but may do so in the future.

## **CERTAIN RELATIONSHIP**

Cozen O'Connor, Philadelphia, Pennsylvania, is serving as Bond Counsel to the County in connection with the issuance of the Bonds. Cozen O'Connor has previously represented PNC Bank, National Association and RBC Capital Markets and/or their respective affiliates on various matters unrelated to the Bonds. PNC Bank, National Association currently has, and from time to time in the future may have, banking or other credit relationships with the County. PNC Capital Markets LLC is acting as an Underwriter of the Bonds. PNC Capital Markets LLC and PNC Bank, National Association are both wholly owned subsidiaries of The PNC Financial Services Group, Inc.

## **LEGAL OPINIONS**

The Bonds are offered subject to the receipt of the approving legal opinion of Bond Counsel, Cozen O'Connor, of Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the County by Thomas L. Whiteman, Esquire, of West Chester, Pennsylvania, County Solicitor and for the Underwriters by Saul Ewing Arnstein & Lehr, LLP Philadelphia, Pennsylvania.

## **FINANCIAL ADVISOR**

The County has retained PFM Financial Advisors LLC, Harrisburg, Pennsylvania, as financial advisor (the “Financial Advisor”) in connection with the preparation, authorization, and issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

## **MISCELLANEOUS**

This Official Statement has been prepared under the direction of the County by the Financial Advisor. The information set forth in this Official Statement has been obtained from the County and from other sources believed to be reliable. Insofar as any statement herein includes matters of opinion or estimates about future conditions, it is not intended as a representation of fact, and there is no guarantee that it is, or will be, realized. Summaries or descriptions of provisions of the Bonds, the Ordinance, and all references to other documents or materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof. Reference is hereby made to the complete documents, copies of which will be furnished by the County or the Financial Advisor upon request. The information assembled in this Official Statement is not to be construed as a contract with holders of the Bonds. The attached Appendices are integral parts of this Official Statement and should be read in their entirety together with the foregoing statements.

The County has authorized the distribution of this Official Statement.

**COUNTY OF CHESTER, PENNSYLVANIA**

By: /s/ Michelle Kichline  
Chair, Board of Commissioners

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## **APPENDIX A**

### **DEMOGRAPHIC AND ECONOMIC INFORMATION RELATING TO THE COUNTY OF CHESTER**

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## **History**

The County of Chester Pennsylvania (the “County”), one of the Commonwealth of Pennsylvania’s (the “Commonwealth”) three original counties, was named by William Penn in 1682. Although the northern and western boundaries were not specific, it is known to have encompassed present Chester, Delaware and Lancaster Counties. In the 1680’s, English, Welsh and Irish Quakers came through the Port of Philadelphia to settle eastern and middle Chester County, followed shortly thereafter by the Swiss and Swiss-Germans. Most of the Scotch and Scotch-Irish opted to disembark at New Castle, Delaware, between 1725 and 1745 and settled western Chester County on either side of the Nanticoke Indian Path, now Route #10. Gradually the homesteaders purchased land from William Penn and his heirs via a land patent system. Rapid immigration and population density gave reason for the County government to subdivide municipalities and create new ones.

## **Population**

Table A-1 which follows, shows recent population trends for the County and the Commonwealth. Table A-2 shows age composition and average number of persons per household in the County and for the Commonwealth as of 2010. Average household size was higher for the County than the statewide average.

**TABLE A-1**  
**POPULATION TRENDS**

<b><u>Area</u></b>	<b><u>2000</u></b>	<b><u>2010</u></b>	<b><u>2016*</u></b>
Chester County.....	433,501	498,886	516,312
Pennsylvania .....	12,281,054	12,702,379	12,784,227

Source: U.S. Census Bureau, Census 2000 & 2010 Redistricting Data (Public Law 94-171) Summary File and the Pennsylvania State Data Center.

\* 2016 County Estimates.

Source: U.S. Census Bureau, Population Estimates Division.

**TABLE A-2**  
**AGE COMPOSITION**

	<b><u>0-18 Years</u></b>	<b><u>65+ Years</u></b>	<b><u>Persons Per Household</u></b>
Chester County.....	24.9%	12.8%	2.7
Pennsylvania .....	23.5%	15.4%	2.5

Source: Pennsylvania State Data Center, 2010 General Population and Housing Characteristics: Pennsylvania.

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## Employment

Overall employment data are not compiled for the County, but such data are compiled for the Montgomery-Bucks-Chester, PA Metropolitan Division (an area which includes the County) as shown on Table A-3.

**TABLE A-3**  
**DISTRIBUTION OF EMPLOYMENT BY INDUSTRY**  
**MONTGOMERY-BUCKS-CHESTER, PA METROPOLITAN DIVISION**  
**DECEMBER 2017**  
**NONFARM JOBS - NOT SEASONALLY ADJUSTED**

ESTABLISHMENT DATA	Dec. 2017	Dec. 2016	Industry Employment			Net Change From:	
			Dec. 2015	Nov. 2015	Oct. 2015	Dec. 2016	Oct. 2015
<b>TOTAL NONFARM</b>	1,078,700	1,049,300	1,049,300	1,045,300	1,040,000	29,400	38,700
<b>TOTAL PRIVATE</b>	995,500	963,400	963,400	958,400	954,300	32,100	41,200
<b>GOODS-PRODUCING</b>	139,300	143,500	143,500	143,500	143,500	-4,200	-4,200
Mining, Logging, and Construction	50,900	54,100	54,100	54,500	55,000	-3,200	-4,100
<b>Manufacturing</b>	88,400	89,400	89,400	89,000	88,500	-1,000	-100
Durable Goods	44,300	44,900	44,900	44,900	45,100	-600	-800
Non-Durable Goods	44,100	44,500	44,500	44,100	43,400	-400	700
Chemical Mfg.	19,700	18,800	18,800	18,800	18,800	900	900
<b>SERVICE-PROVIDING</b>	939,400	905,800	905,800	901,800	896,500	33,600	42,900
<b>PRIVATE SERVICE-PROVIDING</b>	856,200	819,900	819,900	814,900	810,800	36,300	45,400
<b>Trade, Transportation, and Utilities</b>	211,000	216,900	216,900	212,300	208,700	-5,900	2,300
Wholesale Trade	57,100	58,200	58,200	57,800	58,700	-1,100	-1,600
Retail Trade	124,600	128,700	128,700	125,500	121,800	-4,100	2,800
General Merchandise Stores	21,200	20,000	20,000	19,000	17,700	1,200	3,500
Transportation, Warehousing, and Utilities	29,300	30,000	30,000	29,000	28,200	-700	1,100
<b>Information</b>	21,400	20,100	20,100	19,900	20,000	1,300	1,400
<b>Financial Activities</b>	82,800	78,800	78,800	78,100	78,800	4,000	4,000
Finance and Insurance	68,000	65,000	65,000	64,300	64,900	3,000	3,100
Credit Intermediation and Related Activities	16,700	15,400	15,400	15,300	15,300	1,300	1,400
Depository Credit Intermediation	9,800	9,900	9,900	9,900	9,900	-100	-100
Insurance Carriers and Related Activities	26,500	26,800	26,800	26,800	26,800	-300	-300
Real Estate and Rental and Leasing	14,800	13,800	13,800	13,800	13,900	1,000	900
<b>Professional and Business Services</b>	214,700	192,700	192,700	194,400	194,100	22,000	20,600
Professional and Technical Services	112,900	102,700	102,700	102,100	101,800	10,200	11,100
Scientific Research and Development Services	17,100	14,800	14,800	14,900	14,700	2,300	2,400
Management of Companies and Enterprises	28,300	27,500	27,500	27,200	27,100	800	1,200
Administrative and Waste Services	73,500	62,500	62,500	65,100	65,200	11,000	8,300
<b>Education and Health Services</b>	193,800	182,800	182,800	182,400	181,700	11,000	12,100
Educational Services	30,100	28,100	28,100	29,100	28,600	2,000	1,500
Health Care and Social Assistance	163,700	154,700	154,700	153,300	153,100	9,000	10,600
Ambulatory Health Care Services	61,100	56,600	56,600	55,500	55,700	4,500	5,400
Hospitals	32,200	31,700	31,700	31,600	31,500	500	700
Nursing and Residential Care Facilities	37,400	37,700	37,700	37,400	37,300	-300	100
Social Assistance	33,000	28,700	28,700	28,800	28,600	4,300	4,400
<b>Leisure and Hospitality</b>	85,200	82,000	82,000	81,000	81,000	3,200	4,200
Accommodation and Food Services	69,700	67,300	67,300	65,600	64,900	2,400	4,800
<b>Other Services</b>	47,300	46,600	46,600	46,800	46,500	700	800
<b>Government</b>	83,200	85,900	85,900	86,900	85,700	-2,700	-2,500
Federal Government	6,000	6,000	6,000	6,000	6,000	0	0
State Government	10,000	9,800	9,800	9,900	9,700	200	300
Local Government	67,200	70,100	70,100	71,000	70,000	-2,900	-2,800
Local Government Educational Services	46,200	50,400	50,400	51,200	50,200	-4,200	-4,000
Local Government Excluding Educational Services	21,000	19,700	19,700	19,800	19,800	1,300	1,200

Data benchmarked to March 2007

\*\*\*Data changes of 100 may be due to rounding\*\*\*

Source: Center for Workforce Information & Analysis, Pennsylvania Department of Labor & Industry

Table A-4 shows trends in labor force, employment and unemployment for the County and the Commonwealth.

**TABLE A-4**  
**TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT**  
**NOT SEASONALLY ADJUSTED**

Chester County				
<u>Time Period</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2012	270,300	253,600	16,700	6.20%
2013	271,800	256,000	15,800	5.80%
2014	272,300	261,000	11,200	4.10%
2015	276,400	266,200	10,200	3.70%
2016	281,100	270,100	11,000	3.90%
Dec. 2017	276,400	267,900	8,500	3.10%

Pennsylvania				
<u>Time Period</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2012	6,466,000	5,954,000	513,000	7.90%
2013	6,460,000	5,982,000	478,000	7.40%
2014	6,352,000	6,033,000	319,000	5.00%
2015	6,424,000	6,094,000	330,000	5.10%
2016	6,472,000	6,120,000	352,000	5.40%
Dec. 2017	6,340,000	6,061,000	279,000	4.40%

Source: Pennsylvania Department of Labor and Industry, Center for Workforce Information and Analysis website.

#### Largest County Employers

Listed below are the largest employers located within or near the County and their approximate employment:

<b>Non-Government Employers</b>	<b>2016</b>	<b>% of</b>	<b>2007</b>	<b>% of</b>
	<b># Employees</b>	<b>Labor Force</b>	<b># Employees</b>	<b>Labor Force</b>
Main Line Hospitals	11,500	4.08%		
Vanguard Group <sup>(1)</sup>	10,000	3.55%	8,500	3.33%
County of Chester	2,806	1.00%		
Chester County Hospital	2,318	0.82%	1,909	0.74%
QVC, Inc.	2,220	0.79%	4,000	1.54%
Cerner Health Services, Inc. <sup>(2)</sup>	2,200	0.79%		
Giant Food Stores LLC	2,093	0.78%		
YMCA of Greater Brandywine Valley	1,985	0.70%		
The Devereux Foundation	1,876	0.00%	1,500	0.58%
Downingtown School District	1,761	0.63%	3,950	1.52%

<sup>(1)</sup>Includes contracted employees.

<sup>(2)</sup>Formerly Siemens Medical Solutions.

Source: 2016 County CAFR.

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## **Income**

The data on Table A-5 shows recent trends in per capita income for the County and the Commonwealth over the 2000-2010 period.

**TABLE A-5**  
**RECENT TRENDS IN PER CAPITA INCOME\***

	<b>2000</b>	<b>2010</b>
Chester County.....	\$31,627	\$42,042
Pennsylvania .....	20,880	27,824

\*Income is defined by the Bureau of the Census as the sum of wage and salary income, non-farm self-employment income, net self-employment income, Social Security and Railroad retirement income, public assistance income, interest, dividends, pensions, etc. before deductions for personal income taxes, Social Security, etc.

Source: 2010: U.S. Census Bureau, Summary File 1 (SF 1) and Summary File 3 (SF 3) & 2010: U.S. Census Bureau, 2007-2011 American Community Survey.

## **Commercial Activity**

The data in Table A-6 shows retail sales for the 2013-2017 period for the County, the PMSA and the Commonwealth.

**TABLE A-6**  
**TOTAL RETAIL SALES**  
(000)

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Chester County	\$13,827,138	\$12,597,747	\$12,869,709	\$11,499,691	\$13,969,322
PMSA	97,160,825	92,283,215	92,944,956	96,525,422	105,082,759
Pennsylvania	196,445,177	197,914,414	198,215,135	207,887,941	213,005,475

Source: Sales and Marketing Management Magazine.

## **Housing**

In 2016, 718 new housing units were added to the housing supply in Chester County. Approximately, 60 percent of all new housing units were single-family detached homes. Single-family attached units, which include twin, townhouses and condominiums, accounted for 40 percent of the new units. There were 45,885 new housing units added in Chester County between 2000 and 2016.

The 2016 median assessment value of a residential property in the County was \$166,630. The value of the County's single-family housing units is significantly greater than those of Pennsylvania and the United States. The average assessment value is \$185,465. The median Chester County 2016 home sale price was \$315,000. 6,998 homes were sold in Chester County during 2016.

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## **Agriculture**

### **Farming**

A substantial part of the County still consists of large farms and estates. In 2012, there were 1,730 farms with an average size of 95 acres for a total of 164,495 acres of farmland in the County. The County's principal agricultural products include cattle, corn, grains, tobacco, fruit, and hay. The Pennsylvania Agriculture Statistics Services ranks the County first among Commonwealth counties in the value of agricultural crops and ninth in the value of livestock products. Statistics show that the County is home to approximately 39,400 cattle, 27,400 pigs, 2,700 sheep, and 18,400 milk cows. The County is also home to nine award winning wineries.

Source: Chester County Agriculture Development Council, Census of Agriculture – 2012.

### **Mushrooms**

The County is a world leader in the cultivated mushroom industry. Farms in the County produced an estimated \$397 million of mushrooms in 2012. That amount represents 74% of the value of all crops produced in the County. This represents 75% of the Commonwealth mushroom crop and 34% of the total United States crop. County mushroom farms represent 80 percent of all growers in the Commonwealth and 49% of all growers in the United States.

Source: Chester County Agriculture Development Council, Census of Agriculture – 2012.

### **Horses**

The County has a long and rich equestrian heritage. Home to the second largest population of horses in the Commonwealth (8,995), over 67,000 acres are used for raising horses. The County, which is first within the Commonwealth for racehorse population, is home to several important thoroughbred farms such as Derry Meeting Farm - birthplace of the legendary sires Danzig and Storm Cat. The 2004 Kentucky Derby and Preakness winner, Smarty Jones, was also born in the County. The County is host to several prestigious equestrian events including the Devon Horse Show, the Laurels at Landhope Combined Driving Event, Dressage at Devon, and the Pennsylvania Hunt Cup. These events draw competitors from across the country and internationally. Several Olympic equestrians call the County home.

## **Tourism**

Vacationers and business travelers spent \$760.1 million in the County in 2015. A study by Tourism Economics estimates that travel expenditures in the County generated 12,805 jobs with a payroll of \$52.8 million in 2015.

Top attractions within the County include Longwood Gardens, the Herr's Snack Factory, QVC Studio Park, numerous wineries, Valley Forge National Historical Park, and 15 historic covered bridges. Longwood Gardens, near Kennett Square, is one of the most important horticultural show places in the United States. Its 1,000 acres contain many species of plants and flowers from all parts of the world. The natural beauty of the County also draws many visitors to the area.

Source: The Economic Impact of Travel and Tourism in Pennsylvania, Tourism Satellite Account, Calendar Year 2015. (May 2017) by Tourism Economics, an Oxford Company.

## **Parks and Recreation**

More than 100,000 acres of open space, public and private, are located in the County. Major County parks include Nottingham, Hibernia, Warwick, Springfield Manor and Struble Trail. The County's park system contains approximately 4,953 acres.

State and Federal parks, including Marsh Creek State Park and parts of French Creek State Park, Valley Forge National Park, and Hopewell Furnace National Historic Site cover 4,935 acres.

State game lands and numerous public lakes cover approximately 4,683 acres of land within the County. Chambers Lake at Hibernia County Park, Marsh Creek, and Struble Lake are favorite spots for anglers and boaters alike.

There are a total of 2,890 acres of recreational open space within the 73 townships and municipalities of the County. These areas provide opportunities for both passive and active recreation. There are hiking trails throughout the state and county parks as well as trails within numerous conservation areas such as the Laurels Preserve and White Clay Creek Preserve. The Horse-Shoe, Brandywine, Mid-County, and Mason-Dixon Trails also provide residents hiking opportunities.

## **Education**

Public elementary and secondary education is provided by fourteen school districts in the County. There are numerous private and parochial schools in the County. Higher education is offered by West Chester University, Cheyney University, Lincoln University, Immaculata University, Delaware County Community College, and The School of Graduate Professional Studies – Penn State Great Valley. The School of Graduate Professional Studies – Penn State Great Valley, located in the Great Valley Corporate Center, is the first permanent educational facility of a major American university to be located in a corporate park. Lincoln and Cheyney Universities are two of the oldest institutions of higher learning for African Americans in the country.

<b>2017 Higher Education Enrollment</b>	
<b><u>Higher Education Facility</u></b>	<b><u>Enrollment</u></b>
West Chester University	17,306
Delaware County Community College	3,201
Immaculata University	2,527
Lincoln University	2,266
The School of Graduate Professional Studies – Penn State Great Valley	N/A
Cheyney University	N/A

Sources: Individual School Institutional Research Departments, Fall 2017 and the County 2018 Budget.

Also located in the County are the Flowers and Cook Observatory of the University of Pennsylvania and the large animal facility (New Bolton Center) of the University of Pennsylvania School of Veterinary Medicine.

## **Emergency Services**

The County residents are served by 49 volunteer fire stations and 29 ambulance stations, with all calls coordinated by the County 9-1-1 Communications Center. Law enforcement within the County is represented by 42 municipal police departments, 2 State Police barracks, the County Detectives, and 2 School District/University departments.

Health coverage is provided by 18 hospitals and medical centers. There are also 48 personal care boarding houses and assisted living facilities, 11 continuing care communities, and 23 nursing homes.

## **Utilities**

Electricity is provided by PECO Energy, PPL Electric Utilities Corporation, and Metropolitan Edison Co. Telephone service is provided by Verizon. Water service is provided by various municipalities, municipal authorities, and local water companies. The largest non-governmental supplier is Aqua Pennsylvania, Inc. Sewer service is provided to the more densely populated parts of the County by municipalities or by municipal authorities.

## **Transportation**

There are two passenger rail providers that serve the County. Amtrak and SEPTA provide regional rail service on the line extending between the City of Philadelphia and Thorndale. There are 12 train stations along this line in the County. Bus transportation is provided by SEPTA, PUT, Krapfs, and other private carriers throughout the County. Numerous major highways, including Routes 30, 100, 202, 1, 3, 322, 41, and the Pennsylvania Turnpike, provide commuters access to major employment centers within the County as well as the Delaware Valley and the City of Philadelphia. There are over 3,400 miles of roadways within the County. The County is home to 3 regional airports, one heliport, and is approximately 30 miles from Philadelphia International Airport.

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**APPENDIX B**

**2018 BONDS AMORTIZATION SCHEDULE**

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### 2018 BONDS AMORTIZATION SCHEDULE

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Annual Debt Service</u>
7/15/2018			\$185,018.75	\$185,018.75	\$185,018.75
1/15/2019			740,075.00	740,075.00	
7/15/2019	\$5,000	2.000%	740,075.00	745,075.00	1,485,150.00
1/15/2020			740,025.00	740,025.00	
7/15/2020	985,000	3.000%	740,025.00	1,725,025.00	2,465,050.00
1/15/2021			725,250.00	725,250.00	
7/15/2021	1,030,000	5.000%	725,250.00	1,755,250.00	2,480,500.00
1/15/2022			699,500.00	699,500.00	
7/15/2022	1,085,000	5.000%	699,500.00	1,784,500.00	2,484,000.00
1/15/2023			672,375.00	672,375.00	
7/15/2023	1,135,000	5.000%	672,375.00	1,807,375.00	2,479,750.00
1/15/2024			644,000.00	644,000.00	
7/15/2024	1,195,000	5.000%	644,000.00	1,839,000.00	2,483,000.00
1/15/2025			614,125.00	614,125.00	
7/15/2025	1,255,000	5.000%	614,125.00	1,869,125.00	2,483,250.00
1/15/2026			582,750.00	582,750.00	
7/15/2026	1,315,000	5.000%	582,750.00	1,897,750.00	2,480,500.00
1/15/2027			549,875.00	549,875.00	
7/15/2027	1,380,000	5.000%	549,875.00	1,929,875.00	2,479,750.00
1/15/2028			515,375.00	515,375.00	
7/15/2028	1,450,000	5.000%	515,375.00	1,965,375.00	2,480,750.00
1/15/2029			479,125.00	479,125.00	
7/15/2029	1,525,000	5.000%	479,125.00	2,004,125.00	2,483,250.00
1/15/2030			441,000.00	441,000.00	
7/15/2030	1,600,000	5.000%	441,000.00	2,041,000.00	2,482,000.00
1/15/2031			401,000.00	401,000.00	
7/15/2031	1,680,000	5.000%	401,000.00	2,081,000.00	2,482,000.00
1/15/2032			359,000.00	359,000.00	
7/15/2032	1,765,000	5.000%	359,000.00	2,124,000.00	2,483,000.00
1/15/2033			314,875.00	314,875.00	
7/15/2033	1,850,000	5.000%	314,875.00	2,164,875.00	2,479,750.00
1/15/2034			268,625.00	268,625.00	
7/15/2034	1,945,000	5.000%	268,625.00	2,213,625.00	2,482,250.00
1/15/2035			220,000.00	220,000.00	
7/15/2035	2,040,000	5.000%	220,000.00	2,260,000.00	2,480,000.00
1/15/2036			169,000.00	169,000.00	
7/15/2036	2,145,000	5.000%	169,000.00	2,314,000.00	2,483,000.00
1/15/2037			115,375.00	115,375.00	
7/15/2037	2,250,000	5.000%	115,375.00	2,365,375.00	2,480,750.00
1/15/2038			59,125.00	59,125.00	
7/15/2038	2,365,000	5.000%	59,125.00	2,424,125.00	2,483,250.00
Total	\$30,000,000		\$18,805,968.75	\$48,805,968.75	\$48,805,968.75

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**APPENDIX C**

**PROPOSED FORM OF BOND COUNSEL OPINION**

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[FORM OF BOND COUNSEL OPINION]

**COUNTY OF CHESTER  
(Commonwealth of Pennsylvania)**

\$30,000,000 General Obligation Bonds, Series of 2018

May 31, 2018

TO THE PURCHASERS OF THE  
ABOVE-CAPTIONED BONDS:

We have acted as bond counsel to the County of Chester (the "County") in connection with the issuance of its \$30,000,000 General Obligation Bonds, Series of 2018 (the "Bonds"), dated the date hereof. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have also relied upon the opinion regarding the Bonds of Thomas L. Whiteman, Esquire, County Solicitor, dated the date hereof. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity with originals of all documents submitted to us as copies and the authenticity of certificates of public officials.

Based upon the foregoing and subject to the qualifications set forth below, we are of the opinion that:

1. The Bonds have been duly authorized and executed by the County and are valid, binding and enforceable general obligations of the County.

2. The Bonds are payable from general revenues of the County, currently including ad valorem taxes which may be levied on all property taxable for County purposes within the County without limitation as to rate or amount.

3. Interest on the Bonds is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings, and court decisions. The opinion set forth in the preceding sentence is subject to the condition that the County complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon continues to be excluded from gross income for purposes of federal income taxation. Failure to comply with certain of such requirements could cause the interest on the Bonds to be includable in gross income retroactive to the date of issuance of the Bonds. The County has covenanted to comply with all such requirements. Interest on the Bonds is also not treated as an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the federal alternative minimum tax; however, we call to your attention that under the Code, to the extent that interest

on the Bonds is a component of a corporate holder's "adjusted current earnings," a portion of that interest may be subject to the corporate alternative minimum tax for taxable years beginning before January 1, 2018. We express no opinion regarding any other federal tax consequences related to the ownership or disposition of, or the amount, accrual or the receipt of interest on, the Bonds.

4. Under existing laws of the Commonwealth of Pennsylvania (the "Commonwealth"), the interest on the Bonds is free from Pennsylvania personal income taxation and Pennsylvania corporate net income taxation, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. We express no opinion regarding any other state tax consequences related to the ownership or disposition of, or the amount, accrual or the receipt of interest on, the Bonds.

Our opinions are subject to the following qualifications:

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by laws relating to bankruptcy, insolvency, reorganization, receivership, arrangement, moratorium and other laws affecting creditors' rights by equitable principles, whether considered at law or in equity, and by the exercise of judicial discretion in appropriate cases.

We express no opinion as to the availability of specific performance or other equitable relief.

We express no opinion herein on the adequacy, completeness or accuracy of the Official Statement dated April 26, 2018 relating to the Bonds.

This opinion is limited to federal laws of the United States and the laws of the Commonwealth as in effect on the date hereof, and we express no opinion with respect to the laws of any other state or jurisdiction.

This opinion is limited to the matters expressly stated herein. No implied opinions are to be inferred to extend this opinion beyond the matters expressly stated herein. This opinion is expressed as of the date hereof, and we express no opinion as to any matter not set forth in the numbered paragraphs herein. We do not assume any obligation to update or supplement this opinion to reflect, or to otherwise advise you of, any facts or circumstances which may hereafter come to our attention, or any changes in facts, circumstances or law which may hereafter occur.

This opinion is rendered solely for your benefit and may be relied upon by you solely in connection with the transaction contemplated hereby and may not be relied upon by you for any other purpose, or by any other person for any purpose, in each case without our written consent.

Very truly yours,

**APPENDIX D**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## **[FORM OF CONTINUING DISCLOSURE AGREEMENT]**

### **COUNTY OF CHESTER Commonwealth of Pennsylvania \$30,000,000 General Obligation Bonds, Series of 2018**

#### **CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered this 31<sup>st</sup> day of May, 2018, by the County of Chester (the “County”), in connection with the issuance and sale by the County of its \$30,000,000 aggregate principal amount General Obligation Bonds, Series of 2018 (the “Bonds”). The Bonds are being issued by the County pursuant to the Pennsylvania Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (the “Act”).

The County, intending to be legally bound, hereby agrees as follows:

#### **Section 1. Definitions**

In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context clearly otherwise requires) terms used as defined terms in the recitals hereto shall have the same meanings throughout this Disclosure Agreement, and, in addition, the following terms shall have the meanings specified below.

“Annual Financial Information” shall mean the following annual financial or operating data regarding the County:

- (i) annual audited financial statements of the County;
- (ii) real estate tax collection information, including to the extent reasonably feasible:
  - (A) the total market value of all taxable real estate located within the jurisdiction of the County;
  - (B) the total assessed value of all taxable real estate located within the jurisdiction of the County;
  - (C) the real estate tax levy imposed by the County (expressed both as a millage rate and an aggregate dollar amount);
  - (D) the amount of real estate taxes collected that represent current collections (expressed both as a percentage of the current year’s levy and as an aggregate dollar amount);
  - (E) the amount of real estate taxes collected that represents taxes levied in past years (expressed as an aggregate dollar amount); and
  - (F) the total amount of real estate taxes collected (expressed both as a percentage of the current year’s levy and as an aggregate dollar amount);
- (iii) the County’s General Fund Budget or a summary thereof;
- (iv) the total number of employees of the County;
- (v) employee pension retirement plan information consisting of: (i) the amount of the County’s annual contribution for the most recent fiscal year, and (ii) market value of assets, and (iii) total liabilities on an actuarial basis for the most recent fiscal year, all as set forth in the chart below the first paragraph under the subsection titled “Employee Retirement Plan (Retirement

Pension Trust Fund)" in the County's Official Statement, and (iv) funded ratio on an actuarial basis as of the most recent fiscal year; and

(vi) Other Post Employment Benefit (OPEB) information consisting of: (i) the contribution made by the County for the most recent fiscal year, and (ii) the amount of the County's net OPEB obligation for the most recent fiscal year as set forth in the chart and the first sentence following said chart, respectively, under the subsection titled "Other Post-Employment Benefits ("OPEB") in the County's Official Statement.

The County's annual audited financial statements are prepared according to accounting methods and procedures which conform to guidelines adopted by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants' Audit Guide, Audits of States and Local Government based upon financial statements of the County prepared in conformity with the accounting practices prescribed or permitted by the Department.

Any of the operating data referred to above may be included in the County's annual audited financial statements or by specific reference to any official statement submitted to and available from the MSRB and if so does not need to be separately posted. If any of the above information can no longer be generated because the operations to which such information relates have been materially changed or discontinued, a statement to that effect shall satisfy the obligations of the County under this Disclosure Agreement with respect to such information, provided, however that the County shall, to the extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the County is authorized or directed by law or executive order to remain closed.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Department" shall mean the Pennsylvania Department of Community and Economic Development.

"Disclosure Representative" shall mean the Chief Operating Officer of the County or such other official or employee of the County as shall be designated in writing by the County to an Agent (as hereinafter defined).

"EMMA" shall mean the Electronic Municipal Market Access System maintained by the MSRB at <http://emma.msrb.org>, which serves as the sole nationally recognized municipal securities information repository under the Rule.

"Listed Event" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"Material Event" shall mean any of the events listed in Section 5(b) of this Disclosure Agreement, if material within the meaning of the Rule.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the final Official Statement relating to the Bonds dated April 26, 2018.

“Ordinance” shall mean the County’s Ordinance enacted on April 25, 2018.

“Participating Underwriter” shall mean each original underwriter of the Bonds required to comply with the Rule in connection with its purchase and reoffering of the Bonds.

“Registered Owner or Owners” shall mean the person or persons in whose name a Bond is registered on the books of the County kept by the Paying Agent for that purpose in accordance with the Ordinance and the Bonds. For so long as the Bonds shall be registered in the name of the Securities Depository or its nominee, the term Registered Owner or Owners shall also mean and include, for the purposes of this Disclosure Agreement, the beneficial owners of the Bonds who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise have or share: (a) voting power which includes the power to vote, or to direct the voting of, the Bonds; or (b) investment power which includes the power to dispose or to direct the disposition of a Bond. Beneficial owners of book-entry credits may file their names and addresses with the County for purposes of receiving notices or giving direction under this Disclosure Agreement; provided, however, that the County or the Agent (as defined herein), if appropriate, may require owners of book-entry credits to establish proof of ownership of such book-entry credits.

“Rule” shall mean Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as such Rule may be amended from time to time.

“Securities Depository” shall mean The Depository Trust Company, New York, New York, and its nominee, Cede & Co.

*All capitalized terms and phrases used in this Disclosure Agreement and not defined above or elsewhere herein shall have the same meanings as set forth in the Ordinance.*

## **Section 2. Authorization and Purpose of Disclosure Agreement**

This Disclosure Agreement is authorized to be executed and delivered by the County pursuant to Section 20 of the Ordinance in order to assist the Participating Underwriter in complying with the requirements of the Rule.

The County is the only obligated person with respect to the Bonds for the purposes of the Rule.

## **Section 3. General Provisions Regarding MSRB Filings**

All filings with the MSRB pursuant to this Disclosure Agreement: (a) shall be made in an electronic format as prescribed by the MSRB; and (b) shall be accompanied by identifying information as prescribed by the MSRB.

Notwithstanding any other provisions of this Disclosure Agreement, any filing required by this Disclosure Agreement may be made with such repositories and using such electronic filing systems as may be approved by the Securities and Exchange Commission and/or the MSRB.

#### **Section 4. Annual Financial Information**

By the 1<sup>st</sup> day of October, of each year following the close of each fiscal year of the County, commencing on October 1, 2018, with regard to the County's fiscal year ending December 31, 2017, the County shall file the Annual Financial Information for such fiscal year with the MSRB via EMMA.

#### **Section 5. Reportable Events**

(a) The County agrees that it shall provide, in a timely manner, not in excess of ten (10) Business Days after the occurrence of the event, to the MSRB via EMMA, notice of any of the following Listed Events with respect to the Bonds:

- (1) principal and interest payment delinquencies;
- (2) unscheduled draws on debt service reserves reflecting financial difficulties;
- (3) unscheduled draws on credit enhancements reflecting financial difficulties;
- (4) substitution of credit or liquidity providers, or their failure to perform;
- (5) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB);
- (6) tender offers;
- (7) defeasances;
- (8) rating changes; and

(9) bankruptcy, insolvency, receivership or similar proceeding of the County.<sup>1</sup>

The nine Listed Events listed in this Section 5(a) are quoted directly from the Rule. Items (a)(2), (a)(3) and (a)(4) above are not applicable to the Bonds on the date of issuance thereof.

(b) The County agrees that it shall provide, in a timely manner not in excess of ten (10) Business Days after the occurrence of the event, and upon determining the materiality thereof within the meaning of the Rule, notice of any of the following Material Events with respect to the Bonds:

- (1) non-payment related defaults;
- (2) the issuance by the Internal Revenue Service of material notices or determinations with respect to the tax status of the Bonds, or material events affecting the tax status of the Bond;
- (3) modifications to rights of the holders of the Bonds;
- (4) Bond calls;
- (5) release, substitution or sale of property securing repayment of the Bonds;
- (6) appointment of a successor or additional Paying Agent, or the change of name of a Paying Agent; and
- (7) the consummation of a merger, consolidation, or acquisition involving the County, the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

The seven Material Events listed in this Section 5(b) are quoted directly from the Rule.

(c) Whenever the County concludes that a Listed Event or Material Event has occurred, it shall file in a timely manner not in excess of ten (10) Business Days after the occurrence of such event, a notice of such occurrence specifying the Listed Event or Material Event with the MSRB via EMMA.

(d) The County shall obtain a written acknowledgment of or a receipt (including an electronic receipt or confirmation) for any notice delivered to the MSRB via EMMA, which shall specify, among other things, the date the notice was received. All such written acknowledgements

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<sup>1</sup> This event is considered to occur when any of the following occur; the appointment of a receiver, trustee or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

or receipts of notice returned to the County shall be retained by the County until the termination of this Disclosure Agreement.

(e) The County agrees that it will also provide to the MSRB via EMMA timely notice of any failure by the County to timely file the Annual Financial Information required by Section 4 hereof.

## **Section 6. Amendment; Waiver**

(a) Notwithstanding any other provision of this Disclosure Agreement, the County may amend this Disclosure Agreement or waive any of the provisions hereof, provided that no such amendment or waiver shall be executed by the County or effective unless:

- (1) the amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in identity, nature or status of the County or the type of business conducted by the County;
- (2) the undertaking, as amended or taking into account such waivers would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Disclosure Agreement, as amended by the amendment or waiver, would have complied with the requirements of the Rule at the time of original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (3) the amendment or waiver does not in the opinion of nationally recognized bond counsel materially impair the interests of the Registered Owners of the Bonds.

(b) Evidence of compliance with the conditions set forth in clause (a) of this Section 6 shall be satisfied by the delivery to the County of an opinion of counsel having recognized experience and skill in the issuance of municipal securities and federal securities law, to the effect that the amendment or waiver satisfies the conditions set forth in clauses (a)(1), (2), and (3) of this Section 6.

(c) In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Disclosure Representative shall describe such amendment in the next Annual Financial Information, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. The Disclosure Representative shall also send notice of the amendment or waiver to each Registered Owner.

(d) In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given by filing a notice with the MSRB through EMMA, and (2) the Annual Financial Information for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form)

between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

## **Section 7. Other Information; Duties Under the Ordinance**

Nothing in this Disclosure Agreement shall preclude the County from disseminating any other information with respect to the County or the Bonds, using the means of communication provided in this Disclosure Agreement or otherwise, in addition to the Annual Financial Information and the notices of Listed Events and Material Events specifically provided for herein, nor shall the County be relieved of complying with any applicable law relating to the availability and inspection of records, if any. Any election by the County to furnish any information not specifically provided for herein in any notice given pursuant to this Disclosure Agreement or by the means of communication provided for herein shall not be deemed to be an additional contractual undertaking and the County shall have no obligation to furnish such information in any subsequent notice or by the same means of communication.

## **Section 8. Default**

(a) In the event that the County fails to comply with any provision of this Disclosure Agreement, any Registered Owner of the Bonds shall have the right, by suit, action or proceeding at law or in equity, to compel the County to perform each and every term, provision and covenant contained in this Disclosure Agreement applicable to the County.

(b) A default under the Disclosure Agreement shall not be or be deemed to be a default under the Bonds, the Ordinance or the Act and the sole remedy in the event of a failure by the County to comply with the provisions hereof shall be the action to compel performance described in clause (a) above.

## **Section 9. Concerning the County**

The County may execute any powers hereunder and perform any duties required of it through attorneys, agents, and other experts, officers, or employees, selected by it, and the written advice of such counsel or other experts shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

## **Section 10. Agent**

(a) The County may appoint an entity to serve as disclosure agent (the "Agent") to assist the County in carrying out its obligations under this Disclosure Agreement. The County may discharge the Agent with or without appointing a successor Agent. The Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Agreement.

(b) The duties and obligations of the Agent shall be as set forth in an agreement between the parties.

## **Section 11. Term of Disclosure Agreement**

This Disclosure Agreement shall terminate: (1) upon payment or provision for payment in full of the Bonds; (2) upon repeal or rescission of Section (b)(5) of the Rule; or (3) upon a final determination that Section (b)(5) of the Rule is invalid or unenforceable.

## **Section 12. Beneficiaries**

This Disclosure Agreement shall inure solely to the benefit of the County and the Registered Owners, from time to time, of the Bonds and nothing herein contained shall confer any right upon any other person.

## **Section 13. Notices**

Any written notice to or demand may be served, presented or made to the persons named below and shall be sufficiently given or filed for all purposes of this Disclosure Agreement if deposited in the United States mail, first class postage prepaid or in a recognized form of overnight mail or by telecopy or electronic mail with confirmation of receipt, addressed:

(a) To the County or the Disclosure Representative at:

County of Chester  
313 West Market Street, Suite 6202  
West Chester, PA 19380  
Fax: (610) 344-5998  
Telephone No.: (610) 344-6026  
Attention: Chief Operating Officer

(b) To the MSRB at <http://emma.msrb.org>; or such other address as may be designated by the MSRB.

## **Section 14. No Personal Recourse**

No personal recourse shall be had for any claim based on this Disclosure Agreement against any member, officer, or employee, past, present or future, of the Board of Commissioners of the County (including without limitation, the Disclosure Representative), or of any successor bodies of such, either directly or through the Board of Commissioners of the County or successor bodies of such, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

## **Section 15. Controlling Law**

This Disclosure Agreement and all matters arising out of or related to this Disclosure Agreement shall be governed by and construed in accordance with the laws of the Commonwealth, without regard to its conflict of laws principles.

## **Section 16. Successors and Assigns**

All of the covenants, promises and agreements contained in this Disclosure Agreement by or on behalf of the County shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

## **Section 17. Headings for Convenience Only**

The descriptive headings in this Disclosure Agreement are inserted for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions hereof.

## **Section 18. Counterparts**

The Disclosure Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

[Signature Page to Follow]

**IN WITNESS WHEREOF, COUNTY OF CHESTER, PENNSYLVANIA,** has caused this Disclosure Agreement to be executed by the Chair of the Board of Commissioners of the County and attested by the Acting Chief Clerk of the County, respectively, and its corporate seal to be hereunto affixed, all as of the day and year first above written.

**COUNTY OF CHESTER, PENNSYLVANIA**

[SEAL]

By: \_\_\_\_\_  
Chair

Attest: \_\_\_\_\_  
Acting Chief Clerk

**APPENDIX E**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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# *County of Chester Pennsylvania*

## Comprehensive Annual Financial Report

For the Year Ended December 31, 2016

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Prepared by the Office of the Controller  
Norman MacQueen, Controller

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COUNTY OF CHESTER  
PENNSYLVANIA

COMPREHENSIVE ANNUAL FINANCIAL  
REPORT

For the Year Ended December 31, 2016



PREPARED BY  
THE OFFICE OF THE CONTROLLER

Norman MacQueen, Controller  
Carol Pollitz, CPA, CGMA, Deputy Controller  
Anitha Rajagopal Rao, Accounting Manager

INDEPENDENT AUDITORS  
Zelenkofske Axelrod, LLC

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# Introductory Section



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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended December 31, 2016**

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**COUNTY OF CHESTER  
OFFICE OF THE CONTROLLER**

313 WEST MARKET STREET, SUITE 6302, P.O. BOX 2748, WEST CHESTER, PA 19380-0991  
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

NORMAN MacQUEEN  
CONTROLLER

June 21, 2017

To the Citizens of the County of Chester, Pennsylvania:

I am pleased to provide the Comprehensive Annual Financial Report (CAFR) of the County of Chester, Pennsylvania, (the County), for the fiscal year ended December 31, 2016.

The Office of the County Controller has prepared this report with assistance from numerous County officials. The County's management assumes full responsibility for the completeness and reliability of the information contained in this report. I believe the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County in accordance with generally accepted accounting principles. All disclosures necessary to enable the reader to gain an understanding of Chester County's financial activities have been included.

The County of Chester, one of Pennsylvania's original three counties, was named by William Penn in 1682. It is located in southeastern Pennsylvania, approximately 30 miles west of Philadelphia. The Borough of West Chester is the County Seat. The County has 73 political subdivisions, consisting of one third class city (Coatesville), 15 boroughs and 57 townships. The County has a population of approximately 516,312 and covers 782 square miles, including some of the most productive agricultural land in Pennsylvania. Population and employment has grown dramatically in Chester County during the past thirty years as suburban development continues, industry and agriculture thrive, and high technology businesses grow along the Route 202 corridor. The median income of the County's households is one of the highest in the Commonwealth of Pennsylvania.

A three member Board of County Commissioners performs all of the County's legislative and executive functions, and is responsible for the management and administration of the County's fiscal affairs. The Controller is the elected financial officer of the County and, as such, supervises the County's fiscal affairs including the accounts, transactions, and official acts relating thereto of all officers and persons entrusted with the public moneys of the County.

This report is designed to make the financial position of the County of Chester readily available to taxpayers, bond rating firms, underwriters, budget planners, government officials, investors, creditors, and the general public. The County's financial statements have been audited by the certified public accounting firm of Zelenkofske Axelrod, LLC to ensure that the financial reporting is of the highest quality and compliant with national standards. The information contained in this report provides a comprehensive picture of the financial position of the County of Chester.

Furthermore, this report reflects the commitment of the Chester County Commissioners leadership to effective government and the responsible management and administration of financial operations. This commitment is reflected by the reaffirmation of Chester County as an Aaa/AAA rated county by each of the three national credit rating agencies – a distinction realized by only 45 counties across the nation.

I also wish to express my personal appreciation and respect for the professional staff of the Chester County Controller's Office for their contribution to this report and their dedication to the mission of this office. Each of us continues to be committed to maintaining the highest professional standards and practices, and to monitoring the financial performance of the County in the best interest of the citizens of Chester County.

As your County Controller I am always mindful, especially in these challenging economic times, that County government resources are limited and result from the hard work and resourcefulness of Chester County taxpayers. As such, the Controller's Office will continue to monitor the financial performance of the County to ensure the highest standards of service, efficiency and accountability are maintained.

Sincerely,



Norman MacQueen  
Controller, County of Chester



Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to  
**County of Chester**  
**Pennsylvania**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

A handwritten signature in black ink that reads "Jeffrey R. Ecker". The signature is fluid and cursive, with "Jeffrey" on the first line and "R. Ecker" on the second line.

Executive Director/CEO

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---

---





# THE COUNTY OF CHESTER

## COMMISSIONERS

Michelle Kichline  
Kathi Cozzone  
Terence Farrell

## OFFICE OF THE COMMISSIONERS

313 W. Market Street, Suite 6202  
P.O. Box 2748  
West Chester, PA 19380-0991  
(610) 344-6100  
email: [mrupsis@chesco.org](mailto:mrupsis@chesco.org)



**MARK J. RUPSI**  
Chief Operating Officer

June 21, 2017

To the Honorable Chairman, Members of the Chester County Board of Commissioners, and Citizens of Chester County:

It is my privilege to submit to you the Comprehensive Annual Financial Report (CAFR) of the County of Chester, Pennsylvania, for the year ended December 31, 2016. Responsibility for the accuracy and the completeness of the presentation, including all disclosures, rests with management. The report was prepared with an emphasis on full disclosure to enable the reader to gain an understanding of the County's operations and financial position.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview, and analysis to accompany the financial statements and should be read in conjunction with this letter. Chester County's MD&A can be found immediately following the report of the independent auditors.

## BUDGET

Chester County is required to adopt an annual budget no later than December 31. The County is legally required to maintain budgetary controls at the major function level, but in practice maintains budgetary control at the major expenditure object level. Budgets may be adjusted by means of a budget amendment or by an internal budget transfer. For a more detailed discussion of the budget, please refer to the Notes to Required Supplementary Information on page 96.

## ECONOMIC CONDITION AND OUTLOOK

Chester County's economy remains healthy, with economic indicators surpassing all federal, state and surrounding county data. The County continues to maintain one of the lowest unemployment rates among the Commonwealth's 67 counties and is the lowest in Southeastern Pennsylvania, as noted below.

### **Chester County remains at the lowest unemployment rate in Southeastern Pennsylvania (2016 full year average)**

Chester	3.9%
Montgomery	4.2%
Bucks	4.6%
Delaware	4.9%
Philadelphia	6.8%

Source: PA Department of Labor and Industry, 2016 Annual Data

After reaffirming the three Triple-A bond ratings in February 2016, the County borrowed capital improvement funds, taking advantage of the favorable market. Chester County refinanced a portion of 2009 debt in July 2016, which, alongside the three Triple-A ratings, resulted in a savings of \$19.1 million for Chester County government.

2016 also marked the tenth anniversary of Chester County's first Triple-A bond rating (Moody's Investor Services). The County is one of just 45 counties (out of 3087 nationwide) to earn three Triple-A ratings (as of August 2016), and is the only county in Pennsylvania to maintain this achievement. Key factors named by all three rating agencies that contribute to the Triple-A awards are a strong tax base, solid revenues, the focus on a strategic plan and economic diversity.

## **LONG TERM FINANCIAL PLANNING AND FINANCIAL POLICIES**

Chester County has developed financial policies and strategies to address the long term challenges it will be facing. The County continues to follow its Strategic Plan which focuses on delivering results that support County priorities, as well as VISTA 2025, the County's 10-year public/private partnership for economic development and growth. The effort to update Chester County's comprehensive plan – Landscapes3 – began in 2016 and will forge ahead in 2017 and 2018.

### **Financial Policies in Place Include:**

**Working Capital Reserve Policy:** Maintaining ten percent of the subsequent year's budgeted General Fund expenditures as a reserve.

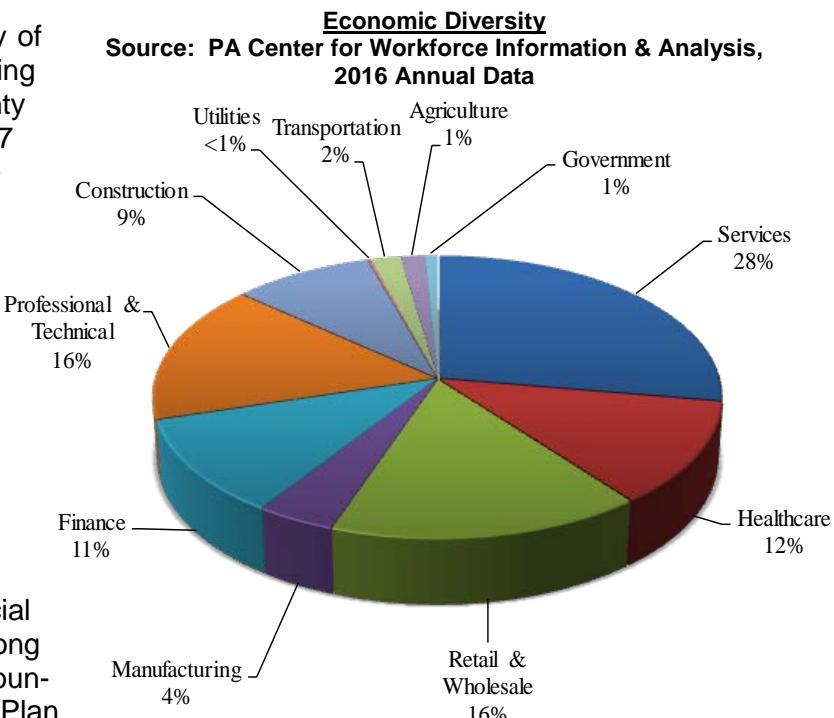
**Debt and Capital Investment Program Policy:** Preparing and approving a five-year capital plan, not using long term debt to fund current operations and refunding outstanding debt if savings are three percent or more.

Finally, as part of its Strategic Plan, the County will continue to implement additional best financial practices of the National Advisory Council on State and Local Budgeting (NACSLB).

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

### **Remaining Focused on Chester County's Strategic Plan**

Originally introduced in 2008, Chester County's Strategic Plan continues as part of the *Managing for Results* (MFR) integrated management system. Several years of development and implementation of the Plan have led Chester County to the achievement of a very high percentage of its goals, resulting in a review and re-establishment of goals in 2015, as well as the addition of a seventh priority – Governance. The seven Strategic Plan priorities are:



# Commissioners' Priorities

Health, Human Services & Environment	Protect vulnerable people and valuable resources in the community while promoting healthy, environmentally sound, choices.
Public Safety	Ensure safe and secure communities.
Economy	Support the growth and development of a strong and vibrant economy for all residents.
Transportation	Enhance access to and use of transportation systems to reduce traffic congestion.
Growth	Manage growth and land use to preserve and optimize the quality of life in the community.
Financial Management	Continue to exercise sound financial management and maintain the County's financial strength while minimizing the property tax burden.
Government	Pursue excellence through exceptional customer service, transparency, accountability, and innovation.

## Managing for Results 2016 Outcomes

Throughout 2016, County departments participating in the Strategic Plan reviewed measurable outcomes of activities that met their goals, and used data results when discussing potential changes in department budgets and preparing for the 2017 budget. By the end of 2016, the County reported that 94 percent of all activity results that support the Commissioners' priorities and goals either met, or exceeded expectations.

### **Status Report: Commissioners' Strategic Priorities (as of 12/31/2016)**

(Per data reported by the departments participating in strategic planning. Commissioners' Priority progress is determined by the analysis of each department's reported Activity Results measures as they align to the Commissioners' Priorities.)

**% of Result Measures Meeting/Exceeding Expectations**  
(YTD as of 12/31/2016)

	OVERALL	Health, Human Services & Environment	Public Safety	Economy	Transportation	Growth	Smart Financial Management	Financial Management	Goverance
<b>2016</b>	<b>94%</b>	95%	91%	99%	99%	94%	-	99%	90%
2015	<b>96%</b>	95%	97%	98%	99%	94%	96%	-	-
2014	<b>94%</b>	92%	98%	99%	90%	97%	94%	-	-
2013	<b>94%</b>	94%	99%	88%	90%	93%	94%	-	-
2012	<b>92%</b>	90%	92%	83%	88%	90%	98%	-	-
2011	<b>88%</b>	89%	87%	67%	87%	88%	98%	-	-

Per an analysis of each department's reported data as aligned to the Commissioner's Priorites.

## **Greater Investment in the City of Coatesville**



A goal of both VISTA 2025 and the Commissioners' Strategic Plan is to focus on investment in Chester County's urban centers, including the City of Coatesville. In 2016, the County made a strong move in this direction with the hiring of an Economic Development Administrator for the City of Coatesville. This appointment was the result of an agreement between the County Commissioners and representatives of Coatesville Area Partners for Progress (CAPP) and CAPP's 2<sup>nd</sup> Century Alliance initiative. The appointment is also supported by Coatesville City Council,

businesses, civic, faith-based and non-profit organizations - all making an effort to help Coatesville succeed. Investment in the hiring of an Economic Development Administrator by the County followed the awarding of more than \$2 million in community revitalization funding for the Coatesville Gateway Redevelopment project, a new senior center (which opened in 2016) and support funding for public transportation. The County also continues to work with the City of Coatesville, PennDOT and all partners to upgrade the Coatesville train station and the streetscapes of Third Avenue.

## **Emergency Services Communication and Public Safety Training Campus**

2016 was the year when strengthened communications – a new emergency radio system and Computer Aided Dispatch system came to fruition for Chester County's Department of Emergency Services - aided by the Chester County Police Chiefs Association, the Fraternal Order of the Police, Chester County Fire Chiefs Association, the EMS Council, Chester County Fire Police Association and the Chester County Association of Township Officials. The County also completed an alternate 9-1-1 Center at the Public Safety Training Campus (PSTC) in South Coatesville, which allows for 9-1-1 operations to occur at two geographic locations simultaneously, or to provide continued service should the primary 9-1-1 Center at Westtown Road become inoperable or uninhabitable. The ability to have the two 9-1-1 facilities that can operate as a single center is due to the Harris Radio System and Computer Aided Dispatch technology upgrades, and the alternate 9-1-1 Center at the PSTC is also designed for basic and advanced telecommunicator training.

The Chester County PSTC also recorded more than 17,700 attendees of more than 920 training sessions during 2016.

## **Nationally-Accclaimed County Programs**

Chester County earned a number of regional, state and national awards for programs and services during 2016. Two programs in particular gained national recognition for their innovation and effectiveness. The *Women's Reentry Assessment and Programming (WRAP)* initiative was named a semi-finalist (and later became one of the top-20 best programs) in the Harvard University John F. Kennedy School of Government Innovations in American Government Awards competition. The WRAP initiative, led by Chester County's department of Probation, Parole and Pretrial Services meets the needs of women who have been incarcerated, and who are struggling to transition back to family life, often because of a history of trauma. In two years, since its launch in 2014, WRAP has impacted hundreds of women, and arrest rates for women for new criminal charges have decreased by 61 percent, and technical violations of community supervision have decreased by 72 percent.

*The County Cup*, a pilot project established by the Chester County Department of Mental Health/Intellectual and Developmental Disabilities (MH/IDD), was awarded the highest accolade at the 2016 National Association of Counties conference in the Outstanding Achievement category. The County Cup provides training, job skills and employment opportunities in food service and catering for Chester County students with special needs aged from age 14 through to adults. Originally opened at the Chester County Government Services Center, the County Cup “Grab and Go” kiosk expanded to the Chester County Justice Center then on to three further locations. What began as a vision of the MH/IDD Department turned into a program that meets the needs of students with disabilities, county employees and the general public.



In addition, in 2016 Chester County earned a ranking as one of the top 10 most innovative digital counties in the nation by the Center for Digital Government.

## FORWARD IN 2017

A number of initiatives that were planned and developed in 2016 have come – or will be coming – to fruition in 2017. Programs that address economic development, planning and transportation, government transparency, succession planning and that maximize efforts to meet the Commissioners’ Strategic Plan goals. These initiatives include:

- The development of Landscapes3 which will build upon Chester County’s current comprehensive plan, continuing the focus on growth and preservation established by the award-winning Landscapes and Landscapes2;
- The launch of VISTA 2025’s phase-two “Take the Pulse” survey, in partnership with the Commissioners, the Economic Development Council and all 10 of Chester County’s chambers of commerce, to determine what progress has been made since the initial launch of Take the Pulse in 2016, and to identify ongoing business needs.
- An all-new “School of Government” – a free four-week program open to all Chester County residents, that provides an overview of County government responsibilities and that addresses topics that affect citizens’ health, safety, employment options and quality of place;
- The final year of a two-year Chester County Leadership Development Program, where a select number of County employees who have been nominated by their department heads, conclude a course of training classes and mentorship programs that encourage and develop management and leadership skills;
- The establishment of a Chester County Millennial Task Force that will help the County to address the issues of how to recruit and retain millennials (which already account for 28 percent of the County’s workforce), how to identify the issues that are important for the younger generation, and how to communicate with millennial employees.

PUBLIC SERVICE

## County gov’t sets Millennial Task Force

By Michael P. Relahan  
[mrellahan@21st-centurymedia.com](mailto:mrellahan@21st-centurymedia.com)  
[@ChescoCourtNews](#) on Twitter

**WEST CHESTER** ■ Recently, Mark Rupsis, the Chester County government’s chief operating officer, had the chance to stop by an orientation session for new county employees at the county’s Government Services Center.

The employees’ new jobs would spread them through the county’s three dozen-plus departments,

## **AWARDS AND ACKNOWLEDGEMENTS**

*Certificate of Achievement for Excellence in Financial Reporting.* The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its CAFR for the fiscal year ended December 31, 2015. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. The County has received a Certificate of Achievement consistently for the last 35 years.

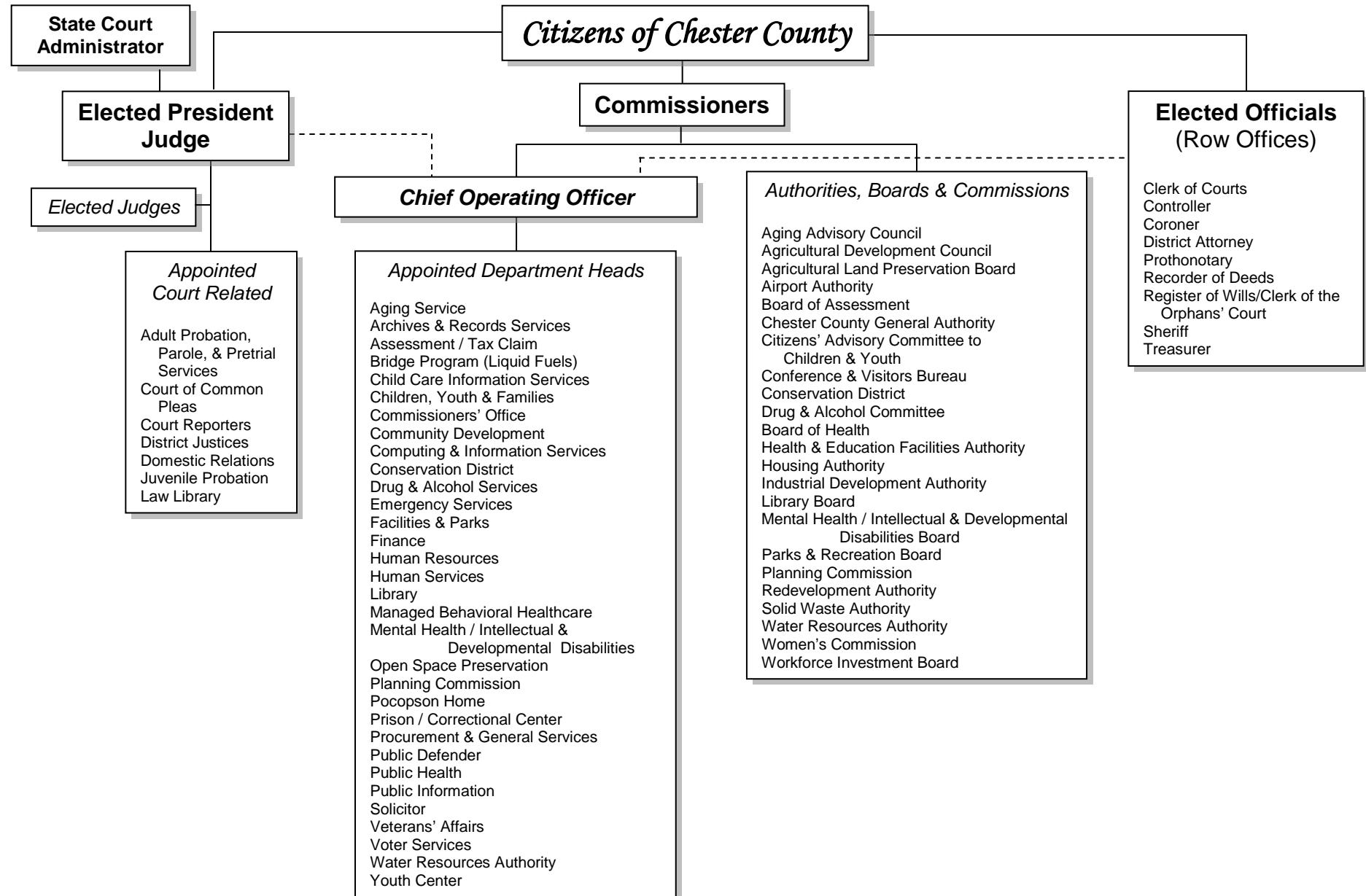
*Distinguished Budget Presentation Award.* Chester County has been presented the Award for Distinguished Budget Presentation by the GFOA for the 25<sup>th</sup> consecutive year. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document operations guide, financial plan and communications device.

### **Acknowledgement**

Chester County is not immune to the decline in emergency response volunteers for Fire and EMS stations that has reached crisis level in the state and the nation. Attracting and retaining good volunteer first responders is one of the most critical problems facing our emergency response agencies, and effective community protection depends on the ability of these agencies to recruit, train and keep these key individuals. Chester County has created a working group that is comprised of emergency responders, county and municipal officials who are collaborating on ways to recruit and retain more emergency fire and EMS volunteers. I acknowledge them for their efforts, and thank the many thousands of current volunteer fire fighters and EMS technicians who actively keep Chester County citizens safe every day.



Mark J. Rupsin  
Chief Operating Officer



# **2016 County of Chester Elected Officials**

## **PRINCIPAL OFFICIALS**

### **JUDICIARY**

The Honorable Jacqueline C. Cody, President Judge  
The Honorable James P. MacElree, II  
The Honorable Katherine B. L. Platt  
The Honorable William P. Mahon  
The Honorable Anthony A. Sarcione  
The Honorable Phyllis R. Streitel  
The Honorable Edward Griffith  
The Honorable John L. Hall  
The Honorable David F. Bortner  
The Honorable Ann Marie Wheatcraft  
The Honorable Mark L. Tunnell  
The Honorable Patrick Carmody  
The Honorable Jeffrey R. Sommer  
The Honorable Allison Bell Royer  
The Honorable Charles B. Smith, Senior Judge  
The Honorable Ronald C. Nagle, Senior Judge  
The Honorable Thomas G. Gavin, Senior Judge  
The Honorable Robert J. Shenkin, Senior Judge

### **BOARD OF COMMISSIONERS**

Terence Farrell, Chairman  
Kathi Cozzone, Vice Chairman  
Michelle H. Kichline

### **ROW OFFICERS**

Thomas P. Hogan, Esq., District Attorney  
Norman S. MacQueen, Controller  
Ann Duke, Esq., Treasurer  
Terri L. Clark, Register of Wills/Clerk of the Orphans' Court  
Carolyn B. Welsh, Sheriff  
Rick Loughery, Recorder of Deeds  
Matt Holliday, Prothonotary  
Gordon R. Eck, DO, Coroner  
Robin L. Marcello, Clerk of Courts Division of Common Pleas



# Financial Section



# Independent Auditor's Report

---



# Zelenkofske Axelrod LLC

## INDEPENDENT AUDITORS' REPORT

County Commissioners  
County of Chester  
West Chester, Pennsylvania

### **Report of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the COUNTY OF CHESTER, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the COUNTY OF CHESTER's basic financial statements as listed in the table of contents.

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

The COUNTY OF CHESTER's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component units' financial statements for the Chester County Solid Waste Authority, the Chester County Area Airport Authority, the Chester County Water Resources Authority, Chester County Library and Library Board System, and the Chester County Conference and Visitors Bureau, which represent 100.0%, 100.0%, and 99.9% of the assets, net position, and revenues, respectively, of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

---

#### **Harrisburg**

830 Sir Thomas Court, Suite 100  
Harrisburg, PA 17109  
717.561.9200 Fax 717.561.9202

---

#### **Philadelphia**

2370 York Road, Suite A-5  
Jamison, Pa 18929  
215.918.2277 Fax 215.918.2302

---

#### **Pittsburgh**

3800 McKnight E. Drive, Suite 3805  
Pittsburgh, PA 15237  
412.367.7102 Fax 412.367.7103

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#### **Greensburg**

210 Tollgate Hill Road  
Greensburg, PA 15601  
724.834.2151 Fax 724.834.5969

# Zelenkofske Axelrod LLC

County Commissioners  
County of Chester  
West Chester, Pennsylvania

## **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the COUNTY OF CHESTER, as of December 31, 2016, 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.

## **Adoption of Governmental Accounting Standards Board Pronouncements**

As described in Note 1 to the financial statements, in 2016 the COUNTY OF CHESTER adopted the provisions of Governmental Accounting Standards Board's Statement No. 72, "*Fair Value Measurement and Application*", the provisions of Statement No. 73, "*Accounting and Financial Reporting for Pension and Related Assets That Are Not Within the Scope of GASB Statement 68 , and Amendments to Certain Provisions of GASB Statements 67 and 68*", the provisions of Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", the provisions of Statement No. 77, "*Tax Abatement Disclosures*", the provisions of Statement No. 78, "*Pensions Provided through Certain Multiple - Employer Benefit Plans*", and the provisions of Statement No. 79, "*Certain External Investment Pools and Pool Participants*". Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and employer contributions for postemployment benefits other than pensions, schedule of changes in the County's net pension liability and related ratios, schedule of County contributions, schedule of investment returns and budgetary comparison schedules on pages 5 through 25 and pages 87 through 96 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the COUNTY OF CHESTER's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and budget and actual schedules, capital asset schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

# Zelenkofske Axelrod LLC

County Commissioners  
County of Chester  
West Chester, Pennsylvania

The combining and individual nonmajor fund financial statements and budget and actual schedules and the capital asset schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budget and actual schedules and the capital asset schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

*Zelenkofske Axelrod LLC*

ZELENKOFSKA AXELROD LLC

Jamison, Pennsylvania  
June 21, 2017

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# Management's Discussion and Analysis

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Management's Discussion and Analysis**  
**December 31, 2016**

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**INTRODUCTION**

Management's Discussion and Analysis (MD&A) includes an introduction to the basic financial statements for governments and an analytical overview of Chester County's financial activities for the year ended December 31, 2016. It is best understood if read in conjunction with the Letter of Transmittal, the basic financial statements, and the supplementary information. The financial report also includes a statistical section with financial and demographic data to further enhance the reader's understanding of Chester County.

In 2016, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and GASB Statement No. 77, *Tax Abatement Disclosures*. GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The required disclosures of the GASB statements can be found in the Notes to the Financial Statements.

The County also implemented GASB Statement No.76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The Statement reduces the Generally Accepted Accounting Principles (GAAP) hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans* and Statement No. 79, *Certain External Investment Pools and Pool Participants*. The County reviewed the statements and confirmed Statement No.79 is subject to additional disclosure requirements which are in the Notes to the Financial Statements.

MD&A is designed to focus on the current year's activities and the resulting changes in the County's financial position. Currently known facts, which may have a significant impact on the County's financial position now and in the foreseeable future, are also discussed.

The mandatory elements of general purpose external financial reporting are:

- Management's Discussion and Analysis
- Basic Financial Statements
  - *Government-wide Financial Statements*
  - *Fund Financial Statements*
  - *Notes to the Financial Statements*
- Required Supplementary Information (other than MD&A)

Unaudited – see accompanying independent auditors' report

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**FINANCIAL HIGHLIGHTS**

The following financial highlights are described in more detail in the analysis sections of the MD&A:

- Government-wide net position (assets, plus deferred outflows of resources less liabilities, less deferred inflows of resources) at the end of the year was \$(62.1) million for a decrease of \$8.9 million from 2015.
- Outstanding General Obligation Bonds and Notes Payable were \$550.8 million for an increase of \$31.8 million from the prior year.
- Estimated net present value savings are \$17.2 million from an advance refunding of a portion of the General Obligation Bonds of 2009 totaling \$80.7 million and Series C of 2009 totaling \$23.6 million.
- The County's Aaa/AAA debt ratings were reaffirmed in 2016 from three rating agencies: Moody's Investors Service, Inc., Standard & Poor's Financial Services LLC, and Fitch Ratings Inc.
- The General Fund reported an ending fund balance of \$46.9 million; an increase of \$5.9 million from the prior year, of which \$45.2 million is unrestricted (assigned and unassigned). Ending fund balance reported is 29.4 percent of total original General Fund budgetary expenditures and other financing uses.
- \$16.2 million of General Fund unrestricted fund balance has been assigned as Working Capital Reserve or ten percent of the \$161.6 million General Fund expenditure budget for 2017 in accordance with County policy which was an increase of \$0.3 million from the prior year.
- General Fund nonspendable fund balance is reported at \$1.6 million.
- Ending fund balances for the four tax supported funds, in the aggregate, totaled \$86.0 million; an increase of \$5.7 million from the prior year. The General Fund, Library Fund, Parks and Recreation Fund, and Debt Service Fund are tax supported.
- Ending fund balances for all Governmental Funds totaled \$145.6 million for an increase of \$51.3 million from the prior year. Whereas nonspendable fund balance totaled \$2.2 million, restricted fund balance totaled \$53.0 million, assigned fund balance totaled \$69.3 million, and fund balance designated as unassigned totaled over \$21.0 million.

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**OVERVIEW OF THE FINANCIAL REPORT**

The County's reporting entity is comprised of the primary government and its component units. Component units are legally separate organizations for which the County is financially accountable or for which there is a significant relationship.

The table below provides a condensed summary of the County's basic financial statements. The narrative following the table explains the statements and accompanying information in more detail.

<b>Major Features of Chester County's Government-wide and Fund Financial Statements</b>				
Government-wide Statements		Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and the County's component units	The activities of the County that are not proprietary or fiduciary, such as judicial and corrections	Activities the County operates similar to private businesses such as Pocopson Nursing Home and internal services to County departments	Funds for which the County is the trustee or agent for someone else's resources, such as the employees' retirement plan
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Net Position</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset, deferred outflow/liability, deferred inflow information	All assets and liabilities, both financial and capital, and short-term and long-term, deferred outflows/inflows of resources	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term, deferred outflows/inflows of resources	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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### **Government-wide Financial Statements**

The government-wide financial statements provide information on governmental and business-type activities excluding fiduciary activities in a manner similar to the private sector. The statements are prepared using the accrual basis of accounting. Revenues and expenses are taken into account when earned or incurred regardless of when cash is received or disbursed; for example, uncollected taxes and earned but unused compensated absences.

Governmental and business-type activities are reported in separate columns which add to a total for the primary government. The government-wide financial statements also include segregated information for entities known as component units. Component units are legally separate units for which the County has financial accountability and a significant relationship exists. The County's six component units are the Solid Waste Authority, the Area Airport Authority, the Water Resources Authority, the Library Board, the Visitors and Conference Bureau, and the General Authority.

The Statement of Net Position reports assets, plus deferred outflows of resources less liabilities less deferred inflows of resources, equals net position. Over time, increases or decreases in net position may serve as one indicator of whether the County's financial position is improving or deteriorating. Additionally, non-financial factors, such as changes in the real estate tax base or the condition of County facilities, should be considered to assess the overall financial condition of the County.

The Statement of Activities shows the extent to which program revenues offset the expenses of governmental and business-type activities. This is intended to summarize and simplify the users' analysis of the cost of various governmental services and/or subsidy to business-type activities. The statement also reports the change in net position as a result of the fiscal year's revenues and expenses. The governmental activities included in the statement reflect the County's basic services, including general government, judicial departments, public safety, corrections, the public works bridge program, human services, culture and recreation, and conservation and development. Taxes, charges for services, and intergovernmental revenues finance the majority of these services. The primary government has one business-type activity – Pocopson Nursing Home. The County charges fees directly, or through third party billing, to help cover the cost of the nursing home.

### **Fund Financial Statements**

A fund is a separate fiscal and accounting entity that is used to segregate sources and uses of funding for specific purposes. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the County are divided into three categories – governmental, proprietary, and fiduciary. Each category is reported using the measurement focus and basis of accounting required for that category. In the fund financial statements, the focus is on major funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide Statement of Activities. However, unlike the government-wide statements, the governmental fund statements focus on current sources and uses of expendable resources and the balance of expendable resources available at the end of the year.

Governmental funds information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the long-term focus of the government-wide financial statements, a reconciliation of the fund financial statements to the government-wide financial statements is presented immediately after the fund financial statements. For example, the fund financial statements will reflect bond proceeds as other financing sources and capital outlays and debt principal payments as expenditures. The

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reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the governmental activities column in the government-wide statements, among other reconciling items.

The County maintains seventeen (17) individual governmental funds. Information is presented separately for the General Fund, Managed Behavioral Healthcare Fund, Children, Youth and Families Fund, Capital Improvement Fund, and Debt Service Fund. These five (5) funds have been identified as major funds based on minimum criteria set forth in GASB No. 34. Financial data for the remaining governmental funds is combined into a single, aggregated presentation labeled, "Other Governmental Funds". Individual fund financial information for each non-major governmental fund is provided in the form of a combining statement in the *Supplementary Information* section of the report.

**Proprietary Funds.** Proprietary funds are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. The County maintains two different types of proprietary funds that use the accrual basis of accounting - enterprise and internal service. An enterprise fund is used to report the same functions as presented as business-type activities in the government-wide financial statements. The County has an enterprise fund, the Pocopson Home, which is the geriatric center. Two internal service funds, presented in a single, aggregated column in the proprietary fund statements, are used to account for, on a cost reimbursement basis, the provision of desktop computing resources and employee benefits to County departments. Although both the fund and government-wide financial statements provide a long-term and short-term focus, reconciliation is still required. This is due to the fact that the excess income or loss for internal service funds has been redistributed to customers in the government-wide statements. The reconciliation appears on the bottom of the proprietary funds financial statements.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County is responsible for ensuring that the assets of these funds are used for their intended purposes. The County is the trustee, or fiduciary, for the Employee Retirement Trust Fund, Tax Claim Agency Fund, Hotel Tax Agency Fund, Municipal Tax Fund and Row Office Agency Funds. Fiduciary activities are reported in a manner similar to proprietary funds in a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Fiduciary funds are excluded from the government-wide statements because the assets of these funds are not available to support the County's programs.

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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes immediately follow the financial statements.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, the financial section includes Required Supplementary Information (RSI) and other supplementary information. These statements and schedules can be found immediately following the notes to the financial statements.

Unaudited – see accompanying independent auditors' report

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Government-wide Statement of Net Position**

The table below summarizes the Statement of Net Position for the primary government as of December 31, 2016 and 2015.

Chester County Primary Government Summary of Net Position December 31, 2016 and 2015						
	Governmental Activities		Business-type Activities		Total	
Assets:	2016	2015*	2016	2015*	2016	2015*
Current assets	\$193,603,072	\$138,881,693	\$ (287,106)	\$ 2,358,346	\$193,315,966	\$ 141,240,039
Capital assets	405,201,806	402,024,714	7,027,503	4,849,968	412,229,309	406,874,682
Other noncurrent assets	22,599,474	21,208,132	-	-	22,599,474	21,208,132
<b>Total assets</b>	<b>621,404,352</b>	<b>562,114,539</b>	<b>6,740,397</b>	<b>7,208,314</b>	<b>628,144,749</b>	<b>569,322,853</b>
<b>Deferred outflow of resources:</b>						
Deferred charge on refunding	25,435,001	17,491,819	-	-	25,435,001	17,491,819
Deferred outflows related to pension	22,832,698	25,058,158	2,822,019	3,097,076	25,654,717	28,155,234
<b>Total deferred outflows of resources</b>	<b>48,267,699</b>	<b>42,549,977</b>	<b>2,822,019</b>	<b>3,097,076</b>	<b>51,089,718</b>	<b>45,647,053</b>
<b>Liabilities:</b>						
Current liabilities	93,690,031	80,578,280	1,743,470	1,721,240	95,433,501	82,299,520
Noncurrent liabilities	637,801,912	578,439,733	7,198,647	6,807,861	645,000,559	585,247,594
<b>Total liabilities</b>	<b>731,491,943</b>	<b>659,018,013</b>	<b>8,942,117</b>	<b>8,529,101</b>	<b>740,434,060</b>	<b>667,547,114</b>
<b>Deferred inflows of resources:</b>						
Deferred fees	560,000	600,000	-	-	560,000	600,000
Deferred real estate tax fee	200	650	-	-	200	650
Deferred inflows related to pension	283,635	-	35,056	-	318,691	-
<b>Total deferred inflows of resources</b>	<b>843,835</b>	<b>600,650</b>	<b>35,056</b>	<b>-</b>	<b>878,891</b>	<b>600,650</b>
<b>Net position:</b>						
Net investment in capital assets	1,830,308	5,355,350	6,783,867	4,500,709	8,614,175	9,856,059
Restricted	8,034,744	8,409,899	-	-	8,034,744	8,409,899
Unrestricted	(72,528,779)	(68,719,396)	(6,198,624)	(2,724,420)	(78,727,403)	(71,443,816)
<b>Total net position</b>	<b>(\$62,663,727)</b>	<b>\$ (54,954,147)</b>	<b>\$ 585,243</b>	<b>\$ 1,776,289</b>	<b>(\$62,078,484)</b>	<b>\$ (53,177,858)</b>

\* 2015 statements were restated to reflect an overstatement of net pension liability and deferred outflow of resources related to pension.

**Total Net Position.** Government-wide total net position at the close of 2016 was \$(62.1) million or a decrease of \$8.9 million from 2015. Net investment in capital assets decreased \$1.2 million from the prior year. Restricted net position decreased \$0.4 million and unrestricted net position decreased \$7.3 million. The County's financial statements for the year ended December 31, 2016 reflect the impact of the implementation of GASB Statement No. 68. The Government-wide financial statements report the County's deferred outflows/inflows related to pension, net pension liability and net pension expense. The total net position beginning balance was restated by \$9.4 million to reflect an overstatement of net pension liability and deferred outflow of resources related to pension.

Continuing to impacting net position is the cumulative amount of debt used to finance capital assets titled to others. As of December 31, 2016 the amount was \$156.6 million to date or an increase of \$3.6 million

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from the prior year. Grants were provided to municipalities for open space and community development/revitalization projects such as streetscape improvements as well as water and sewer infrastructure. Land conservancies received grants to maintain open space. At the end of 2016, there was approximately \$13.1 million contractually committed to purchase assets on behalf of others in accordance with the County's Open Space and Community Revitalization Program. This amount includes commitments for municipal park grants, conservancy grants, a commitment to West Whiteland Township for Exton Park development, and community revitalization grants.

**Governmental Activities Net Position.** Total governmental activities net position was \$(62.7) million for a decrease of \$7.7 million from the prior year. Net position is a measure of the difference between all assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources regardless of their potential relevance for near-term financing decisions. Net investment in capital assets decreased \$3.5 million from the prior year. Restricted net position decreased \$0.4 million and unrestricted net position decreased \$3.8 million from the prior year. The Governmental Activities beginning net position was restated by \$8.4 million to reflect an overstatement of net pension liability and deferred outflow of resources related to pension. Ending net position includes the impact of the County's deferred outflows/inflows related to pension, and net pension liability totaling \$22.7 million.

Net investment in capital assets was \$1.8 million at the end of the year or a decrease of \$3.5 million from the prior year. Net investment in capital assets is reported net of accumulated depreciation reduced by related outstanding debt. The resources needed to repay this debt must be provided from other sources. Capital assets cannot be used to liquidate these liabilities, as the assets are used to provide governmental services.

Resources that are subject to various external restrictions on how they may be used in support of programs and services totaled \$8.0 million at the end of the year or a decrease of \$0.4 million from the prior year. In 2016 the County enacted a \$5 local use fee for eligible vehicles under Pennsylvania Act 89 of 2013. These fees are restricted for bridge construction and repairs only. At year end, \$0.9 million of Act 89 fees were restricted. Offsetting the increases in various restricted funds are decreases of \$0.9 million for Marcellus Shale Act 13 Impact Fees and \$0.3 million restricted for County records improvement.

Unrestricted net position at the end of the year amounted to \$(72.5) million. Unrestricted net position is assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Overall, governmental activities' unrestricted net position decreased by \$3.8 million from the prior year. As previously mentioned, the County financed an additional \$3.6 million of assets titled to others for the open space and community revitalization programs including municipal park development. Also, noted earlier, the County adopted GASB Statement No. 68 in the prior year. The restated components related to the pension obligations decreased unrestricted net position by \$8.4 million. The change in the 2016 pension components decreased net position by \$5.9 million.

Combined cash and investments, including a portion of the restricted amounts at year end, increased \$79.2 million from the prior year. Restricted cash and investments include funds restricted for capital projects. Cash reserves drawn down at the end of 2015 to support programs funded by the state were replenished in 2016. The resolution of the state budget impasse at the end of 2015 released most of the grant funding due to the County. The decrease in the grants receivable amount of \$25.4 million from 2015 reflects the receipt of the revenues.

The first issuance of new debt in March 2016 funded the County's Capital Improvement plan. The second issuance in August 2016 advanced refunded a portion of the outstanding 2009 and 2009C General Obligation Bonds. The economic opportunities of the advance refunding of debt recognized in the current year resulted in deferred outflows increasing by \$7.9 million. As an end result, liabilities for bonds payable increased by \$53.5 million; impacting unrestricted net position.

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Management's Discussion and Analysis**  
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**Business-type Net Position.** Total business-type net position for the Pocopson Home, the County's business-type activity, was \$0.6 million which decreased \$1.2 million from the prior year. Total assets decreased \$0.5 million from the prior year and total liabilities increased \$0.4 million. Deferred outflows related to pension decreased by \$0.3 million. The net investment in capital assets was \$6.8 million for an increase of \$2.3 million. Unrestricted net position totaled \$(6.2) million for a decrease of \$3.5 million from the prior year. Beginning net position was restated by \$1.0 million to reflect an overstatement of net pension liability and deferred outflow of resources related to pension. The Statement of Net Position reflects the Pocopson Home's share of the pension deferred outflows/inflows, net pension liability and related pension expense.

**Government-wide Statement of Activities**

The table below summarizes the changes in net position for the primary government for the period ended December 31, 2016 and 2015.

Chester County Primary Government Summary of Changes in Net Position For the Years Ended December 31, 2016 and 2015						
	Governmental Activities		Business-type Activities		Total	
	2016	2015*	2016	2015*	2016	2015*
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 43,858,880	\$ 40,839,585	\$ 25,740,289	\$ 24,548,724	\$ 69,599,169	\$ 65,388,309
Operating grants and contributions	186,484,289	170,820,476	18,725	3,753	186,503,014	170,824,229
Capital grants and contributions	3,128,315	3,188,033	-	-	3,128,315	3,188,033
General revenues:						
Taxes	155,069,325	153,695,316	-	-	155,069,325	153,695,316
Investment earnings	1,344,485	817,991	-	-	1,344,485	817,991
Miscellaneous	5,996,766	4,804,880	-	-	5,996,766	4,804,880
<b>Total revenues</b>	<b>\$ 395,882,060</b>	<b>\$ 374,166,281</b>	<b>\$ 25,759,014</b>	<b>\$ 24,552,477</b>	<b>\$ 421,641,074</b>	<b>\$ 398,718,758</b>
<b>Expenses:</b>						
General government	\$ 39,966,052	\$ 36,900,190	\$ -	\$ -	\$ 39,966,052	\$ 36,900,190
Judicial government	48,866,015	44,076,475	-	-	48,866,015	44,076,475
Public safety	29,975,222	18,761,892	-	-	29,975,222	18,761,892
Corrections	42,594,834	39,023,001	-	-	42,594,834	39,023,001
Public works	1,641,908	1,621,342	-	-	1,641,908	1,621,342
Human services	191,939,745	171,046,136	26,408,244	24,055,422	218,347,989	195,101,558
Culture and recreation	13,107,347	12,260,263	-	-	13,107,347	12,260,263
Conservation and development	9,091,124	11,518,183	-	-	9,091,124	11,518,183
Interest on long-term debt	26,951,207	22,956,163	-	-	26,951,207	22,956,163
<b>Total expenses</b>	<b>\$ 404,133,454</b>	<b>\$ 358,163,645</b>	<b>\$ 26,408,244</b>	<b>\$ 24,055,422</b>	<b>\$ 430,541,698</b>	<b>\$ 382,219,067</b>
Excess (deficiency) before transfers	(8,251,394)	16,002,636	(649,230)	497,055	(8,900,624)	16,499,691
Transfers	541,814	(769,236)	(541,814)	769,236	-	-
Change in net position	(7,709,580)	15,233,400	(1,191,044)	1,266,291	(8,900,624)	16,499,691
Net position - beginning	(54,954,147)	(70,187,547)	1,776,287	509,998	(53,177,860)	(69,677,549)
Net position - ending	<b>\$ (62,663,727)</b>	<b>\$ (54,954,147)</b>	<b>\$ 585,243</b>	<b>\$ 1,776,289</b>	<b>\$ (62,078,484)</b>	<b>\$ (53,177,858)</b>

\* 2015 statements were restated to reflect an overstatement of net pension liability and deferred outflow of resources related to pension.

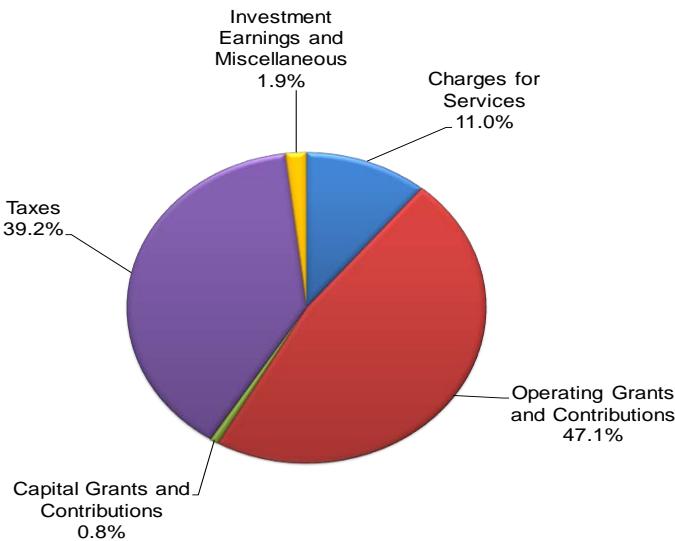
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**Governmental Activities Revenues.** Revenues for the County's governmental activities were \$395.9 million for the year ended December 31, 2016. The pie chart below shows the composition of revenues by percent.

**Revenues by Source – Governmental Activities  
For the Year Ended December 31, 2016**



*Operating grants and contributions* are the largest source of governmental activities revenues. The 2016 total of \$186.5 million or 47.1 percent of revenues was \$15.7 million more than 2015. Human Services activities received \$174.6 million or an increase of \$16.4 million from the prior year.

Included in Human Services activities are Managed Behavioral Healthcare, Mental Health/Intellectual & Developmental Disabilities, Children, Youth and Families, and Community Development representing 80.0 percent of the total grant funding. Managed Behavioral Healthcare and Children, Youth and Families are designated major funds for financial reporting.

Managed Behavioral Healthcare received \$80.8 million in operating grants. Grant revenues increased \$13.5 million from 2015. Though rates reimbursed by the Commonwealth decreased by 6.8 percent, membership in 2016 increased 17.0 percent from the new established baseline.

Grant funding received for Mental Health/Intellectual and Developmental Disabilities decreased from the prior year by \$0.5 million or 1.8 percent. The \$25.2 million received was used to support early intervention, mental health and intellectual disability programs. The Commonwealth's allocation for mental health remained the same, while the allocation for intellectual disability programs was reduced in exchange for additional slots of Medical Assistance Waivers.

Children, Youth and Families funding of \$22.5 million in operating grants increased \$0.4 million or 2.2 percent from the prior year. The department utilized additional Act 148 funds received for child welfare services primarily for preventative in-home services.

Overall, Community Development grant funding totaled \$12.5 million or an increase of \$0.4 million. Community Development Block Grant funding received supports community needs such as: affordable housing, suitable living environments and improvements to viable communities. Funding for community Unaudited – see accompanying independent auditors' report

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support increased \$0.2 million from the prior year. Grant funding received for Medical Assistance Transportation increased by \$0.2 million.

The departments of Aging, Drug and Alcohol Services and Childcare Information Services collectively received \$2.1 million more grant funding from the prior year. The Department of Drug and Alcohol Services' funding increased by \$1.1 million, the Department of Aging's funding increased by \$0.2 million, and Childcare Information Services' funding increased by \$0.8 million.

Taxes comprise the next largest revenue source at \$155.1 million or 39.2 percent of governmental revenues. For budget year 2016, the real estate tax rate was 4.163 mills per \$1,000 of assessed property which was the same as 2015. The millage allocation did not change between the tax supported funds from the previous year. The dedicated millage is as follows: General Fund – 2.794 mills; Debt Service Fund – 1.071 mills; Library Fund - 0.184 mills; and Parks and Recreation Fund - 0.114 mills. In the aggregate, tax revenues increased by \$1.4 million from the prior year due to the increase in the tax base of 0.87 percent.

*Charges for services* amounted to 11.0 percent of governmental activities funding sources or an increase of \$3.0 million from the prior year. Those who benefited from services paid \$43.9 million of the costs for services. Charges for services include fees, fines, licenses, permits, and commissions for certain fees collected by County row offices on behalf of the Commonwealth of Pennsylvania.

Charges for services for General Government activities decreased \$0.5 million from the prior year. Automation fees received in prior years to offset costs for the implementation of the E-filing project in the Prothonotary's Office were not received in 2016. The project was finalized in 2015. Also, charges to departments for standard fringe benefits were less than the prior year. The average number of employees covered by standard fringe benefits was slightly less. Public Safety charges for services increased \$1.9 million from the prior year. Charges for services include 9-1-1 fees, tower rentals, fire training, reports and incidence responses. The uniform 9-1-1 telephone surcharge fees collected and distributed by the Commonwealth increased by \$1.6 million over the prior year. New legislation, titled Act 12 of 2015 established a new uniform fee and set guidelines for collection, remittance and distribution of fees. 2016 was the first full year of receiving the fees. Fees for tower rentals increased \$0.2 million as result of new radio towers added with the implementation of the enhanced 9-1-1 system. Public works charges for services increased \$0.9 million from the prior year. In 2016 the County enacted a \$5 local use fee for eligible vehicles under Pennsylvania Act 89 of 2013. Fees collected totaled \$0.9 million and are restricted for bridge construction and repairs only. Human Services charges for services increased \$0.4 million from the prior year. The majority of the increase was due to contracts with other counties to provide detention and shelter for adjudicated youths. Zoning and subdivision fees were higher reflecting the increase in housing and development in the County. Also, reimbursements for expenditures incurred by the Conservation District increase slightly.

*Capital grants and contributions* totaling \$3.1 million or 0.8 percent of revenues were used for the County's Open Space program, the completion of the Public Safety Training Campus, and Public Works' bridge programs. Capital grants were relatively in line with the prior year.

The combination of *investment earnings* and *miscellaneous income* totaled \$7.3 million or 1.9 percent of revenues for an increase of \$1.7 million from 2015. Investment earnings increased \$0.5 million and miscellaneous income increased \$1.2 million from the prior year. The average rate of return on investments in 2016 was 0.54 percent which was higher than 2015. Reimbursements for excess claims and prescription rebates increased \$0.3 million and \$0.4 million; respectively from 2015 reflecting the use and utilization of healthcare incentives. Related debt activities increased \$1.0 million. Miscellaneous income also includes reimbursement of postage, refunds, and other reimbursements not included in other income combined for an increase of \$0.2 million from the prior year.

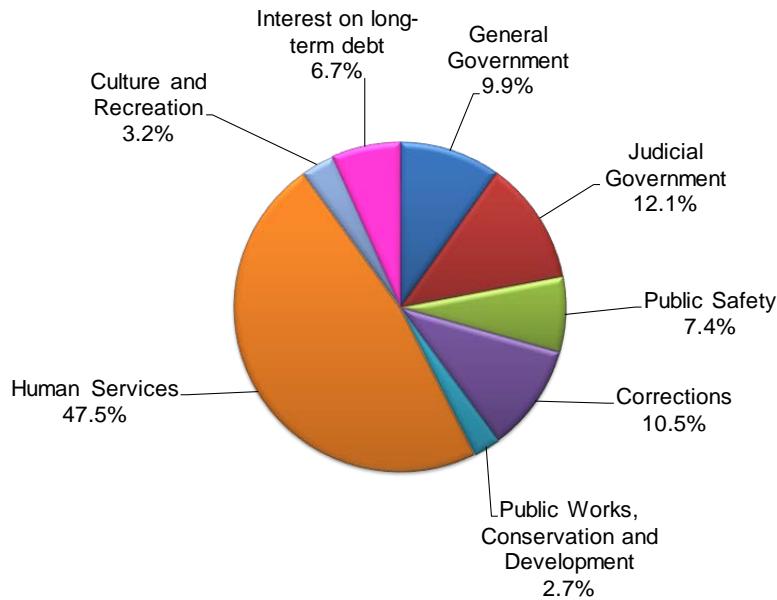
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**Governmental Activities Expenses.** Expenses for governmental activities totaled \$404.1 million which was up \$46.0 million from 2015.

**Expenses by Function – Governmental Activities**  
**For the Year Ended December 31, 2016**



*Human services* programs, with costs totaling \$191.9 million, comprised 47.5 percent of governmental activities expenses which were up by \$20.9 million from 2015. Also included in the function are the expenses of the County's Public Health Department. The majority of the funding received for human services is passed through to service providers for purchased services in the following departments: Aging Services, Drug and Alcohol, Children, Youth and Families, Mental Health/Intellectual & Development Disabilities, Child Care Information Services, Managed Behavioral Healthcare, Community Development, and the Department of Human Services. Provider Services or purchased services, totaling \$138.6 million increased \$15.2 million from the prior year and includes the increase of \$13.7 million for Managed Behavioral Healthcare provider payments. Payments to Children, Youth and Families' providers increased \$0.7 million and, payments to subsidized childcare providers increased \$0.8 million. Overall, expenses for the Public Health Department increased by \$0.1 million from 2015. The majority of the increase was for allocated support services.

*Judicial government* is comprised of the Court of Common Pleas, the minor judiciary, child support enforcement, and row offices that provide services to the courts. Expenses were \$48.9 million or 12.1 percent of the total Governmental Activities expenses which increased by \$4.8 million from the prior year. Overall personnel expenses increased from the prior year. Sheriff's personnel expenses increased due to salary adjustments as a result of a salary study initiated by the County to address hiring needs and reduce staff turnover. Personnel expenditures also increased in the District Attorney's Office. Professional services in the District Attorney's Office were also higher by \$0.3 million. District Courts' expenditures continue to decrease as a result of past reorganizations of the courts' resources generating savings in personnel and facility rental costs. Depreciation of \$3.1 million on buildings and related capital assets, included in the total expense is \$0.4 million less than last year.

*Correctional* expenses were \$42.6 million or 10.5 percent of the total, increasing over the prior year by \$3.6 million. Corrections programs include costs for the prison, adult probation and juvenile probation. Unaudited – see accompanying independent auditors' report

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services. Personnel expenses were higher by \$1.6 million. Salaries were up \$0.7 million as a result of recommended salary adjustments to certain positions. As mentioned previously, the salary study was initiated by the County to address hiring needs and to lower turnover. Overtime was higher by \$0.4 million as a result of a higher vacancy rate in 2016 and the need for 24-hour coverage. Overall, operating expenses were relatively the same as the prior year. Depreciation of \$2.4 million on buildings and related capital assets is included in the total expenses.

*General government* expenses for the administration of County government were \$40.0 million and represent 9.9 percent of the total Governmental Activities expenses or an increase of \$3.1 million from last year. Total personnel expenses were slightly down from the prior year. Contributing factors include vacant positions not filled or positions filled at the minimum salary requirements. The actuarially determined contribution for retirement increased \$2.4 from the prior year. Adoption of updated mortality tables impacted the increase. Grants to other organizations for specialized County-related services increased by \$0.6 million. Indirect cost offsets were \$0.6 million less than the prior year. Equipment repairs and maintenance expenses for computing services were lower. Over \$3.6 million of depreciation expense is included in the total expenses; the same as last year.

*Interest on long-term debt* totaled \$27.0 million or 6.7 percent of total expenses for an increase of \$4.0 million from the prior year. Debt refunding activities contributed to the increase from the prior year. Overall principal payments were reduced by \$2.7 million and interest expense increased by \$3.6 million. In March 2016 the County issued General Obligation Bonds, Series of 2016 in the amount of \$58.2 million to finance a portion of the County's ongoing five-year capital plan. In August 2016, the County issued debt in the amount of \$96.8 million, to advance refund a portion of the General Obligation Bonds of 2009 totaling \$80.7 million and to advance refund a portion of the General Obligation Bonds, Series C of 2009, totaling \$23.6 million. Estimated net present value savings are \$17.2 million while not extending the final maturity of the original issuance. The County continues to take advantage of the low interest rate environment to fund the County's approved Capital Investment Program. The 2016 bond issuances are discussed further in the *Long-term Debt* section.

*Public safety* includes emergency management, operations of the enhanced 9-1-1 communications center, hazardous materials response, and emergency medical services. Expenses totaled \$30.0 million or 7.4 percent of the total Governmental Activities expenses which was a increase of \$11.2 million from the previous year. Total personnel costs increased slightly. Equipment non-capital increased \$1.8 million for upgrades to the enhanced 9-1-1 system. Depreciation totaling \$8.7 million is reported in the statement of activities for a \$7.3 million increase from the prior year. In 2016, the Department of Emergency Services completed the Voice Radio Project, transitioned to a new Intergraph Computer Aided Dispatch (CAD) and completed an Alternate 9-1-1 center.

*Culture and recreation* expenses include parks and recreational activities, as well as library programs, totaled \$13.1 million or 3.2 percent of the total Governmental Activities expenses or an increase of \$0.8 million from 2015. The expenses reflect the expansion of the Chester County trail network that includes three regional trails: the Chester Valley Trail, the Schuylkill River Trail, and the Struble Trail. The Library's repair and maintenance expenses were higher than the prior year and include painting, new shelving and emergency equipment. Parks and Recreation expenses include trail enhancements; such as signage and safety equipment. In 2016, depreciation expense was \$1.6 million or \$0.1 million more than last year.

The balance of program expenses, \$10.7 million or 2.7 percent of the total expenses, was for *public works' bridge activities* and *conservation and development* programs related to land use planning, soil conservation, agricultural development, and water resources for a decrease of \$2.4 million from 2015. Overall, open space and community revitalization expenditures to municipalities, organizations and individuals decreased in 2016.

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**Net Cost of Governmental Activities.** The following table is a summary of expenses, program revenues, and the net cost of services for programs before taxes, investment earnings, and miscellaneous income. Total expenses were \$404.1 million. Those who benefited paid \$43.8 million in charges for governmental services. Intergovernmental operating and capital grants subsidized \$189.6 million for certain programs. Net cost of services provided was \$170.7 million which was up \$27.3 million from 2015.

	Net Cost of Chester County's Governmental Activities For the Years Ended December 31, 2016 and 2015					
	Expenses		Program Revenues		Net Cost of Services	
	2016	2015	2016	2015	2016	2015
General government	\$ 39,966,052	\$ 36,900,190	\$ 13,061,259	\$ 13,880,991	\$ 26,904,793	\$ 23,019,199
Judicial government	48,866,015	44,076,475	14,072,746	13,973,979	34,793,269	30,102,496
Public safety	29,975,222	18,761,892	14,515,406	12,213,738	15,459,816	6,548,154
Corrections	42,594,834	39,023,001	6,904,456	7,364,629	35,690,378	31,658,372
Public works	1,641,908	1,621,342	3,637,964	3,112,547	(1,996,056)	(1,491,205)
Human services	191,939,745	171,046,136	178,541,496	161,757,194	13,398,249	9,288,942
Culture and recreation	13,107,347	12,260,263	434,905	299,829	12,672,442	11,960,434
Conservation and development	9,091,124	11,518,183	2,303,252	2,245,187	6,787,872	9,272,996
Debt service	<u>26,951,207</u>	<u>22,956,163</u>	<u>-</u>	<u>-</u>	<u>26,951,207</u>	<u>22,956,163</u>
<b>Total</b>	<b><u>\$404,133,454</u></b>	<b><u>\$358,163,645</u></b>	<b><u>\$233,471,484</u></b>	<b><u>\$214,848,094</u></b>	<b><u>\$170,661,970</u></b>	<b><u>\$143,315,551</u></b>

**Business-type Activities.** Net position of the Pocopson Home, the County's geriatric center, was \$0.6 million after a \$0.5 million transfer to governmental activities. Net position decreased \$1.2 million from the prior year. The Pocopson Home's net patient service revenues totaled \$25.6 million up \$1.2 million from the prior year. Total operating expenses were \$26.0 million; up \$0.6 million from 2015. Beginning net position was restated by \$1.0 million to reflect an overstatement of net pension liability and deferred outflow of resources related to pension. The average population of the Pocopson Home residents increased from 256.5 in 2015 to 259.7 in 2016.

In November 2015, an eight bed short term rehabilitation facility was opened to offer physical, speech and occupational therapies. 2016 was the first full year of revenues from short-term rehabilitation services. The demand for these services was higher than anticipated. Continued changes in operations, including short-term rehabilitation services and maximizing reimbursements, reduced the County's net costs of services.

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**FUNDS FINANCIAL ANALYSIS**

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

**Governmental Funds**

The accounting focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is valuable in assessing the County's financing requirements. For the year ended December 31, 2016, Chester County's governmental funds reported combined ending fund balances of \$145.6 million or an increase of \$51.3 million from 2015. Restricted fund balance increased \$46.1 million and unrestricted fund balance increased \$5.0 million. In particular, unrestricted fund balance serves as a useful measure of a government's net resources available for spending at the end of the year. Unrestricted fund balance as of December 31, 2016 totaled \$90.3 million which includes committed, assigned and unassigned funds. Ending unassigned fund balance in the General Fund was over \$21.0 million for an increase of \$5.5 million from the prior year.

Restricted fund balance totaled \$53.0 million or an increase of \$46.1 million from the prior year. Funds specifically restricted for capital projects increased \$46.2 million from the prior year. The County's Capital Improvement Plan is supported through the issuance of General Obligation Bonds. Funds from the 2016 bond issuance were used to support the capital projects in 2016 for open space preservation, public safety and other capital programs, such as parks and trails expansion. Restricted fund balances are subject to externally enforceable legal restrictions from grantors, contributors or enabling legislation.

Assigned fund balance totaled \$69.3 million for a decrease of \$0.5 million. Included in assigned fund balance is \$16.2 million for Working Capital Reserve in the General Fund and \$8.0 million to support the subsequent year's General Fund revenues. Fund balance assigned to capital projects totaled \$6.9 million; a decrease of \$0.4 million from the prior year. Capital projects assigned fund balance is earmarked in the Capital Reserve Fund for pay-as-you-go projects. The \$38.2 million remaining in assigned fund balance are the tax supported fund balances for Parks, Library and Debt Service Funds.

Nonspendable fund balance includes \$1.9 million for prepaid items and \$0.3 million for a principal trust endowment. These balances are not in spendable form and cannot be spent.

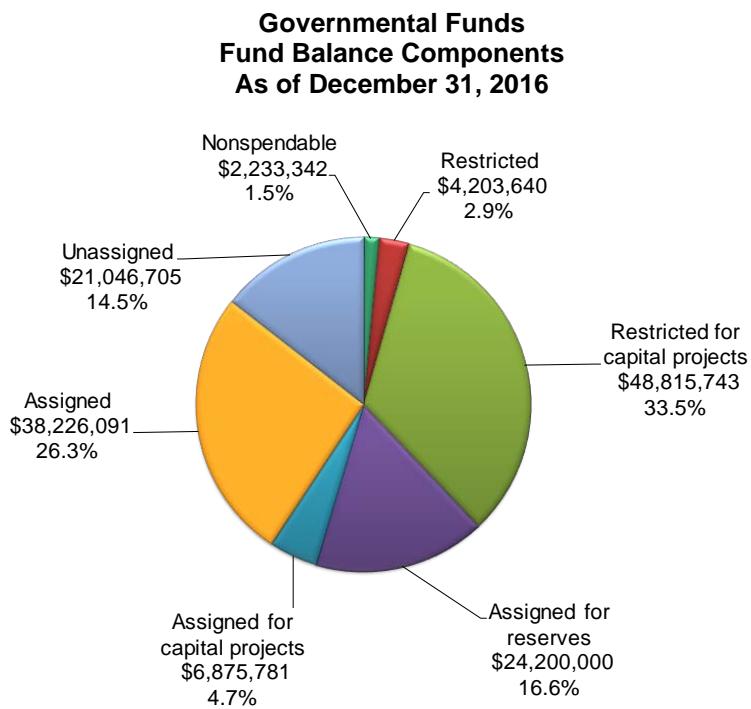
The County Commissioners have not taken any action to self-impose limitations requiring formal action to commit fund balance as of December 31, 2016.

The chart on the next page shows the components of fund balances as of December 31, 2016.

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**General Fund.** The General Fund is the primary operating fund of the County. At the end of 2016, the total General Fund balance was \$46.9 million for an increase of \$5.9 million from the prior year. The General Fund spendable fund balance totaled \$45.2 million and the nonspendable fund balance totaled \$1.7 million.

One measure of the County's financial strength is the level of cash reserves for contingencies. The Board of Commissioners adopted a fund balance policy establishing the objective to strive to maintain an unrestricted fund balance in the General Fund of not less than two months (two – twelfths) of the subsequent year's General Fund budgeted expenditures. Included in the unrestricted fund balance is the Working Capital Reserve. Whereas, ten percent of the subsequent year's General Fund budgeted expenditures will be assigned as Working Capital Reserve. As of December 31, 2016, unrestricted fund balance totaled \$45.2 million comprised of assigned fund balance of \$24.2 million and unassigned fund balance of \$21.0 million, exceeding the minimum by \$18.3 million as set forth in the policy.

**Managed Behavioral Healthcare Fund.** The Managed Behavioral Healthcare special revenue fund does not have any fund balance at year end. Funding for reinvestment projects along with risk and contingency reserves remain strong totaling \$17.9 million as of year-end. Revenues increased from \$67.3 million in 2015 to \$80.8 million in 2016 or an increase of \$13.5 million. Expenditures increased from \$66.6 million to \$80.3 million for an increase of \$13.7 million. As stated earlier, the increases in revenues and expenditures were due to a 17.0 percent increase in membership from the new established baseline and the institution of a Managed Care Assessment starting in July offset by a decrease in reimbursed rates from the Commonwealth by 6.8 percent. The County program serves an estimated 48,743 members. Funding to other departments supported affordable rental housing, drug and alcohol recovery, and evidenced-based network enhancements. Transfers to other departments totaling \$0.5 million decreased \$0.2 million from the prior year.

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**Children, Youth and Families Fund.** The Children, Youth and Families special revenue fund maintains no fund balance. Revenues were \$23.4 million; an increase of \$0.7 million from the prior year. Expenditures increased from \$28.2 million to \$29.3 million for an increase of \$1.1 million or 3.9 percent. The increase in expenditures resulted from an increase in the use of provider services for dependent children coupled with a decline in the use of provider services for delinquent children. The General Fund transfers an amount sufficient to bring the fund balance to \$0. The transfer of \$6.9 million in 2016 was slightly less by \$0.2 million from 2015.

**Capital Improvement Fund.** The Capital Improvement Fund had a total fund balance of \$49.0 million at year-end; an increase of \$46.2 million from the prior year. The \$58.2 million from the 2016 General Obligation Bond issuance combined with the residual proceeds from the 2014 General Obligation Bond issuance supported the \$27.1 million in 2016 capital expenditures. Grant revenues totaling \$1.5 million were used to offset capital expenditures for parks and trails, the construction of the Public Safety Training Campus, and open space.

**Debt Service Fund.** As of the end of the year, fund balance totaled \$31.0 million a decrease of \$1.1 million from the prior year. Debt service revenues totaled \$41.4 million; the same as the prior year. Expenditures totaled \$42.2 million; an increase of \$0.3 million over the prior year. Debt service tax millage remained unchanged from the prior year at 1.071 mills. Payments on principal and interest increased \$0.2 million from the prior year. In March 2016 the County issued General Obligation Bonds, Series of 2016 in the amount of \$58.2 million to finance a portion of the County's ongoing five-year capital plan. In August 2016, the County issued debt in the amount of \$96.8 million, to advance refund a portion of the General Obligation Bonds of 2009 totaling \$80.7 million Series C of 2009, totaling \$23.6 million. Estimated net present value savings are \$17.2 million.

### **Proprietary Funds**

The County maintains three proprietary funds – the Pocopson Home Enterprise Fund and two governmental-type internal service funds; the Technology Fund and the Benefits Fund. The fund financial statements for the business-type activity enterprise fund contain the same information as the government-wide statements but in greater detail. Governmental-activity internal services funds are reported in the aggregate in the fund financial statements. These costs are allocated to governmental and business type activities in the government-wide statements.

**Pocopson Home Fund.** The net position of the Pocopson Home Enterprise Fund as of December 31, 2016, was \$0.06 million. Of this amount \$6.8 million is net investment in capital assets and \$(6.8) million in unrestricted net position. The Pocopson Home Fund ended the year with a decrease of \$0.8 million in net position. The Statement of Net Position reflects Pocopson's share of the pension deferred outflows, net pension liability and related pension expense.

**Internal Service Funds.** The Benefits Fund and the Technology Fund are the two internal service funds maintained by the County. The net position of the internal service funds as of December 31, 2016, was \$10.0 million; a decrease of \$2.4 million from the prior year. The fund balance for the Benefits Fund decreased \$2.3 million and the fund balance for the Technology Fund decreased \$0.1 million. The County is self-insured for primary healthcare and workers' compensation. Therefore, expenditures may trend higher or lower depending on the type and frequency of claims in each year. The standard fringe benefit rate charged to departments remained the same from the prior year covering core healthcare costs of \$11,125 annually per full-time employee and any part-time employee meeting the eligibility requirements. Overall, core healthcare costs varied little from the prior year. The pension rate charged to departments remained the same at 6.15 percent in 2016. The Actuarially Determined Contribution (ADC) to the pension fund increased \$2.4 million from more than \$6.0 million in 2015 to \$8.5 million in 2016. One factor contributing to the increase was the adoption of updated mortality tables. The Technology Fund

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activity varies little from year-to-year. It is used to provide a standardized desktop computing environment for all County departments on a rolling basis.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

This section provides a summary of the major factors involved in the variances in revenue and expenditure budgets between: 1) the Original Budget and the Final Amended Budget; and 2) the Final Amended Budget and the Actual Amounts for the General Fund.

**2016 General Fund Original Budget vs. Final Amended Budget**

Over the course of the year, the original budget was increased to recognize supplemental revenues which were subsequently applied to the appropriations budget. The budget increased \$1.3 million due to an increase in intergovernmental revenues (general grants and health and welfare grants) and other miscellaneous revenues. The increases were the result of the following:

- Carryover intergovernmental funding. Most grants are awarded on a fiscal year that differs from the County's calendar year budget. The original budget was based on estimates of the amounts remaining from awards made during 2015. Positive variances between estimates and actual revenues were eligible for carryover.
- Final allocations and new awards of intergovernmental revenues during 2016. Variances between final amended and original budget reflect the Commonwealth's July 1-June 30 fiscal year versus the County's calendar year.
- Changes in legislative laws and regulations.

**2016 General Fund Final Amended Budget vs. Actual Amounts**

**Revenue Variances.** Variances between actual revenue and the final budget for revenues totaled \$0.3 million. Tax collections were greater than budget by \$0.7 million due to the increase in the County's assessment tax base over the budgeted increase. The County's assessed tax base increased by 0.87 percent over the prior year. The budgeted increase in the assessment base was set at 0.64 percent.

The Public Health Department revenues exceeded the budget by \$0.1 million which is the result of fees generated from more sewage permits and inspections. Restaurant license fees received exceeded budget by \$36,000. In addition, more temporary/special events licenses were issued over the prior year.

General grants have a negative variance between budget and actual of \$1.1 million. Actual grant funding received by the prison for housing state inmates was \$0.3 million less than budgeted. The average population of the state prison inmates decreased by 50.0 percent from the prior year. Combined funding received for judicial services and law enforcement decreased by \$0.3 million. The County continues to receive funding cuts from the state to support administrative costs for the County's 14 judges. In addition the County received minimal funding for the Stop Violence Against Women program in 2016. Over \$0.1 million was budgeted and not received for Household Hazardous Material education and mosquito born viruses.

Public Health's Environmental division contributed to the negative variance of \$0.7 million in Health and Welfare grants. Overall the department received \$0.6 million less grant funding than budgeted. Funding for bioterrorism preparedness was under budget by \$0.3 million. Act 315 reimbursements to support the operations of the Health Department were less than budget by \$0.1 million. Anticipated funding of \$0.1 million was not received for the Safe and Healthy Communities program. Other grant funding for health initiatives administered by the department were slightly under budget. Also, Emergency Services received Unaudited – see accompanying independent auditors' report

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less Pennsylvania Health and Welfare grant funding to support emergency medical services at the local level.

Departmental earnings were \$0.8 million greater than budget. Departmental earnings include fees and commissions charged for services. Due to the housing market activity, most fees and charges received for real estate transactions were higher than budget by \$0.3 million. Land Record fees were higher by \$0.5 million due to the increase in the uniform parcel identifier fee. Register of Wills' departmental earnings on estate filings exceeded budget by \$0.1 million. Fees for Tax Claim collections were slightly above the budget. The acceptance of installment payments by the Adult Probation Office for supervision fees and monitoring fees impacted the amount collected in 2016. As a result, fees collected by the department were under budget by \$0.1 million. In addition, Public Safety training fees were slightly under budget. Fees were budgeted to reflect the full utilization of the training facility earlier in the year. Also, a decrease of civil filings in the Prothonotary's Office impacted the earnings for the department; down slightly from the prior year.

Overall court fines and costs were less than budget by \$0.4 million. Combined court fines and costs collected by the Adult Probation Office and the district courts were \$0.2 million under budget. Revenues collected by the District Attorney's Office for vice investigations were under budget by \$0.1 million. Bail forfeitures collected were only 40 percent of the budgeted amount.

The County's rate of return on investments contributed to the positive variance for interest and rents. The average rate of return on investments was 0.54 percent. The amount budgeted was set at 0.45 percent. Additional space rented in the historic courthouse that was not budgeted also contributed to the positive variance.

Other revenues' positive variance of \$0.7 million resulted from higher real estate transfer fees above the budgeted amount of \$0.6 million. This reflects the positive trend in the housing market. Reimbursements for operating costs from Commonwealth agencies for interpreter services and background checks were also higher.

**Expenditure and Other Financing Sources (Uses) Variances.** Variances between the final budget and actual expenditures and other financing sources (uses) totaled a positive \$13.6 million. Significant variances include the following:

The general government departments, in aggregate, under spent their final operating budgets by \$4.8 million. Non-department expenditures were under budget by \$3.2 million. Unappropriated expenditures budgeted at \$2.6 million were not spent. Grants to other organizations and municipalities were under budget by \$0.3 million. Favorable operating costs in Assessment, Public Defender, Facilities Management and the Department of Computing and Information Services (DCIS), combined with the Non-department positive variance, account for approximately 93.0 percent of the total variance in General Government. Assessment had a positive variance of \$0.2 million due to vacancies and less overtime than budgeted. Also, legal fees and advertising expenditures were under budget as a result of less commercial appeals and Tax Claim upset sales. Public Defender under spent their personnel budget as a result of an average of three full-time vacancies during the year. In addition, Facilities Management's operating expenditures, specifically professional services and repairs and maintenance were under budget. DCIS under spent personnel costs by \$0.2 million due to the vacancies of two full-time positions from mid-year to the end of the year. In addition, professional services budgeted were under spent or not required during the course of the year.

Judicial departments under spent their budgets by \$1.2 million. District Justices under spent their budgets by \$0.5 million. Personnel services were under budget by \$0.1 million. On average, three full-time and six part-time positions were vacant during the year. Materials and services were under budget by \$0.3

Unaudited – see accompanying independent auditors' report

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Management's Discussion and Analysis**  
**December 31, 2016**

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million. The relocation of one district court budgeted in 2016 did not occur. The planned move from a County owned facility to a rental facility resulted in significant savings in facility expenditures. The District Attorney's Office under spent their budget by \$0.4 million. Personnel services and materials and services were under budget by \$0.1 million and \$0.3 million, respectively. Grant revenues and expenditures budgeted in 2016 and not awarded also contributed to the variance.

Public Safety under spent their budget by \$0.6 million. The positive variance resulted from under spending in material and services related to the reduction in state funding for the Pennsylvania Health Development Grant and other ancillary grants received for emergency management.

Corrections departments, in total, under spent their budgets by \$0.2 million. Most of the under spending occurred in Juvenile Probation. Personnel expenditures were under budget due to staff vacancies. An average of 3.5 positions were vacant during the year.

The Public Health Department's expenditures were less than anticipated by \$1.0 million due to less grant funding received to subsidize health services. Personnel services were under spent by over \$0.4 million due to vacant positions not filled during the year. On average, the department had 7.2 full-time and eight part-time vacancies. Also, material and services were under spent by over \$0.5 million. The department received more insurance reimbursements than the prior year to offset costs within the department. The majority of the under spending was noted in the Nursing department and driven by less grant funding received for the various programs as noted above.

The conservation and development departments under spent their budgets by \$0.1 million. Planning, Water Resources and Open Space Preservation combined under spent personnel services and materials and services by \$75,000 and \$48,000; respectively. The majority of the under spending in personnel were due to the Planning Department's vacancies during the year. Also, the Planning Department under spent budgeted materials and services.

Other financing sources and uses had a positive variance of \$5.7 million. Actual operating transfers out were less than budget by \$5.2 million. The Public Safety Fund required \$3.7 million less in transfers from the General Fund. New Commonwealth legislation, titled Act 12 of 2016, established a uniform 9-1-1 surcharge fee of \$1.65 to be applied to any device that is capable of connecting to 9-1-1. The additional revenue reduces the support from the General Fund to meet the operating obligations needed to provide public safety services. The Pocopson Home Fund transfer was budgeted at \$1.0 million. However, due to favorable operating results at the nursing home, the Pocopson Home Fund transferred \$0.5 million to the General Fund. The transfer to the Children, Youth and Families Fund from the General Fund was less than budget by \$0.2 million. Reductions in juvenile placement costs contributed to the positive variance. The Liquid Fuels Fund, set up for bridge repairs and maintenance did not need funding budgeted from the General Fund totaling \$0.1 million. The fund received adequate grant funding to meet the expenditures incurred during the year.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Management's Discussion and Analysis**  
**December 31, 2016**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

Chester County's investment in capital assets, net of accumulated depreciation, amounted to \$412.2 million as of December 31, 2016. The following table summarizes the County's investment in capital assets.

Capital Assets, Net of Depreciation December 31, 2016 and 2015					
	Governmental Activities	Business-type Activities	Total December 31, 2016	Total December 31, 2015	
Land and improvements	\$ 34,403,278	\$ 39,952	\$ 34,443,230	\$ 30,635,686	
Buildings and improvements	194,807,347	4,279,475	199,086,822	182,938,324	
Machinery and equipment	49,453,515	6,753	49,460,268	8,102,251	
Machinery and equipment capital lease	368,950	-	368,950	587,339	
Infrastructure	14,004,906	-	14,004,906	13,347,366	
Construction in progress	22,966,985	2,701,323	25,668,308	84,034,291	
Land development rights	89,196,825	-	89,196,825	87,202,425	
<b>Total</b>	<b>\$ 405,201,806</b>	<b>\$ 7,027,503</b>	<b>\$ 412,229,309</b>	<b>\$ 406,847,682</b>	

Highlights of the amounts expended during 2016 for major capital assets include:

- \$14.8 million for public safety
- \$7.6 million for open space and community revitalization
- \$1.8 million for facility improvements
- \$0.5 million for County park and trail development

Additional detailed information on the County's capital assets can be found in Note 5 of the *Notes to the Financial Statements*.

**Long-term Debt**

The Commonwealth of Pennsylvania Local Government Unit Debt Act governs the amount of general obligation bonded indebtedness the County can incur. Under this Act, the County can legally incur nonelectoral debt equal to three hundred percent of its borrowing base. The borrowing base is calculated as one third of total revenues for the past three years minus certain statutory deductions.

As of December 31, 2016, the County had outstanding debt of \$550.8 million or 41.8 percent of the maximum \$1.3 billion as permitted by law. This amount represents 1.5 percent of the total assessed taxable property value as of the end of the year. Total debt increased \$31.8 million from the prior year. In March 2016 the County issued General Obligation Bonds, Series of 2016 in the amount of \$58.2 million to finance a portion of the County's ongoing five-year capital plan. In August 2016, the County issued debt in the amount of \$96.8 million, to advance refund a portion of the General Obligation Bonds of 2009 totaling \$80.7 million and Series C of 2009, totaling \$23.6 million. Estimated net present value savings are \$17.2 million.

Unaudited – see accompanying independent auditors' report

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Management's Discussion and Analysis**  
**December 31, 2016**

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<b>General Obligation Debt Outstanding</b> <b>December 31, 2016 and 2015</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
General obligation bonds	\$ 541,611,364	\$ 509,665,742	\$ 243,636	\$ 349,259	\$ 541,855,000	\$ 510,015,001
General obligation notes	<u>8,910,000</u>	<u>8,914,999</u>	<u>-</u>	<u>-</u>	<u>8,910,000</u>	<u>8,914,999</u>
<b>Total</b>	<b><u>\$ 550,521,364</u></b>	<b><u>\$ 518,580,741</u></b>	<b><u>\$ 243,636</u></b>	<b><u>\$ 349,259</u></b>	<b><u>\$ 550,765,000</u></b>	<b><u>\$ 518,930,000</u></b>

Additional detailed information on the County's long-term debt can be found in Note 10 of the *Notes to the Financial Statements*.

#### **ECONOMIC FACTORS AND 2017 BUDGET**

- Chester County continues to have a diverse tax base with little concentration in any one taxpayer. The top ten taxpayers represent 2.2 percent of the total assessed values as of December 31, 2016.
- Chester County's average annual unemployment rate in 2016 was 3.9 percent, below the Commonwealth of Pennsylvania and the national averages of 5.4 percent and 4.9 percent, respectively.
- A \$547.6 million consolidated budget was adopted for 2017. Concurrently, the real estate tax rate was set at 4.369 mills an increase of 4.9 percent from the prior year.

#### **CONTACTING CHESTER COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors, customers, and creditors with a general overview of Chester County's finances and to demonstrate the County's accountability for the money it receives. Questions regarding this report or requests for additional financial information should be directed to Norman MacQueen, Controller, 313 West Market Street, Suite 6302, West Chester, PA, 19380-0991, or visit the County's web site at <http://www.chesco.org>.

Unaudited – see accompanying independent auditors' report

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# Basic Financial Statements

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statement of Net Position**  
**December 31, 2016**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Solid Waste Authority	Nonmajor Component Units
<b>Assets:</b>					
Current assets:					
Cash and cash equivalents	\$ 107,129,131	\$ 605,637	\$ 107,734,768	\$ 1,287,176	\$ 4,324,006
Investments	-	-	-	25,888,593	994,240
Receivables (net where applicable, of allowances for uncollectible amounts):					
Taxes	5,676,737	-	5,676,737	-	-
Accounts	26,842	3,516,134	3,542,976	1,893,177	484,691
Grants	16,447,419	-	16,447,419	-	73,297
Accrued interest and dividends	254,284	-	254,284	-	-
Other	6,469,665	10,084	6,479,749	-	-
Internal balances	4,790,475	(4,790,475)	-	-	-
Inventories	15,948	90,075	106,023	-	-
Prepads	2,759,751	38,972	2,798,723	448,431	191,753
Other assets	9,115	-	9,115	-	-
Advances to subcontractors	17,174	-	17,174	-	-
Restricted cash and cash equivalents	50,006,531	242,467	50,248,998	-	-
Restricted investments	-	-	-	6,033,395	-
Total current assets	193,603,072	(287,106)	193,315,966	35,550,772	6,067,987
Noncurrent assets:					
Other assets	153,992	-	153,992	4,685,273	-
Restricted cash and cash equivalents	21,326,005	-	21,326,005	-	-
Restricted investments	1,119,477	-	1,119,477	19,724,645	-
Capital assets, not being depreciated	136,347,166	2,701,323	139,048,489	-	-
Capital assets, being depreciated, net	268,854,640	4,326,180	273,180,820	31,333,437	21,076,652
Total noncurrent assets	427,801,280	7,027,503	434,828,783	55,743,355	21,076,652
<b>Total assets</b>	<b>621,404,352</b>	<b>6,740,397</b>	<b>628,144,749</b>	<b>91,294,127</b>	<b>27,144,639</b>
<b>Deferred outflows of resources:</b>					
Deferred charge on refunding	25,435,001	-	25,435,001	-	-
Deferred outflows related to pension	22,832,698	2,822,019	25,654,717	-	-
<b>Total deferred outflows of resources</b>	<b>48,267,699</b>	<b>2,822,019</b>	<b>51,089,718</b>	<b>-</b>	<b>-</b>
<b>Liabilities:</b>					
Current liabilities:					
Vouchers and accounts payable	18,542,641	206,546	18,749,187	2,509,262	273,993
Accrued salaries	2,084,071	247,838	2,331,909	140,151	38,714
Accrued interest payable	8,333,279	2,440	8,335,719	-	-
Unearned grant revenue	23,894,316	-	23,894,316	-	-
Other unearned revenue	1,737,789	-	1,737,789	-	107,793
Funds held in escrow	227,970	-	227,970	-	-
Funds held as fiduciary	-	304,608	304,608	-	-
Due to other governments	4,373,481	-	4,373,481	-	-
Other liabilities	2,856,722	-	2,856,722	851,261	216,811
Compensated absences	4,519,946	407,683	4,927,629	-	-
Workers' compensation claims	322,727	322,724	645,451	-	-
Medical and prescription claims	1,043,489	143,006	1,186,495	-	-
Capital leases payable	218,954	-	218,954	-	-
Notes and bonds payable	25,534,646	108,625	25,643,271	-	-
Closure and postclosure care costs	-	-	-	6,033,395	-
Total current liabilities	93,690,031	1,743,470	95,433,501	9,534,069	637,311
Noncurrent liabilities:					
Compensated absences	4,965,234	348,317	5,313,551	-	-
Net pension liability	45,288,489	5,597,453	50,885,942	-	-
Other post employment benefits	2,467,994	397,830	2,865,824	-	-
Workers' compensation claims	720,043	720,036	1,440,079	-	-
Capital leases payable	149,996	-	149,996	-	-
Notes and bonds payable	584,210,156	135,011	584,345,167	-	-
Closure and postclosure care costs	-	-	-	10,319,572	-
Total noncurrent liabilities	637,801,912	7,198,647	645,000,559	10,319,572	-
<b>Total liabilities</b>	<b>731,491,943</b>	<b>8,942,117</b>	<b>740,434,060</b>	<b>19,853,641</b>	<b>637,311</b>
<b>Deferred inflow of resources:</b>					
Deferred fees	560,000	-	560,000	-	-
Deferred real estate tax fee	200	-	200	-	-
Deferred inflows related to pension	283,635	35,056	318,691	-	-
Grants received in advance	-	-	-	-	223,345
<b>Total deferred inflow of resources</b>	<b>843,835</b>	<b>35,056</b>	<b>878,891</b>	<b>-</b>	<b>223,345</b>

Continued on next page

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statement of Net Position**  
**December 31, 2016**

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Solid Waste Authority	Nonmajor Component Units
<b>Net position:</b>					
Net Investment in capital assets	1,830,308	6,783,867	8,614,175	29,921,161	21,076,652
Restricted for:					
Hatfield house nonexpendable	942,353	-	942,353	-	-
Hatfield house expendable	261,355	-	261,355	-	-
Agricultural easement	148,139	-	148,139	-	-
Child support enforcement	350,000	-	350,000	-	-
Landfill closure	-	-	-	9,405,073	-
Affordable housing act	145,564	-	145,564	-	-
County records improvement	248,302	-	248,302	-	-
Act 13 - impact fee revenues	1,948,824	-	1,948,824	-	-
Bridge construction and maintenance	166,408	-	166,408	-	-
County fee LU fund	935,050	-	935,050	-	-
Donor	-	-	-	-	29,680
Capital projects	26,749	-	26,749	-	-
Medical claims	2,862,000	-	2,862,000	-	-
Unrestricted	(72,528,779)	(6,198,624)	(78,727,403)	32,114,252	5,177,651
<b>Total net position (deficit)</b>	<b>\$ (62,663,727)</b>	<b>\$ 585,243</b>	<b>\$ (62,078,484)</b>	<b>\$ 71,440,486</b>	<b>\$ 26,283,983</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

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<b>Functions/Programs</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government</b>				
Governmental activities:				
General government	\$ 39,966,052	\$ 12,350,778	\$ 710,481	\$ -
Judicial government	48,866,015	8,022,906	6,049,840	-
Public safety	29,975,222	12,418,994	1,272,898	823,514
Corrections	42,594,834	4,416,627	2,487,829	-
Public works	1,641,908	939,631	1,024,423	1,673,910
Human services	191,939,745	3,962,072	174,579,424	-
Culture and recreation	13,107,347	306,611	32,666	95,628
Conservation and development	9,091,124	1,441,261	326,728	535,263
Interest on long-term debt	26,951,207	-	-	-
Total governmental activities	<u>404,133,454</u>	<u>43,858,880</u>	<u>186,484,289</u>	<u>3,128,315</u>
Business-type activities:				
Geriatric center	26,408,244	25,740,289	18,725	-
Total business type activities	<u>26,408,244</u>	<u>25,740,289</u>	<u>18,725</u>	<u>-</u>
Total primary government	<u>\$ 430,541,698</u>	<u>\$ 69,599,169</u>	<u>\$ 186,503,014</u>	<u>\$ 3,128,315</u>
<b>Component units</b>				
Solid waste authority				
Public works	13,453,791	15,431,767	-	-
Nonmajor component units	<u>6,927,019</u>	<u>1,051,622</u>	<u>1,829,127</u>	<u>905,822</u>
Total component units	<u>\$ 20,380,810</u>	<u>\$ 16,483,389</u>	<u>\$ 1,829,127</u>	<u>\$ 905,822</u>

General revenues  
Taxes:  
Property taxes, levied for general purposes  
Property taxes, levied for debt service  
Property taxes, levied for parks and recreation  
Property taxes, levied for library  
Personal property taxes  
Hotel taxes  
Investment earnings  
Miscellaneous  
Transfers  
Total general revenues and transfers  
Change in net position  
Net position - beginning (restated)  
Net position - ending

See accompanying notes to the financial statements.

**Net (Expense) Revenue and  
Changes in Net Position**

<b>Primary Government</b>			<b>Component Units</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Solid Waste Authority</b>	<b>Nonmajor Component Units</b>	
\$ (26,904,793)	\$ -	\$ (26,904,793)	\$ -	\$ -	\$ -
(34,793,269)	-	(34,793,269)	-	-	-
(15,459,816)	-	(15,459,816)	-	-	-
(35,690,378)	-	(35,690,378)	-	-	-
1,996,056	-	1,996,056	-	-	-
(13,398,249)	-	(13,398,249)	-	-	-
(12,672,442)	-	(12,672,442)	-	-	-
(6,787,872)	-	(6,787,872)	-	-	-
<u>(26,951,207)</u>	<u>-</u>	<u>(26,951,207)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <u>(170,661,970)</u>	<u>-</u>	<u>(170,661,970)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 -	<u>(649,230)</u>	<u>(649,230)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 -	<u>(649,230)</u>	<u>(649,230)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <u>(170,661,970)</u>	<u>(649,230)</u>	<u>(171,311,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>
   -	   -	   -	   1,977,976	   -	   -
   -	   -	   -	   -	   <u>(3,140,448)</u>	   <u>(3,140,448)</u>
   -	   -	   -	   1,977,976	   <u>(3,140,448)</u>	   <u>(3,140,448)</u>
   104,043,865	   -	   104,043,865	   -	   -	   -
 39,906,447	 -	 39,906,447	 -	 -	 -
 4,249,542	 -	 4,249,542	 -	 -	 -
 6,856,315	 -	 6,856,315	 -	 -	 -
 13,156	 -	 13,156	 -	 -	 -
 -	 -	 -	 -	 2,870,136	 -
 1,344,485	 -	 1,344,485	 643,516	 65,931	 -
 5,996,766	 -	 5,996,766	 818,243	 -	 -
 541,814	 <u>(541,814)</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 162,952,390	 <u>(541,814)</u>	 <u>162,410,576</u>	 <u>1,461,759</u>	 <u>2,936,067</u>	 <u>-</u>
 (7,709,580)	 <u>(1,191,044)</u>	 <u>(8,900,624)</u>	 <u>3,439,735</u>	 <u>(204,381)</u>	 <u>-</u>
 (54,954,147)	 <u>1,776,287</u>	 <u>(53,177,860)</u>	 <u>68,000,751</u>	 <u>26,488,364</u>	 <u>-</u>
 <u>\$ (62,663,727)</u>	 <u>\$ 585,243</u>	 <u>\$ (62,078,484)</u>	 <u>\$ 71,440,486</u>	 <u>\$ 26,283,983</u>	 <u>-</u>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2016**

	General	Managed Behavioral Healthcare	Children, Youth and Families
<b>Assets:</b>			
Cash and cash equivalents	\$ 28,548,149	\$ 5,600,153	\$ 16,300
Taxes receivable	4,124,561	-	-
Grants receivable	2,335,019	168,083	7,818,559
Interest and dividends receivable	237,099	-	-
Other receivables	2,785,203	290	133,339
Due from other funds	15,935,199	-	-
Inventories	15,948	-	-
Prepays	1,627,349	-	-
Other assets	7,372	-	-
Advances to subcontractors	-	-	15,000
Restricted cash and cash equivalents	1,074,668	17,873,987	-
Restricted investments	1,119,477	-	-
<b>Total Assets</b>	<b>\$ 57,810,044</b>	<b>\$ 23,642,513</b>	<b>\$ 7,983,198</b>
<b>Liabilities, deferred inflow of resources, and fund balances:</b>			
<b>Liabilities:</b>			
Vouchers and accounts payable	\$ 2,138,378	\$ 1,247,493	\$ 2,687,032
Accrued liabilities	1,418,436	12,231	163,953
Unearned grant revenue	208,223	17,873,987	56,939
Other unearned revenue	120,075	77,569	11,453
Funds held in escrow	211,186	-	-
Due to other funds	-	494,830	4,841,172
Due to other governments	-	3,936,403	222,649
Other liabilities	2,758,444	-	-
<b>Total Liabilities</b>	<b>6,854,742</b>	<b>23,642,513</b>	<b>7,983,198</b>
<b>Deferred inflow of resources:</b>			
Deferred fees	560,000	-	-
Unavailable real estate taxes	2,501,848	-	-
Deferred real estate tax fee	200	-	-
Deferred tax claim fees	1,003,252	-	-
	4,065,300	-	-
<b>Fund balances:</b>			
Nonspendable			
Prepaid items and inventories	1,643,297	-	-
Hatfield trust endowment principal	-	-	-
Restricted			
Capital projects	-	-	-
Agricultural easement	-	-	-
Act 13 - impact fee revenues	-	-	-
County records improvement	-	-	-
Child support enforcement	-	-	-
Bridge construction and maintenance	-	-	-
County fee local use fund	-	-	-
Affordable housing act	-	-	-
Hatfield trust - spendable	-	-	-
Assigned			
Appropriations for subsequent years budget	8,000,000	-	-
Capital projects	-	-	-
Working capital reserve	16,200,000	-	-
Retirement of long term debt	-	-	-
Upkeep of county parks	-	-	-
Upkeep of county libraries	-	-	-
Unassigned			
	21,046,705	-	-
<b>Total fund balances</b>	<b>46,890,002</b>	<b>-</b>	<b>-</b>
<b>Total liabilities, deferred inflow of resources and fund balances</b>			
	<b>\$ 57,810,044</b>	<b>\$ 23,642,513</b>	<b>\$ 7,983,198</b>

See accompanying notes to the financial statements.

<b>Capital Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 2,204,734	\$ 30,774,375	\$ 26,405,036	\$ 93,548,747
-	1,199,695	352,482	5,676,738
883,331	-	5,242,428	16,447,420
17,185	-	-	254,284
60,531	-	3,426,027	6,405,390
-	-	-	15,935,199
-	-	-	15,948
-	-	377,203	2,004,552
-	-	1,743	9,115
-	-	2,174	17,174
50,006,531	-	2,377,350	71,332,536
-	-	-	1,119,477
<b>\$ 53,172,312</b>	<b>\$ 31,974,070</b>	<b>\$ 38,184,443</b>	<b>\$ 212,766,580</b>

\$ 4,174,647	\$ 539	\$ 7,223,414	\$ 17,471,503
-	-	483,606	2,078,226
-	-	5,755,166	23,894,315
21,001	-	1,507,691	1,737,789
10,000	-	6,785	227,971
-	-	3,972,855	9,308,857
-	-	214,642	4,373,694
-	-	-	2,758,444
<b>4,205,648</b>	<b>539</b>	<b>19,164,159</b>	<b>61,850,799</b>

-	-	-	560,000
-	962,877	286,302	3,751,027
-	-	-	200
-	-	-	1,003,252
-	<b>962,877</b>	<b>286,302</b>	<b>5,314,479</b>

-	-	247,246	1,890,543
-	-	342,799	342,799
48,815,743	-	-	48,815,743
148,139	-	-	148,139
2,782	-	1,946,041	1,948,823
-	-	248,302	248,302
-	-	350,000	350,000
-	-	166,407	166,407
-	-	935,050	935,050
-	-	145,564	145,564
-	-	261,355	261,355
-	-	-	8,000,000
-	-	6,875,781	6,875,781
-	-	-	16,200,000
-	31,010,654	-	31,010,654
-	-	5,015,786	5,015,786
-	-	2,199,651	2,199,651
-	-	-	21,046,705
<b>48,966,664</b>	<b>31,010,654</b>	<b>18,733,982</b>	<b>145,601,302</b>

<b>\$ 53,172,312</b>	<b>\$ 31,974,070</b>	<b>\$ 38,184,443</b>	<b>\$ 212,766,580</b>
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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2016**

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Fund balance - governmental funds balance sheet	\$ 145,601,302
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets, of \$623,996,714 less accumulated depreciation of \$219,163,858, used in governmental activities, are not financial resources and therefore are not reported in the funds.	
Those assets consist of:	
Land	17,697,468
Land improvements, net	16,705,810
Land development rights	89,196,825
Infrastructure, net	14,004,906
Buildings and improvements, net	194,807,347
Machinery and equipment, net	49,453,515
Construction in progress	<u>22,966,985</u>
Total capital assets	404,832,856
Department of Community Development low income housing loans reported as an expenditure on a fund basis and recognized as a receivable on a government-wide basis.	153,991
Internal service funds are used by management to charge the costs of certain activities, such as workers compensation, flexible benefits, and computer equipment replacement.	
Those assets and liabilities consist of:	
Cash	13,580,383
Receivables	78,003
Prepays	755,199
Machinery and equipment capital lease, net	<u>368,950</u>
Total assets	<u>14,782,535</u>
Vouchers payable	(1,071,138)
Due to other funds	(1,822,753)
Accrued salaries and wages payable	(5,846)
Health care and dependent care FSA withholding	(87,961)
Parking FSA withholding	(9,458)
Transit FSA withholding	(645)
Accrued health and dental liability	(1,043,489)
Accrued workers' compensation claims liability	(322,727)
Capital leases payable	(368,950)
Accrued workers' compensation payable liability	<u>(720,043)</u>
Total liabilities	<u>(5,453,010)</u>
Total net position	9,329,525
Some liabilities and deferred outflows including notes and bonds payable of \$609,744,802 and compensated absences of \$9,485,180, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and notes payable	(609,744,802)
Compensated absences	(9,485,180)
Net pension liability	(45,288,489)
Accrued bond and note interest payable	(8,333,279)
Net OPEB obligation	(2,467,994)
Deferred charge on refunding	25,435,001
Deferred outflows related to pension	22,832,698
Deferred inflows related to pension	<u>(283,635)</u>
	(627,335,680)
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Unavailable real estate taxes	3,751,027
Deferred tax claim fees	<u>1,003,252</u>
	4,754,279
Net position of governmental activities	<u>\$ (62,663,727)</u>

See accompanying notes to the financial statements.

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2016**

	General	Managed Behavioral Healthcare	Children, Youth and Families
<b>Revenues:</b>			
Taxes:			
Real estate	\$ 104,170,293	\$ -	\$ -
Personal property	13,156	-	-
Licenses and permits	1,858,810	-	-
General grants	5,806,732	853	-
Health and welfare grants	6,610,260	80,801,983	22,540,069
Departmental earnings	15,044,220	-	767,510
Court costs and fines	4,151,080	-	-
Interest and rent	575,616	-	-
Other	4,086,422	-	92,879
<b>Total revenues</b>	<b>142,316,589</b>	<b>80,802,836</b>	<b>23,400,458</b>
<b>Expenditures:</b>			
Current:			
General government	29,506,826	-	-
Judicial	37,437,975	-	-
Public safety	3,611,670	-	-
Corrections	39,522,287	-	-
Public works	-	-	-
Human services	9,539,544	80,287,966	29,274,299
Culture and recreation	-	-	-
Conservation and development	5,654,302	-	-
Capital outlay:			
Bridges	-	-	-
Other	-	-	2,598
Debt service:			
Principal	-	-	-
Interest	-	-	-
Debt issuance costs	-	-	-
<b>Total expenditures</b>	<b>125,272,604</b>	<b>80,287,966</b>	<b>29,276,897</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>17,043,985</b>	<b>514,870</b>	<b>(5,876,439)</b>
<b>Other financing sources (uses):</b>			
Issuance of G.O. bonds	-	-	-
Premium on bond issue	-	-	-
Payment to refunded bond escrow agent	-	-	-
Issuance of Refunding Bonds	-	-	-
Transfers in	743,697	620	7,052,708
Transfers out	(11,917,697)	(515,490)	(1,176,269)
Sale of capital assets	2,424	-	-
<b>Total other financing sources (uses)</b>	<b>(11,171,576)</b>	<b>(514,870)</b>	<b>5,876,439</b>
<b>Net change in fund balances</b>	<b>5,872,409</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>			
Beginning of year	41,017,593	-	-
<b>End of year</b>	<b>\$ 46,890,002</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to the financial statements.

<b>Capital Improvement</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 39,952,418	\$ 11,123,568	\$ 155,246,279
-	-	-	13,156
-	-	-	1,858,810
1,454,405	-	18,153,046	25,415,036
-	-	53,183,394	163,135,706
-	-	12,899,172	28,710,902
-	-	58,625	4,209,705
298,377	236,458	908,025	2,018,476
338,856	1,182,928	2,404,750	8,105,835
<b>2,091,638</b>	<b>41,371,804</b>	<b>98,730,580</b>	<b>388,713,905</b>
339,487	11,446	658,739	30,516,498
49,000	-	6,519,380	44,006,355
-	-	13,452,732	17,064,402
14,970	-	25,937	39,563,194
-	-	1,069,580	1,069,580
3,088,695	-	66,898,377	189,088,881
102,532	-	11,053,386	11,155,918
3,531,222	-	222,368	9,407,892
-	-	2,663,657	2,663,657
19,561,832	-	3,261,498	22,825,928
-	18,659,377	-	18,659,377
-	22,944,962	-	22,944,962
362,671	563,077	-	925,748
<b>27,050,409</b>	<b>42,178,862</b>	<b>105,825,654</b>	<b>409,892,392</b>
<b>(24,958,771)</b>	<b>(807,058)</b>	<b>(7,095,074)</b>	<b>(21,178,487)</b>
58,170,000	-	-	58,170,000
13,192,671	21,199,138	-	34,391,809
-	(117,401,061)	-	(117,401,061)
-	96,765,000	-	96,765,000
-	1,139,213	8,995,362	17,931,600
(246,780)	(2,000,000)	(1,533,550)	(17,389,786)
9,251	-	29,452	41,127
<b>71,125,142</b>	<b>(297,710)</b>	<b>7,491,264</b>	<b>72,508,689</b>
<b>46,166,371</b>	<b>(1,104,768)</b>	<b>396,190</b>	<b>51,330,202</b>
2,800,293	32,115,422	18,337,792	94,271,100
<b>\$ 48,966,664</b>	<b>\$ 31,010,654</b>	<b>\$ 18,733,982</b>	<b>\$ 145,601,302</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December, 31 2016**

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Net change in fund balances - total governmental funds	\$ 51,330,202
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. In the current period these amounts are:

Expenditures for capital assets	\$ 25,489,585
Depreciation expense	(20,715,739)
Retirement and sale of capital assets	<u>(1,715,873)</u>
Net adjustment	3,057,973

Revenue in the statement of activities that are not available to provide current financial resources are not reported as revenues in the funds. At the government-wide level revenue recognition is not limited by availability. The effects of these adjustments in the current year are:

Real estate taxes	(190,109)
Tax claim fees	(22,994)
Department of community development loans	<u>(4,325)</u>
	(217,428)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The net effects of these differences in the current period are:

Proceeds from issuance of bonds and refunding bonds	(154,935,000)
Accrued bond and note interest expense	(1,346,300)
Principal paid on capital lease	344,256
Debt repayments and amortizations	104,752,743
Amortization of losses on advance refundings	(2,092,177)
Pension expense	(3,400,158)
Deferred charges related to pension	(2,509,095)
Net OPEB obligation	<u>(258,651)</u>
Net adjustment	(59,444,382)

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:

Compensated absences	(485,419)
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Internal service funds are used by management to charge the costs of certain activities, such as workers' compensation, flexible benefits, and computer equipment replacement to individual funds. The non-operating revenue of certain activities of internal service fund is reported with governmental activities. The results of operations are eliminated through consolidation.

(1,950,526)

Change in net position of governmental activities	\$ (7,709,580)
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See accompanying notes to the financial statements.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2016**

	<b>Business-type Activities</b> <b>Enterprise Fund Pocopson</b>	<b>Governmental Activities</b> <b>Internal Service Funds</b>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 605,637	\$ 13,580,383
Receivables (net where applicable, of allowances for uncollectible amounts):		
Accounts	3,516,134	-
Other	10,084	78,003
Inventories	90,075	-
Prepays	38,972	755,199
Restricted cash and cash equivalents	<u>242,467</u>	-
Total current assets	<u>4,503,369</u>	<u>14,413,585</u>
Noncurrent assets:		
Capital assets, net	7,027,503	368,950
Total noncurrent assets	<u>7,027,503</u>	<u>368,950</u>
<b>Total assets</b>	<b><u>11,530,872</u></b>	<b><u>14,782,535</u></b>
<b>Deferred outflows of resources:</b>		
Deferred outflows related to pension	2,822,019	-
<b>Total Deferred outflows of resources</b>	<b><u>2,822,019</u></b>	<b><u>-</u></b>
<b>Liabilities:</b>		
Current liabilities:		
Vouchers and accounts payable	206,546	1,071,138
Accrued salaries	247,838	5,846
Accrued interest payable	2,440	-
Due to other funds	6,613,228	-
Funds held as fiduciary	304,608	-
Other liabilities	-	98,064
Compensated absences	407,683	-
Workers' compensation claims	-	645,451
Health and long-term disability claims	-	1,186,495
Notes and bonds payable	108,625	-
Capital leases payable	-	218,954
Total current liabilities	<u>7,890,968</u>	<u>3,225,948</u>
Noncurrent liabilities:		
Compensated absences	348,317	-
Net pension liability	5,597,453	-
Other post employment benefits	397,830	-
Workers' compensation claims	-	1,440,079
Notes and bonds payable	135,011	-
Capital leases payable	-	149,996
Total noncurrent liabilities	<u>6,478,611</u>	<u>1,590,075</u>
<b>Total liabilities</b>	<b><u>14,369,579</u></b>	<b><u>4,816,023</u></b>
<b>Deferred inflows of resources:</b>		
Deferred inflows related to pension	35,056	-
<b>Total Deferred inflows of resources</b>	<b><u>35,056</u></b>	<b><u>-</u></b>
<b>Net position:</b>		
Net investment in capital assets	6,783,867	-
Restricted for:		
Medical claims	-	2,862,000
Unrestricted	<u>(6,835,611)</u>	<u>7,104,512</u>
<b>Total net position</b>	<b><u>(51,744)</u></b>	<b><u>\$ 9,966,512</u></b>
Adjustment to reflect the consolidation of internal service fund activities related to business-type activities	636,987	
<b>Net position of business-type activities</b>	<b><u>\$ 585,243</u></b>	

See accompanying notes to the financial statements.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2016**

	<b>Business-type Activities</b> <b>Enterprise Fund</b> <b>Pocopson</b>	<b>Governmental Activities</b> <b>Internal Service Funds</b>
<b>Operating revenues:</b>		
Net patient service revenues	\$ 25,634,509	\$ -
Self insurance premiums - employer	-	32,007,538
Self insurance premiums - employee	-	4,162,614
Computer usage fees	-	794,269
Other	<u>124,506</u>	<u>1,103,764</u>
<b>Total operating revenues</b>	<b><u>25,759,015</u></b>	<b><u>38,068,185</u></b>
<b>Operating expenses:</b>		
Personal services	18,604,877	608,337
Other services and charges	5,033,047	9,462,518
Self insurance claims	137,473	30,062,483
Bad debt	125,000	-
Depreciation	556,202	322,103
Indirect costs	<u>1,522,167</u>	<u>76,065</u>
<b>Total operating expenses</b>	<b><u>25,978,766</u></b>	<b><u>40,531,506</u></b>
<b>Operating income (loss)</b>	<b><u>(219,751)</u></b>	<b><u>(2,463,321)</u></b>
<b>Nonoperating revenues (expenses):</b>		
Interest income	-	103,418
Interest expense	<u>(6,281)</u>	<u>(13,821)</u>
<b>Total nonoperating revenues (expenses)</b>	<b><u>(6,281)</u></b>	<b><u>89,597</u></b>
<b>Income (loss) before contributions and transfers</b>	<b><u>(226,032)</u></b>	<b><u>(2,373,724)</u></b>
Transfers out	<u>(541,814)</u>	<u>-</u>
<b>Change in net position</b>	<b><u>(767,846)</u></b>	<b><u>(2,373,724)</u></b>
<b>Total net positon - beginning (restated)</b>	<b><u>716,102</u></b>	<b><u>12,340,236</u></b>
<b>Total net position - ending</b>	<b><u>\$ (51,744)</u></b>	<b><u>\$ 9,966,512</u></b>
Change in net position	\$ (767,846)	
Adjustment to reflect the consolidation of internal service fund activities related to business-type activities	<u>(423,198)</u>	
<b>Change in net position of business-type activities</b>	<b><u>\$ (1,191,044)</u></b>	

See accompanying notes to the financial statements.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year ended December 31, 2016**

	Business-type Activities Enterprise Fund <b>Pocopson</b>	Governmental Activities Internal Services <b>Funds</b>
<b>Cash flows from operating activities</b>		
Receipts from customers and users	\$ 26,022,029	\$ 36,917,306
Payments to suppliers	(6,843,553)	(9,525,568)
Payments to employees	(17,787,817)	(607,151)
Claims paid	-	(30,450,326)
Other receipts	124,506	1,104,608
<b>Net cash provided by (used in) operating activities</b>	<b>1,515,165</b>	<b>(2,561,131)</b>
<b>Cash flows from noncapital financing activities</b>		
Operating subsidies and transfers from other funds	1,583,621	-
<b>Cash flows from capital and related financing activities</b>		
Principal paid on capital related debt	(105,623)	(322,103)
Interest paid on capital related debt	(3,841)	(13,821)
Capital purchases	(2,733,737)	-
<b>Net cash used in capital and related financing activities</b>	<b>(2,843,201)</b>	<b>(335,924)</b>
<b>Cash flows from investing activities</b>		
Interest and dividends received	-	103,418
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>103,418</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>255,585</b>	<b>(2,793,637)</b>
<b>Cash and cash equivalents beginning of year (including Enterprise Fund restricted cash of \$278,105)</b>	<b>592,519</b>	<b>16,374,020</b>
<b>Cash, cash equivalents and investments end of year (including Enterprise Fund restricted cash of \$242,467)</b>	<b>\$ 848,104</b>	<b>\$ 13,580,383</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income (loss)	\$ (219,751)	\$ (2,463,321)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation of plant and equipment	556,202	322,103
<b>Increase (decrease) in:</b>		
Receivables, net	404,574	(46,271)
Prepads	(4,266)	(22,912)
Deferred outflow related to pension	869,583	-
<b>(Increase) decrease in:</b>		
Funds held as fiduciary	(17,054)	-
Net pension liability and OPEB	(136,792)	-
Accounts payable, accrued expenses, and other liabilities	28,756	37,113
Workers' compensation claims/deductibles	-	(387,843)
Accrued leave	(1,143)	-
Deferred inflow related to pension	35,056	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,515,165</b>	<b>\$ (2,561,131)</b>

**Non cash transactions:**

Computers were acquired through capital lease of \$297,051 in the Technology Fund.

See accompanying notes to the financial statements.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2016**

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	<b>Employee Retirement Trust Fund</b>	<b>Agency Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 11,609,555	\$ 20,341,440
Investments:		
US government obligations	39,802,851	-
Corporate bonds	27,020,512	-
Miscellaneous fixed income	1,110,089	-
Mortgage obligations	17,110,180	-
Equities	167,781,670	-
Mutual funds	120,652,858	-
Accrued interest and dividends	829,913	-
Agency tax / interest receivables	-	14,206,971
Hotel tax receivable	-	340,175
Municipal tax receivable	-	515,389
<b>Total assets</b>	<b>\$ 385,917,628</b>	<b>\$ 35,403,975</b>
<b>Liabilities:</b>		
Accounts payable	\$ 24,133	\$ -
Due to other funds	13,114	-
Due to other governments	-	4,952,739
Other liabilities	-	12,775,265
Due to taxing authorities	-	16,432,249
Hotel tax payable	-	508,572
Municipal tax payable	-	735,150
<b>Total liabilities</b>	<b>37,247</b>	<b>\$ 35,403,975</b>
<b>Net position</b>		
Net position restricted for pensions	<b>\$ 385,880,381</b>	

See accompanying notes to the financial statements.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year ended December 31, 2016**

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	<b>Employee Retirement Trust Fund</b>
<b>Additions:</b>	
<b>Contributions:</b>	
Employer	\$ 8,469,935
Employee	<u>7,116,103</u>
 <b>Total contributions</b>	 <b><u>15,586,038</u></b>
 <b>Investment income:</b>	
Net increase in fair value of investments	21,440,563
Interest	2,736,305
Dividends	4,928,038
Less: investment expense	<u>(1,271,379)</u>
Net investment income	27,833,527
Other	<u>704,763</u>
 <b>Total investment income</b>	 <b><u>28,538,290</u></b>
 <b>Total additions</b>	 <b><u>44,124,328</u></b>
 <b>Deductions:</b>	
Benefit payments	18,839,834
Refund of employee contributions	2,866,575
Administrative expense	<u>138,328</u>
 <b>Total deductions</b>	 <b><u>21,844,737</u></b>
 <b>Net increase/(decreases) in plan net position</b>	 <b><u>22,279,591</u></b>
 <b>Plan net position at beginning of year</b>	 <b><u>363,600,790</u></b>
 <b>Plan net position at end of year</b>	 <b><u>\$ 385,880,381</u></b>

See accompanying notes to the financial statements.

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# Notes to the Financial Statements

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016**

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**1) Summary of Significant Accounting Policies**

**A) Reporting Entity**

The County of Chester, one of Pennsylvania's original three counties, was named by William Penn in 1682. It is located in southeastern Pennsylvania, approximately 30 miles west of Philadelphia. The Borough of West Chester is the County Seat. The County has 73 political subdivisions, consisting of one third class city (Coatesville), 15 boroughs and 57 townships. The County has a population of approximately 516,312 and covers 782 square miles, including some of the most productive agricultural land in Pennsylvania. Population and employment has dramatically grown in Chester County during the past thirty years as suburban development continues to spread westward and as high technology businesses grow along the Route 202 corridor. The median income of the County's households is one of the highest in the Commonwealth of Pennsylvania.

As required by generally accepted accounting principles, the financial statements present the County of Chester (the primary government) and its component units. The component units (discussed below) are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Consistent with the guidance contained in Statement No. 61 of the Governmental Accounting Standards Board (GASB), the criteria used by the County to evaluate the possible inclusion of related entities (Authorities, Boards, Councils, and similar entities) within its reporting entity, are: legally separate, financial accountability, misleading to exclude, and the nature and significance of other considerations.

Based on the foregoing criteria, the reporting entity has been defined to include all the fund types and component units by meeting the financial accountability criterion for which there is a fiscal dependence or board appointment and financial benefit or burden relationship or the ability to impose will. Specific information on the nature of the component units and a description of how the aforementioned criteria have been considered in determining whether to include such units in the County's financial statements are provided in the following paragraphs.

**Discretely Presented Component Units**

The component units presented in two columns in the government-wide financial statements include the financial data of the County's one major component unit and five non-major component units in separate columns. They are reported in separate columns to emphasize that they are legally separate from the County.

**Major Component Unit**

*Chester County Solid Waste Authority (CCSWA):* The CCSWA acquires, holds and operates solid waste disposal facilities and enters into waste disposal contracts. The members of the governing board of the Solid Waste Authority are appointed by the Board of Commissioners and a significant financial relationship exists between the County and the Authority. The Authority was audited by other independent auditors for the year ended December 31, 2016.

**Non-major Component Units**

*Chester County Area Airport Authority:* The Chester County Area Airport Authority is responsible for the operations and administration of the Chester County Area Airport. The members of the governing board of the Area Airport Authority are appointed by the Board of Commissioners. The County provides financial support through appropriations. The Authority was audited by other independent auditors for the year ended December 31, 2016.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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1) Summary of Significant Accounting Policies, Continued

A) Reporting Entity, Continued

Non-major Component Units, Continued

*Chester County Water Resources Authority:* The Authority owns and operates four regional flood control facilities that were constructed on behalf of the County. The members of the governing board of the Water Resources Authority are appointed by the Board of Commissioners. The County provides financial support through appropriations and the administrative staffs are County employees. The Authority was audited by other independent auditors for the year ended December 31, 2016.

*Chester County Library and District Center:* The Library Board is responsible for the operations and administration of the County Library and supported libraries. The members of the governing board of the Library are appointed by the Board of Commissioners. The County provides financial support which supplements State Library Aid and fees to fund operating expenditures. The administrative staff is all County employees. The Library was audited by other independent auditors for the year ended December 31, 2016.

*Chester County Conference and Visitors Bureau, Inc.:* The purpose of the Bureau is to plan and promote programs designed to increase tourism. Thirty-four percent, not to exceed five in number of the governing board of the Visitors Bureau, are appointed by the Board of Commissioners. The County provides financial support through the levy and collection of a hotel tax. The County Commissioners determine and approve the hotel occupancy tax. The Conference and Visitors Bureau was audited by other independent auditors for the year ended December 31, 2016.

*Chester County General Authority:* The Authority was created for the purpose of carrying out projects which are permitted under the Pennsylvania Municipality Authorities Act and are located in the County of Chester. The County has advanced the Authority the funds necessary to cover current expenses. The members of the governing board of the authority are appointed by the Board of Commissioners.

Complete financial statements of the individual component units can be obtained directly from their administrative offices.

Administrative Offices

Chester County Area Airport Authority  
GO Carlson Chester County Airport  
Coatesville, PA 19320

Chester County Solid Waste Authority  
7224 Division Highway  
Narvon, PA 17555

Chester County Water Resources Authority  
Government Services Center  
601 Westtown Road, Suite 260  
West Chester, PA 19382

Chester County General Authority  
313 West Market Street, Suite 6902  
PO Box 2748  
West Chester, PA 19380-0991

Chester County Conference and Visitors Bureau  
300 Greenwood Road  
Kennett Square, PA 19348

Chester County Library and District Center  
450 Exton Square Parkway  
Exton, PA 19341

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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1) Summary of Significant Accounting Policies, Continued

A) Reporting Entity, Continued

Related Organizations

The Board of Commissioners is also responsible for appointing all or some of the members of the boards of other organizations. The County's accountability for these organizations does not extend beyond making the appointments. The Board of Commissioners appoints board members of the following:

Chester County Housing Authority  
Chester County Health and Education Facilities Authority  
Chester County Industrial Development Authority  
Delaware Valley Regional Finance Authority  
Southeastern Pennsylvania Transportation Authority

B) Government-wide and Fund Financial Statements

The accounting policies of the County of Chester conform to generally accepted accounting principles applicable to governments. The basic financial statements are presented using the government-wide financial statements and the fund financial statements. Both of these are explained below. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the County. For the most part, inter-fund activities have been removed from these statements. The inter-fund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Administrative overhead charges of the general government are included in the direct expenses. Program revenues include: charges to customers who purchase, use, or directly benefit from goods, services or privileges provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Interest revenue earned on program revenues is included with functional revenue. Taxes and other items not properly included among the program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, however, the fiduciary activities are excluded from the government-wide financial statements because they are used to report assets that cannot be used to support the County's programs. Major individual governmental funds are reported in separate columns in the fund financial statements.

C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, with the exception that measurement focus is not applicable for agency funds since they only report assets and liabilities. For all others, 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 have been met.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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1) Summary of Significant Accounting Policies, Continued

C) Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers tax revenues to be available if they are collected within 60 days, and all other revenues to be available if they are collected within 180 days of the end of the current fiscal period. In some situations the availability period in connection with expenditure-driven grants will be extended beyond this period, when all eligibility criteria have been met and it can be reasonably assumed that the reason for the delay in reimbursement will not become a permanent impairment. 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.

Property taxes, grants, charges for services, permits, licenses, and investment income 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. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

- General Fund – This fund is the County's primary operating fund. It accounts for the general operating activities of the County, except for those accounted for in another fund. The general tax revenues of the County as well as other resources received and not designated for a special purpose are accounted for in the General Fund.
- Managed Behavioral Healthcare Fund – This fund is for the operations and administration of the County's medical assistance funded mental health and drug and alcohol programs. Financing is provided by state and federal grants and program income.
- Children, Youth and Families Fund (CYF) – This fund is for the operations and administration of the County CYF program. Financing is provided by state and federal grants with an appropriation from the County General Fund. The General Fund also finances costs in excess of state funding ceilings.
- Capital Improvement Fund – This fund accounts for resources to be used for the acquisition or construction of capital assets by the County or its grantees. Costs are financed by the proceeds of long-term debt and inter-governmental revenues.
- Debt Service Fund – This fund is maintained to account for the accumulation of financial resources to be utilized for payment of interest and principal on long-term debt.

The County reports the following proprietary fund:

- Enterprise Fund - The Pocopson Home Fund is maintained to account for activities of the County's geriatric center with the intent that the costs (including depreciation and other non-cash expenses) of providing goods or services on a continuing basis be financed or recovered, primarily through user charges.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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1) Summary of Significant Accounting Policies, Continued

C) Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

Additionally the government reports the following fund types:

- Internal Service Funds – are maintained to account for and finance services and commodities furnished exclusively for user offices, departments and other agencies and funds of the County on a cost reimbursement basis. The principal services include the leasing or purchase of desktop computer hardware and software, and a self-insurance program for workers' compensation, medical and prescription benefits.
- Fiduciary Funds – are trust and agency funds maintained to account for assets held by the County in a trustee or agency capacity. The Employee Retirement Trust Fund is accounted for in essentially the same manner as proprietary funds since the measurement of periodic net income and the determination of capital maintenance are critical. Agency funds use the accrual basis of accounting, even though measurement focus is not applicable. The Tax Claim Fund collects delinquent taxes, penalty and interest on behalf of other taxing authorities. The Row Office Fund assesses and collects fees on behalf of other government agencies. The Hotel Tax Fund assesses and collects taxes to be used by the Chester County Conference and Visitors Bureau. The Municipal Tax Fund accounts for current real estate taxes collected by the Treasurer's office on behalf of other taxing authorities.

D) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents include certain short-term investments generally maturing in three months or less, when acquired, and includes restricted cash.

E) Investments

Investments are stated at fair value for all funds.

F) Receivables

Taxes receivable are reported net of an allowance for uncollectible amounts of \$58,968.

Enterprise Fund receivables are reported net of an allowance for uncollectible amounts of \$566,537.

Community Development Fund loans receivable are reported net of an allowance for uncollectible amounts of \$138,564.

Inter-fund Receivables – As a result of its operations, the County affects a variety of transactions between funds to finance operations, service debt and other similar functions. Accordingly, to the extent that certain inter-fund transactions have not been paid or received, appropriate inter-fund receivables or payables have been established.

G) Deferred Outflows of Resources

Deferred charge on refunding represents a deferred charge resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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1) Summary of Significant Accounting Policies, Continued

G) Deferred Outflows of Resources, Continued

Deferred outflows related to pension are described further in Note 11. The components of deferred outflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all the pension plan members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on the investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year).

H) Deferred Inflow of Resources

Deferred inflow of resources is the acquisition of net position by the government that is applicable to a future reporting period and as such will not be recognized as an inflow of resources (revenue) until that time, principally property taxes and deferred inflow related to pension.

I) Inter-fund Eliminations

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are balances between the governmental activities and the business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

J) Operating and Non-operating Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating items. The principal operating revenues of the Pocopson Home are charges to customers for providing patient services. Operating expenses for the Pocopson Home include the cost of services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting the above criteria are reported as non-operating revenues and expenses.

K) Deposits and Investments

Under Section 1706 of the County Code, the County is authorized to invest in the following:

- United States Treasury bills.
- Short-term obligations of the U.S. Government or its agencies or instrumentalities.
- Savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions having their principal place of business in the Commonwealth of Pennsylvania (Commonwealth) and insured by Federal Agencies.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the Commonwealth, or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision. The County may also invest in shares of a registered investment company, provided that investments of that company are in authorized investments as noted above.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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1) Summary of Significant Accounting Policies, Continued

K) Deposits and Investments, Continued

- Certificates of deposit purchased from institutions having their principal place of business in the Commonwealth and insured by federal agencies. For any amounts in excess of the insured maximum, such deposits shall be collateralized by a pledge or assignment of assets pursuant to Act No. 72 of the General Assembly. Certificates of deposit may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loans or savings bank's assets net of its liabilities.
- "Commercial paper" and "prime commercial paper" meeting certain requirements.

Pension or retirement funds may be invested by the County according to the "Prudent Man Rule" as defined by the Decedents, Estates and Fiduciaries Act, 20 PA C.S.A. § 7302 (b), which is referred to in the County Code.

It is the policy of the County to invest funds under the County's control principally in certificates of deposit, repurchase agreements, U.S. Government Securities and money market mutual funds. Funds under the County's direct control exclude monies of the Retirement Trust Fund and component units.

L) Inventories

Inventories in both government-wide and fund financial statements consist of items maintained for consumption. These items are recorded as expenses/expenditures on a cost basis when consumed. Ending inventory is valued on a weighted average cost basis.

M) Advance Deposits and Prepaid Costs

Postage and other miscellaneous advances are recorded as prepaid items in both government-wide and fund financial statements. These items are recorded as expenses/expenditures when consumed.

N) Restricted Assets

Restricted cash and investments in the governmental activities are made up of the following items. An amount of \$50,006,531 represents the unspent proceeds from debt issues for capital projects. An amount of \$1,074,668 represents amounts received from the sale of properties by Tax Claim which are due to other taxing authorities. An amount of \$1,962,675 represents funding that will be provided to non-profit agencies over a five year period to develop and implement housing opportunities to mental health consumers within the priority population group(s) throughout Chester County. \$17,873,987 represents amounts received by the Managed Behavioral Healthcare program, which will be distributed to the program provider and other County programs based on Commonwealth performance measures and \$1,119,477 representing an investment funding an Installment Purchase Agreement which is paying a land owner for Land Development Rights. Restricted cash and cash equivalents in the business activities are made up of \$242,467 which belongs to the Pocopson Nursing Home residents.

The nonexpendable portion of the Hatfield Trust, \$942,353, includes cash, land and building improvements. Cash is restricted in the amount of \$414,675. The expendable portion, in the amount of \$261,355, is the accumulated increase of the difference between the income and disbursements from the trust. Income items include interest and dividends from trust and rental income from the property. Disbursements include expenditures related to the operations and maintenance of the property.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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1) Summary of Significant Accounting Policies, Continued

O) Capital Assets

Capital assets, which include land, buildings, building improvements, equipment, improvements other than buildings, and infrastructure (bridges acquired, reconstructed or significantly improved in fiscal years ending after December 31, 1980), are recorded in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with a value of \$10,000 or more. This capitalization threshold is applied to individual capital assets rather than to groups/sets of capital assets (e.g. chairs, desks, etc.). Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Infrastructure, buildings, building improvements, certain land improvements, equipment, furnishings, vehicles and computer equipment/software are depreciated by using the straight-line method over the estimated useful lives as follows:

Infrastructure	40 years
Buildings	40 years
Building improvements	15 years
Land improvements	15 years
Heavy (operating) equipment	7 years
Office furnishings	7 years
Office equipment	5 years
Vehicles	5 years
Computer equipment	3 years

Capital assets of Proprietary Funds are stated at historical cost and depreciated using the straight-line method utilizing the following estimated useful lives:

Buildings and improvements	8 - 50 years
Equipment	3 - 20 years

The County of Chester is one of the leading farming counties in the Commonwealth of Pennsylvania and is committed to preserving its agricultural land from further non-agricultural development. The County of Chester has developed the Chester County Agricultural Conservation Easement Program. The program purchases from existing working farms "Land Development Rights" which is a perpetual contract, preventing the land from being diverted from its current agricultural use. The County of Chester carries these investments in Land Development Rights as intangible assets at their historical cost, which is not amortized. In the event that the land would become not suitable for farming and the current farm owner and County mutually agree, the property could be sold for development other than farming. The County would realize proceeds at the then current market price for giving up its rights in the property acquired under the agricultural easement program.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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1) Summary of Significant Accounting Policies, Continued

P) Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net positions. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In governmental funds, long-term debt is accounted for as other financing sources and uses when issued or paid respectively.

Q) 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

R) Compensated Absences

Vacation Pay

Time accrues at various rates based on length of service. Employees are encouraged to utilize earned vacation time by December 31 of each year. Earned but unused vacation, not exceeding fifteen days, can be carried over into the next year. Any excess accumulated time and accompanying salary will be forfeited. Accordingly, a liability for unused vacation pay of fifteen or less days is accrued each year for each employee in the government-wide financial statements.

Sick Pay

Employees earn one sick day for each month of service or 12 days per year. The County has a long-term financial incentive program for employee's sick pay. Under the long-term program, upon voluntary termination from employment after eight or more years of continuous full-time service, a full-time county employee is eligible to receive payment at 25 percent of their hourly rate at the time of resignation/retirement, for unused sick leave, in an amount not to exceed three months gross pay. Accordingly, a liability for accumulated sick pay for employees with eight or more years of service as well as one for employees with less than eight years that are projected to meet the minimum criteria in the future is accrued each year in the government-wide financial statements.

S) Fund Balance – Governmental Funds

The County's fund balance policy establishes the objective to strive to maintain an *unrestricted fund balance* in the General Fund of not less than two months (two – twelfths) of the subsequent year's General Fund budgeted expenditures. Included in the *unrestricted fund balance* will be a Working Capital Reserve. Whereas, 10 percent of the subsequent year's General Fund budgeted expenditures will be assigned as Working Capital.

The County distinguishes fund balance classification between amounts that are considered nonspendable, and spendable amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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1) Summary of Significant Accounting Policies, Continued

S) Fund Balance – Governmental Funds, Continued

In circumstances where expenditures are made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Beginning with the nonspendable, and followed by the spendable classifications with binding constraints, fund balance amounts will be reported in the following classifications:

**Nonspendable** - Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventory or prepaid amounts. The principal amount of the Hatfield Memorial Trust Endowment is an example of an amount that is legally or contractually required to remain intact.

**Restricted** – Amounts with constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The County’s restrictions are as follows:

*Capital Projects* – Use governed by debt covenants.

*Agricultural Easement* – Represents interest on breaches of previously preferred real estate sold to developers which now must be used to help fund farmland preservation.

*Act 13 – Impact Fee Revenues* – Represents funds collected from the Operators in the Marcellus Shale project and distributed to the County by formula determined by the Pennsylvania PUC. Use of the funding is based on a list of broadly defined purposes.

*County Records Improvement* – Represents fees collected by Recorder of Deeds to be used to support development and improvement of office records management.

*Child Support Enforcement* – Represents amount restricted for Domestic Relations Title IV-D incentive program.

*Bridge Construction and Maintenance* - Represents surplus amount in the Liquid Fuels Fund restricted for the construction, maintenance, and repair of county bridges.

*County Fee for Local Use Fund* – Represents a fee of \$5 imposed by Chester County for each nonexempt vehicle registered to an address located in the County. Use of the funds is constitutionally limited to highway and bridge purposes listed in Section 9010(b) of the Vehicle Code.

*Affordable Housing Act* – Represents fees collected by Recorder of Deeds on property transfers to be used to fund affordable housing efforts in the County.

*Hatfield Trust Expendable* – Represents the spendable portion of the Hatfield Memorial Trust to be used for the upkeep of the Hatfield Mansion maintained in the Parks and Recreation Fund.

*Medical Claims* – Represents funds restricted to pay claims expense, other charges/medical fees and retention charge incurred during the term of the contract but paid after the date of termination of the agreement.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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1) Summary of Significant Accounting Policies, Continued

S) Fund Balance – Governmental Funds, Continued

**Committed** – Amounts established by formal action by the Board of Commissioners. Once committed it cannot be used for any other purpose unless changed by County policy or action (e.g., future anticipated costs). The formal action should occur prior to the end of the reporting period, but the amount subject to the constraint, if any, may be determined in the subsequent period. The County Commissioners have not taken any action to commit fund balance.

**Assigned** – Amounts are constrained by the government's intent to use for specific purposes, but are neither restricted, nor committed. Intent should be expressed by Board of Commissioners. The County's assignments are as follows:

*Capital Reserve* – to fund future capital projects.

*General Fund – Working Capital Reserve and*

- *Subsequent Year Budget*: represents the amount required to support the County's subsequent year's budget.

*Debt Service* – to fund retirement of long term debt.

*Parks and Recreation* – to fund upkeep of County Parks.

*Library* – to fund upkeep of County Libraries.

**Unassigned** – Amounts available for consumption or not restricted in any manner. Reported in the General Fund and cannot be negative.

T) New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The County has implemented the effects of this Statement for the reporting period ending December 31, 2016.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. The County has implemented the effects of this Statement for the reporting period ending December 31, 2016.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. The County is currently evaluating the effect of implementation of this Statement.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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1) Summary of Significant Accounting Policies, Continued

T) New Accounting Pronouncements, Continued

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The County is required to adopt statement No. 75 for its calendar year 2018 financial statements. The County is currently evaluating the effect of implementation of this Statement.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The County has implemented the effects of this Statement for the reporting period ending December 31, 2016.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The County has implemented the effects of this Statement that resulted in no modification to the notes to the financial statements for reporting period ending December 31, 2016.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The County has implemented the effects of this Statement for the reporting period ending December 31, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. The County has implemented the effects of this Statement for the reporting period ending December 31, 2016.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. The County is currently evaluating the effect of implementation of this Statement.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016. The County is currently evaluating the effect of implementation of this Statement.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. The County is currently evaluating the effect of implementation of this Statement.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. The County is currently evaluating the effect of implementation of this Statement.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. The County is currently evaluating the effect of implementation of this Statement.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. The County is currently evaluating the effect of implementation of this Statement.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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1) Summary of Significant Accounting Policies, Continued

T) New Accounting Pronouncements, Continued

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. The County is currently evaluating the effect of implementation of this Statement.

U) Restated Information

The following numbers are restated in 2016 financial statements due to an overstatement of net pension liability and deferred outflow of resources related to pension. The beginning net position in the governmental activities of the government-wide financial statements has been restated from \$(63,341,599) to \$(54,954,147) retroactively to reduce the accumulated net pension liability by \$13,197,709 and the deferred outflow related to pension of \$(4,810,256).

The beginning net position in the business-type activities of the government-wide financial statements has been restated from \$739,635 to \$1,776,289 retroactively to reduce the accumulated net pension liability of \$1,631,180 and the deferred outflow of resources related to pension by \$(594,526).

2) Deposits and Investments

A) Deposits and investments of the County (including restricted items) shown in the Statement of Net Position:

Cash and cash equivalents	\$ 107,734,768
Restricted cash and cash equivalents	71,575,003
Restricted investments	<u>1,119,477</u>
	<u>\$ 180,429,248</u>

Cash or investment type Statement of Net Position (Primary Government)	Fair Value	Investment Maturites from December 31, 2016			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
US government obligations	\$ 1,119,477	\$ -	\$ 1,119,477	\$ -	\$ -
Cash and cash equivalents	<u>179,309,771</u>				
Total cash and other investments	<u>\$ 180,429,248</u>				

B) Deposits and investments of the County shown in the Statement of Fiduciary Net Position:

Employee retirement trust fund	
Cash and cash equivalents	\$ 11,609,555
Mutual funds	120,652,858
Investments	252,825,302
Agency funds	
Cash and cash equivalents	<u>20,341,440</u>
	<u>\$ 405,429,155</u>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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2) Deposits and Investments, Continued

B) Deposits and investments of the County shown in the Statement of Fiduciary Net Position:, Continued

Cash or investment type Statement of Fiduciary Net Position (Fiduciary Funds)	Fair Value	Investment Maturities from December 31, 2016			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
US government obligations	\$ 39,802,851	\$ 5,541,376	\$ 16,470,295	\$ 16,353,077	\$ 1,438,103
Corporate bonds	27,020,512	1,054,774	12,090,509	10,740,048	3,135,181
Miscellaneous fixed income	1,110,089	215,578	275,206	619,305	-
Mortgage/asset backed securities	<u>17,110,180</u>	<u>297,600</u>	<u>8,168,592</u>	<u>5,715,892</u>	<u>2,928,096</u>
Total debt securities	85,043,632	<u>\$ 7,109,328</u>	<u>\$ 37,004,602</u>	<u>\$ 33,428,322</u>	<u>\$ 7,501,380</u>
Cash and cash equivalents	31,950,995				
Mutual funds	120,652,858				
Equities	<u>167,781,670</u>				
Total cash and other investments	<u>\$ 405,429,155</u>				

Deposits – Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a formal deposit policy for custodial credit risk. As of December 31, 2016, the Federal Depository Insurance Corporation insured \$58,409,703 of the County's \$214,180,313 bank balances. The remaining bank balances of \$155,770,610 were exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Commonwealth of Pennsylvania Legislature, which permits the institution to pool collateral for all governmental deposits, and has the collateral held by a custodian in the institution's name. These deposits have a carrying amount of \$211,260,766.

The County Code Section 1706 governs the types of investments that are allowable for operating funds. In addition, the County has formally adopted an Investment Policy that places additional restrictions on the investment of operating funds.

The following is a description of the County's investment risks:

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County funds may only be invested in those instruments identified in the County Code, subsection (c). The following conditions apply: (continued on the next page)

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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2) Deposits and Investments, Continued

County operating funds may be invested subject to the following limitations and statutory requirements of the County Code:

<u>Instrument</u>	<u>Limit</u>
U.S. Treasury Bills;	100%
Short-term obligations of the U.S. Government, its agencies or instrumentalities;	100%
Obligations of the U.S. Government, its agencies or instrumentalities backed by the full faith and credit of the U.S.;	100%
Obligations of the Commonwealth of Pennsylvania, any of its political subdivisions, or their agencies or instrumentalities;	100%
Certificates of deposit;	50%
Statutorily permitted Money Market Mutual Funds or Local Government Investment Pools;	100%
Statutorily permitted Commercial Paper	25%

In addition to the above, the County chooses not to invest more than 50 percent of the County's total invested operating funds with any single bank or financial institution. These internal limitations shall be on an average basis calculated at the end of each month.

The credit ratings for debt securities held by the Primary Government are as follows:

US Govt.	AAA	\$ 1,119,477
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Investment policy – The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Board (the Board) by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's asset allocation policy:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	37-57%
International equity	8-18
Fixed income	10-30
Other	10-30
Cash	0-10
Total	<u><u>100%</u></u>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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2) Deposits and Investments, Continued

The credit ratings for debt securities held by the Fiduciary Fund are as follows:

Issuer	Moody's Rating	Amount
US Govt.	GOV	\$ 27,954,852
US Govt.	AAA	18,633,946
Corporate	AA	1,413,583
Corporate	A	9,962,291
Corporate	BAA	21,440,600
Corporate	NR*	<u>5,638,360</u>
Total		<u>\$ 85,043,632</u>

\* The above investments are not rated by Moody's.

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside entity. The County's policy is to have all investment securities held in its name in a segregated account with our primary banking institution. The primary government and the retirement fund have separate custodial relationships with separate banking institutions. The preceding two detailed schedules portray the split between the two banking institutions.

**Concentration of Credit Risk** – The Investment Policy of the Primary Government does not place any limits or restrictions on investment in any one issuer. The County Code does restrict the types of investments that are permissible. Of those permitted investments, only Commercial Paper and Negotiable Certificates of Deposits would expose the County to Concentration of Credit Risk. As of December 31, 2016, the County did not own any commercial paper but did have certificates of deposit totaling \$55,000,000 which were held by a single institution.

The County Retirement Fund does not have a policy on Concentration of Credit Risk.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County has adopted a policy of holding all investments to maturity. Accordingly, any change in fair value due to changing market interest rates is temporary.

The County Retirement Fund does not have a policy on Interest Rate Risk.

Fair Value Measurement

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. GASB Statement No. 72, *Fair Value Measurement and Application*, 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 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 as below:

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

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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2) Deposits and Investments, Continued

Fair Value Measurement, Continued

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; or in inactive 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.

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

The County's cash equivalents and investments by fair value as of December 31, 2016, include the following:

Investments	12/31/2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$ 120,652,858	\$ 120,652,858	\$ -	\$ -
Pooled, Common and Collective Funds	18,495,610	-	18,495,610	-
Common Stocks	149,158,812	130,266,794	18,892,018	-
Debt Securities				
US Government	38,216,470	38,216,470	-	-
Foreign Equities	214	214	-	-
Bonds and Notes				
Federal Agency	805,560	-	805,560	-
Corporate Bonds	27,888,847	-	27,888,847	-
Mortgage/Asset-Backed Securities	17,110,180	-	17,110,180	-
Other Fixed Income Securities	1,110,089	-	1,110,089	-
Total investments	373,438,640	\$ 289,136,336	\$ 84,302,304	\$ -
Cash Equivalents	5,515,836			
Total cash and investments in Employee Trust Fund	<u>\$ 378,954,476</u>			

Mutual Funds, Common Stocks, US Government, and Foreign Equities categorized as Level 1 are observable inputs valued based on quoted prices for identical assets in active markets. They reflect the assumptions market participants would use in pricing the asset based on market date obtained from independent sources. Pooled, Common and Collective Funds, Common Stocks, Federal agency, Corporate Bonds, Mortgage/Asset-Backed Securities, and Other Fixed Income Securities categorized as Level 2 are inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset. Inputs are observable but do not solely rely on quoted market prices to establish fair value. All asset classes use traded prices as a source.

Participation in External Investment Pool

As of December 31, 2016, the County has \$58,071,874 classified as cash and cash equivalents invested in the Pennsylvania Local Government Investment Trust (PLGIT). PLGIT is an external investment pool that was rated AAAm by Standard & Poor's as of December 31, 2016. The average maturity of these investments is less than a year. There are no restrictions pertaining to the number of withdrawals from the PLGIT account. The County's investment in PLGIT is measured at amortized cost, which approximates fair market value. The County has no regulatory oversight for the pool, which is governed by a Board of Trustees and is administered by PFM Asset Management, LLC. PLGIT is audited annually by Ernst & Young, LLP and the financial statements are available to the public at <http://www.plgit.com>.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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2) Deposits and Investments, Continued

Component Units – Deposits and Investments

Chester County Solid Waste Authority

Total cash of \$1,287,176 and total investments of \$51,646,633 are presented in the balance sheet as follows:

Cash and cash equivalents	\$ 1,287,176
Unrestricted investments	25,888,593
Restricted cash and investments - current	6,033,395
Restricted cash and investments - noncurrent	<u>19,724,645</u>
	<u>\$ 52,933,809</u>

Investment type	Fair value	2016		
		Less than 1	1 - 5	6 - 10
Municipal Bonds	\$ 25,758,040	\$ 349,430	\$ 11,317,073	\$ 14,091,537
Total investments	<u>25,758,040</u>	<u>\$ 349,430</u>	<u>\$ 11,317,073</u>	<u>\$ 14,091,537</u>
Cash and cash equivalents	<u>27,175,769</u>			
Total cash and investments	<u>\$ 52,933,809</u>			

Deposits – Commonwealth of Pennsylvania law requires that the CCSWA deposits be placed in savings accounts, time deposits, or share accounts of institutions insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Corporation, or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured and for any amounts above the insured maximum if the approved collateral as provided by law shall be pledged by the depository. At December 31, 2016, the carrying value and bank balances were \$27,175,769 and \$27,206,422 respectively. Of the bank balances, \$250,000 was insured by FDIC and the remaining balances were collateralized by financial institutions via single collateral pool arrangements as permitted by Act No. 72 of the 1971 session of the Pennsylvania General Assembly for the protection of public depositors.

Investments – The CCSWA has adopted a formal investment policy in accordance with Section 5611 of the Commonwealth of Pennsylvania Municipality Authorities Act. In accordance with their investment policy, the CCSWA is authorized to invest in (1) U.S. Treasury bills; (2) short-term obligations of the U.S. government or its agencies or instrumentalities; (3) obligations of the U.S. or any of its agencies or instrumentalities backed by the full faith and credit of the U.S., the Commonwealth or any of its agencies or instrumentalities or (4) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 if the only investment of that company are in the authorized investments for authority funds listed above.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the value of an investment. The Authority's investment policy does not specifically limit investment maturities as a means of managing exposure to fair value losses arising from increased interest rates.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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2) Deposits and Investments, Continued

Component Units – Deposits and Investments, Continued

Chester County Solid Waste Authority, Continued

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy limits its investments to credit quality ratings of not less than A- as rated by Standard & Poor's Investor Service. The Authority's investments in the municipal bond securities were rated A- or higher by Standard & Poor's.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The municipal securities include insured or registered investments, held either by the Authority or by its agent in the Authority's name.

Concentration of Credit Risk – The CCSWA's investment policy does not limit the amount that may be invested with anyone issuer. As of December 31, 2016, the Authority had no issuers with investments in excess of 5% of the investment portfolio, other than City of Reading (5%), Philadelphia Authority for Industrial Development (14%), Commonwealth of PA (21%), and Carbon County Hospital Authority of PA (6%).

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. For municipal bonds, fair value is based on the securities relationship to similar benchmark quoted prices (Level 2). The aggregate fair value by input level, for the Authority investments as of December 31, 2016, are as follows:

Investment Type	2016		
	Fair Value	Level 1	Level 2
Municipal Bonds	\$ 25,758,040	\$ -	\$ 25,758,040
Total	<u>\$ 25,758,040</u>	<u>\$ -</u>	<u>\$ 25,758,040</u>

3) Property Taxes

Real estate property taxes attach as an enforceable lien on property on or about January 7th of the subsequent year. Taxes are billed on or about January 15th, payable under the following terms: 2 percent discount, January 15th through March 16th; face amount, March 17th through May 15th and 10 percent penalty after May 16th. The County bills and collects its own property taxes, and revenues are recognized in the period in which they are levied. On a fund basis, revenues are recognized when they are available to pay current year liabilities.

The rate of taxation in 2016 was 4.163 mills, of which 1.071 mills was designated for debt service, 0.114 mills for Parks and Recreation, 0.184 mills for the Library system, and the remaining 2.794 mills for general purposes.

4) Risk Management

The County 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. The County purchases commercial insurance to cover these risks of loss including general liability, excess liability, property insurance, employee life, and accident insurance. Settled claims have not exceeded the commercial coverage insurance in any of the past three fiscal years; and there have been no significant changes in insurance coverage in those years.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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4) Risk Management, Continued

The Benefits Internal Service Fund is used to account for risk of loss related to medical, prescription and workers' compensation self-insurance activities. Related claims are paid from this fund.

The County is partially self-insured for liabilities related to medical and prescription claims. The first \$300,000 per year per individual for claims is the County's responsibility. Liabilities in excess of \$300,000 per year per individual are covered by commercial insurance. As outlined in the contract with the provider, reserves for the year must be maintained at \$2,862,000. In addition, the County has advanced \$659,000 to the insurance provider to facilitate claims processing and is included in prepaid expenditures in the Benefits Internal Service Fund.

Prescription claims are paid when incurred. The County is not required to maintain an advance or reserve account under the current provider contract.

The health care liability balance is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The claims liability reported as of December 31, 2016 is \$1,186,495.

The County has workers' compensation insurance with a self-insured retention per occurrence of \$600,000, including employees categorized as "Police". A commercially purchased excess workers' compensation policy pays the remainder of the claim up to statutory limits in excess of the \$600,000 self-insured retention.

The County maintains workers' compensation reserves for claims incurred and claims incurred but not reported in the Benefits Internal Service Fund. Independent of these reserves, the County has advanced \$80,000 to a third party administrator to facilitate claims processing. This amount is included in prepaid expenditures, in the Benefits Internal Service Fund.

The accrued liability for workers' compensation claims is determined by an actuary in accordance with actuarial principles; such claims are not discounted. Per the actuarial report as of December 31, 2016, the County's recommended liability for reserves is \$1,411,902; of which \$424,020 is allocated to Governmental activities and \$987,882 to Business-type activities. However the County is required to use the Pennsylvania Department of Labor and Industry's benchmark which is set at \$2,085,530 to record the liability at year end. The Pennsylvania Department of Labor and Industry's benchmark is higher by \$673,628. County funds and departments contribute to the Benefits Internal Service Fund through appropriations based on claims of the current and prior years.

Pocopson Nursing Home is part of a risk retention group (RRG) organized under the laws of the State of Vermont and pursuant to the federal Liability Risk Retention Act of 1986. The RRG provides liability insurance coverage to nursing homes in Pennsylvania that meet the RRG's underwriting standards. Eligible institutions that become insured by the RRG are referred to as "Insureds". Insureds are also referred to as "Subscribers", a term used to identify members of a reciprocal, an unincorporated form of insurer. The Subscribers of the RRG are its owners.

The RRG was formed under the direction of the County Commissioners Association of Pennsylvania (CCAP) and the Pennsylvania Association of County Affiliated Homes (PACAH) to address the lack of availability of stable, fairly priced medical professional liability and general liability insurance coverage for nonprofit nursing homes. Management functions are performed primarily by the RRG's "Attorney-in-Fact", which is a Vermont limited liability company, wholly owned by CCAP. The RRG establishes the premiums charged by the RRG for insurance coverage and engages outside actuaries to consult with management with respect to the setting of premiums. The policy issued by the RRG does not permit policy assessments or retrospective increases in annual premiums.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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4) Risk Management, Continued

All accrued self-insurance liabilities at December 31, 2016 are summarized as follows:

		Benefits Internal Service Fund		
		Long Term	Due within one year	Total
Health	\$ -	\$ 1,186,495	\$ 1,186,495	
Workers' comp	<u>1,440,079</u>	<u>645,451</u>	<u>\$ 2,085,530</u>	
Total	<u>\$ 1,440,079</u>	<u>\$ 1,831,946</u>	<u>\$ 3,272,025</u>	

The following summary provides aggregate information on prior year self-insurance liabilities; incurred claims and payments during the year ended December 31, 2016 and reported self-insurance liabilities at December 31, 2016.

	December 31, 2015		Incurred Claims		Payments		December 31, 2016	
	Liability	Current	Prior	Current	Prior	Liability	Due within one year	
Health	\$ 1,849,987	\$ 19,467,979	\$ -	\$ (18,281,484)	\$ (1,849,987)	\$ 1,186,495	\$ 1,186,495	
Workers' comp	<u>1,809,882</u>	<u>692,733</u>	<u>270,240</u>	<u>(155,883)</u>	<u>(531,442)</u>	<u>2,085,530</u>	<u>645,451</u>	
Totals	<u>\$ 3,659,869</u>	<u>\$ 20,160,712</u>	<u>\$ 270,240</u>	<u>\$ (18,437,367)</u>	<u>\$ (2,381,429)</u>	<u>\$ 3,272,025</u>	<u>\$ 1,831,946</u>	

The following summary provides aggregate information on prior year self insurance liabilities; incurred claims and payments during the year ended December 31, 2015 and reported self insurance liabilities at December 31, 2015.

	December 31, 2014		Incurred Claims		Payments		December 31, 2015	
	Liability	Current	Prior	Current	Prior	Liability	Due within one year	
Health	\$ 2,000,000	\$ 17,776,247	\$ -	\$ (15,926,260)	\$ (2,000,000)	\$ 1,849,987	\$ 1,849,987	
Workers' comp	<u>2,085,530</u>	<u>912,005</u>	<u>(149,145)</u>	<u>(242,981)</u>	<u>(795,527)</u>	<u>1,809,882</u>	<u>452,290</u>	
Totals	<u>\$ 4,085,530</u>	<u>\$ 18,688,252</u>	<u>\$ (149,145)</u>	<u>\$ (16,169,241)</u>	<u>\$ (2,795,527)</u>	<u>\$ 3,659,869</u>	<u>\$ 2,302,277</u>	

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**5) Capital Assets**

The following is a summary of the changes in capital assets for the year ended December 31, 2016.

**Governmental Activities**

	Primary Government			
	Balance at January 1, 2016	Increases	Decreases*	Balance at December 31, 2016
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 21,826,495	\$ 2,356,861	\$ -	\$ 24,183,356
Land development rights	87,202,425	1,994,400	-	89,196,825
Construction in progress	82,277,724	17,049,389	(76,360,128)	22,966,985
Total capital assets, not being depreciated	<u>191,306,644</u>	<u>21,400,650</u>	<u>(76,360,128)</u>	<u>136,347,166</u>
Capital assets, being depreciated:				
Buildings and improvements	266,463,158	23,068,137	-	289,531,295
Infrastructure	23,211,992	1,242,802	-	24,454,794
Land improvements	12,206,340	2,300,180	-	14,506,520
Machinery and equipment	128,461,349	52,122,072	(22,232,688)	158,350,733
Machinery and equipment capital lease	1,824,991	441,222	(336,446)	1,929,767
Total capital assets, being depreciated	<u>432,167,830</u>	<u>79,174,413</u>	<u>(22,569,134)</u>	<u>488,773,109</u>
Less accumulated depreciation for:				
Buildings and improvements	(86,394,074)	(8,329,874)	-	(94,723,948)
Infrastructure	(9,837,626)	(612,262)	-	(10,449,888)
Land improvements	(3,438,323)	(848,275)	-	(4,286,598)
Machinery and equipment	(120,542,085)	(10,587,821)	22,232,688	(108,897,218)
Machinery and equipment capital lease	(1,237,652)	(659,611)	336,446	(1,560,817)
Total accumulated depreciation	<u>(221,449,760)</u>	<u>(21,037,843)</u>	<u>22,569,134</u>	<u>(219,918,469)</u>
Total capital assets, being depreciated, net	<u>210,718,070</u>	<u>58,136,570</u>	<u>-</u>	<u>268,854,640</u>
Governmental activities capital assets, net	<u>\$ 402,024,714</u>	<u>\$ 79,537,220</u>	<u>\$ (76,360,128)</u>	<u>\$ 405,201,806</u>

\*The balance of decreases includes disposals, transfers, and asset classification changes.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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5) Capital Assets, Continued

Depreciation was charged to governmental functions as follows:

General government	\$ 3,602,019
Judicial government	3,070,864
Public safety	8,739,886
Corrections	2,407,929
Public works	612,262
Human services	981,596
Culture and recreation	1,607,636
Conservation and development	15,651
 Total	<u>\$ 21,037,843</u>

Proprietary Funds

Geriatric Center Enterprise Fund

	January 1, 2016	Increases	Decreases*	December 31, 2016
Capital assets, not being depreciated				
Construction in Progress	\$ 1,756,567	\$ 2,815,635	\$ (1,870,879)	\$ 2,701,323
Total capital assets, not being depreciated	<u>1,756,567</u>	<u>2,815,635</u>	<u>(1,870,879)</u>	<u>2,701,323</u>
Capital assets, being depreciated				
Land and improvements	277,099	-	-	277,099
Buildings and improvements	14,204,892	1,870,879	-	16,075,771
Equipment	2,842,884	-	(116,600)	2,726,284
Total capital assets, being depreciated	<u>17,324,875</u>	<u>1,870,879</u>	<u>(116,600)</u>	<u>19,079,154</u>
Less accumulated depreciation for:				
Land and improvements	(235,925)	(1,222)	-	(237,147)
Buildings and improvements	(11,335,652)	(460,644)	-	(11,796,296)
Equipment	(2,659,897)	(94,336)	34,702	(2,719,531)
Total accumulated depreciation	<u>(14,231,474)</u>	<u>(556,202)</u>	<u>34,702</u>	<u>(14,752,974)</u>
Total capital assets being depreciated, net	<u>3,093,401</u>	<u>1,314,677</u>	<u>(81,898)</u>	<u>4,326,180</u>
Geriatric Center capital assets, net	<u>\$ 4,849,968</u>	<u>\$ 4,130,312</u>	<u>\$ (1,952,777)</u>	<u>\$ 7,027,503</u>

\*The balance of decreases includes disposals, transfers, and asset classification changes.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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5) Capital Assets, Continued

Component Units – Capital Assets

Chester County Solid Waste Authority

	January 1, 2016	Increase	Decrease	December 31, 2016
Land	\$ 84,131,631	\$ 130,039	\$ (1,000)	\$ 84,260,670
Building improvements	9,590,681	795,423	(44,260)	10,341,844
Heavy equipment	7,692,812	269,067	(240,029)	7,721,850
Equipment	1,337,438	141,011	(192,043)	1,286,406
Construction-in-progress	<u>3,069,598</u>	<u>364,645</u>	<u>(2,835,879)</u>	<u>598,364</u>
	105,822,160	1,700,185	(3,313,211)	104,209,134
Less: accumulated depreciation and depletion	<u>(69,329,367)</u>	<u>(4,014,160)</u>	<u>467,830</u>	<u>(72,875,697)</u>
Total	<u>\$ 36,492,793</u>	<u>\$ (2,313,975)</u>	<u>\$ (2,845,381)</u>	<u>\$ 31,333,437</u>

6) Inter-fund Receivables, Payables and Transfers

The compositions of inter-fund balances as of December 31, 2016, are as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Managed Behavioral Health Care Fund	\$ 494,830
	Children, Youth and Family Fund	4,841,172
	Enterprise Fund	6,613,228
	Retirement Trust	13,114
	Nonmajor Governmental Funds	<u>3,972,855</u>
		<u>\$ 15,935,199</u>

During the year, the cash pool absorbs temporary cash short falls. At year-end, any balances representing temporary cash short falls are reclassified as receivables in the General Fund.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**6) Inter-fund Receivables, Payables and Transfers, Continued**

The compositions of inter-fund transfers as of December 31, 2016 are as follows:

Inter-fund transfers:	Transfers In:		
	General Fund	MBHC Fund	CYF Fund
<b>Transfers out:</b>			
General Fund	\$ -	\$ -	\$ 6,881,833
Managed Behavioral Health Care	3,599	-	-
Children, Youth and Families	43,593	-	-
Debt Service	-	-	-
Capital Improvement Fund	11,000	-	-
Nonmajor Governmental Funds	143,691	620	170,875
Enterprise Fund	<u>541,814</u>	<u>-</u>	<u>-</u>
Total transfers	<u>\$ 743,697</u>	<u>\$ 620</u>	<u>\$ 7,052,708</u>
<b>Transfers In:</b>			
	Debt Service	Nonmajor Governmental	Total Transfers
<b>Transfers out:</b>			
General Fund	\$ -	\$ 5,035,864	\$ 11,917,697
Managed Behavioral Health Care	-	511,891	515,490
Children, Youth and Families	903,433	229,243	1,176,269
Debt Service	-	2,000,000	2,000,000
Capital Improvement Fund	235,780	-	246,780
Nonmajor Governmental Funds	-	1,218,364	1,533,550
Enterprise Fund	<u>-</u>	<u>-</u>	<u>541,814</u>
Total transfers	<u>\$ 1,139,213</u>	<u>\$ 8,995,362</u>	<u>\$ 17,931,600</u>

The General Fund transferred its share of the grants match to various Special Revenue Funds and funded the year end deficit of the Enterprise Fund. The Children, Youth and Families Fund and the Capital Improvement Fund helped fund the debt service needs of the Debt Service Fund. Other Special Revenue Funds also transferred funds to various other funds for provider services in accordance with their grant provisions.

**7) Compensated Absences**

At December 31, 2016, accumulated vacation pay for governmental activities was \$4,170,026 (including accrued FICA and Medicare) and accumulated sick pay was \$5,315,154 (including accrued FICA and Medicare). These amounts total \$9,485,180 and are reported in the government-wide financial statements. At December 31, 2016, accumulated vacation for business-type activities/proprietary funds was \$374,891 (including accrued FICA and Medicare) and accumulated sick pay was \$381,109 (including accrued FICA and Medicare). These amounts total \$756,000 and are included in accrued expenses.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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7) Compensated Absences, Continued

Vacation and sick pay are recorded as an expense and a liability in the proprietary fund when earned. Governmental funds record the use of vacation and sick time, to be liquidated with expendable available financial resources, as an expenditure in the current year by the governmental fund that will pay it. A compensated absence liability is only reported in governmental funds if they have matured, for example, unused reimbursable leave as a result of employee resignation or retirement.

8) Deferred Inflows and Outflows of Resources

Deferred Inflows of Resources

	Fund Statement	Government-wide Statement
<b>General Fund:</b>		
Deferred fees	\$ 560,000	\$ 560,000
Deferred tax claim fees	1,003,252	-
Deferred real estate tax fees	200	200
Deferred inflows related to pension	-	283,635
Unavailable real estate taxes-gross	\$ 3,121,109	-
Less: 60 day collection 1/17-2/17	<u>(619,261)</u>	<u>2,501,848</u>
Total General Fund	<u>4,065,300</u>	<u>843,835</u>
<b>Debt Service Fund:</b>		
Unavailable real estate taxes-gross	\$ 1,199,695	-
Less: 60 day collection 1/17-2/17	<u>(236,818)</u>	<u>962,877</u>
Total Debt Service Fund	<u>962,877</u>	<u>-</u>
<b>Nonmajor Funds:</b>		
Unavailable real estate taxes-gross	\$ 352,482	-
Less: 60 day collection 1/17-2/17	<u>(66,180)</u>	<u>286,302</u>
Total Nonmajor Funds	<u>286,302</u>	<u>-</u>
<b>Business-Type Activities:</b>		
Deferred inflows related to pension	35,056	35,056
	<u>35,056</u>	<u>35,056</u>
Total deferred inflows of resources	<u>\$ 5,349,535</u>	<u>\$ 878,891</u>

Deferred inflows of resources, reported in the Fund Statements, is \$4,470,644 greater than the deferred inflows of resources reported in the Government-wide statements. The difference is made up of \$3,751,027 in recognized real estate taxes, \$1,003,252 in recognized tax claim fees less deferred inflow related to pension of \$283,635.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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8) Deferred Inflows and Outflows of Resources, Continued

Deferred Outflows of Resources

	Fund Statement	Government-wide Statement
Governmental Activities		
Deferred charge on refunding	\$ -	\$ 25,435,001
Deferred outflows related to pension	- -	22,832,698
Total Governmental Activities	- -	48,267,699
Business-Type Activities		
Deferred outflows related to pension	2,822,019	2,822,019
Total Business-Type Activities	2,822,019	2,822,019
Total deferred outflows of resources	<u>\$ 2,822,019</u>	<u>\$ 51,089,718</u>

9) Leases

Operating Leases

The County leases office space, land and certain equipment under several operating leases with expiration dates through 2046.

Future minimum lease payment requirements under the various leases are as follows:

2017	\$ 6,168,379
2018	6,135,065
2019	5,981,944
2020	6,040,026
2021	5,474,010
2022-2026	27,219,003
2027-2031	26,085,096
2032-2036	5,815,441
2037-2041	4,168,840
2042-2046	<u>2,168,674</u>
Total Minimum payments required	<u>\$ 95,256,478</u>

Total rental expenses for these leases during 2016 was \$6,359,197.

Capital Leases

The County has entered into lease agreements as the lessee for financing the acquisition of personal computers. These lease agreements qualify as capital leases for accounting purposes and are recorded in the Internal Service Funds and Capital Reserve Fund.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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9) Leases, Continued

The assets acquired through capital leases are as follows:

		<u>Governmental Activities</u>
Asset:		
Personal computers	\$ 968,685	
Hardware/software	961,082	
Less: accumulated depreciation	<u>(1,560,817)</u>	
Total	<u>\$ 368,950</u>	

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2016 were as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2016	\$ 226,333
2017	<u>152,996</u>
Total minimum lease payments	379,329
Less: amount representing interest	<u>10,379</u>
Present value of minimum lease payments	<u>\$ 368,950</u>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**10) Long-term Liabilities**

Long-term liability activity for the year ended December 31, 2016, was as follows:

	*Balance January 1, 2016		Additions	Reductions	Balance December 31, 2016		Due Within One Year
<b>Governmental activities:</b>							
General obligation bonds	\$ 509,665,741	\$ 154,935,000	\$ 122,989,377	\$ 541,611,364	\$ 21,221,375		
Premium on bonds	30,953,195	34,391,809	6,121,566	59,223,438	4,308,271		
General obligation notes	8,915,000	-	5,000	8,910,000	5,000		
Capital leases	587,337	471,050	689,437	368,950	218,954		
Compensated absences	8,999,761	4,862,027	4,376,608	9,485,180	4,519,946		
Net pension liability	41,888,331	3,400,158	-	45,288,489	-		
Net OPEB obligation	2,209,343	258,651	-	2,467,994	-		
Workers' compensation claims	905,302	481,131	343,663	1,042,770	322,727		
Medical and prescription claims	1,616,704	17,132,414	17,705,629	1,043,489	1,043,489		
<b>Governmental activities</b>							
<b>Long-term liabilities</b>	<b>\$ 605,740,714</b>	<b>\$ 215,932,240</b>	<b>\$ 152,231,280</b>	<b>\$ 669,441,674</b>	<b>\$ 31,639,762</b>		
<b>Business-type activities:</b>							
General obligation bonds	\$ 349,259	\$ -	\$ 105,623	\$ 243,636	\$ 108,625		
Compensated absences	757,143	426,643	427,786	756,000	407,683		
Net pension liability	5,177,207	420,246	-	5,597,453	-		
Net OPEB obligation	360,340	37,490	-	397,830	-		
Workers' compensation claims	904,580	481,843	343,663	1,042,760	322,724		
Medical and prescription claims	233,283	2,335,565	2,425,842	143,006	143,006		
<b>Business-type acitivities</b>							
<b>Long-term liabilities</b>	<b>\$ 7,781,812</b>	<b>\$ 3,701,787</b>	<b>\$ 3,302,914</b>	<b>\$ 8,180,685</b>	<b>\$ 982,038</b>		

\*Beginning balances were restated to reflect an overstatement of net pension liability and deferred outflow of resources related to pension.

Internal service fund serves the governmental funds and enterprise fund. Accordingly, long-term liabilities for workers' compensation claims, medical claims, compensated absences, net pension liability, and net OPEB obligation are included as part of the above totals for governmental funds and enterprise fund and are generally liquidated by the County's general fund, special revenue funds and enterprise fund.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**10) Long-term Liabilities, Continued**

An analysis of debt service requirements to maturity on bonds and notes payable follows:

	Principal Requirements	Interest Requirements	Total Debt Service Requirements
<b>Year ended December 31:</b>			
<b>General Obligation Bonds:</b>			
2017	\$ 21,330,000	\$ 22,327,515	\$ 43,657,515
2018	25,305,000	21,964,970	47,269,970
2019	26,420,000	21,236,881	47,656,881
2020	27,150,000	20,388,065	47,538,065
2021	26,995,000	19,360,763	46,355,763
2022-2026	155,790,000	81,644,337	237,434,337
2027-2031	185,370,000	44,760,512	230,130,512
2032-2036	<u>73,495,000</u>	<u>6,777,766</u>	<u>80,272,766</u>
	<u>541,855,000</u>	<u>238,460,809</u>	<u>780,315,809</u>
<b>General Obligation Notes:</b>			
2017	5,000	444,925	449,925
2018	5,000	444,825	449,825
2019	5,000	444,725	449,725
2020	5,000	444,625	449,625
2021	2,080,000	444,500	2,524,500
2032-2036	<u>6,810,000</u>	<u>691,500</u>	<u>7,501,500</u>
	<u>8,910,000</u>	<u>2,915,100</u>	<u>11,825,100</u>
<b>Total</b>	<b>\$ 550,765,000</b>	<b>\$ 241,375,909</b>	<b>\$ 792,140,909</b>
<b>To be retired by:</b>			
Governmental Funds	\$ 550,521,364	\$ 241,369,069	\$ 791,890,433
Proprietary Funds	<u>243,636</u>	<u>6,840</u>	<u>250,476</u>
<b>Total</b>	<b>\$ 550,765,000</b>	<b>\$ 241,375,909</b>	<b>\$ 792,140,909</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**10) Long-term Liabilities, Continued**

Pertinent information regarding general obligation debt outstanding is presented below:

Date of Issue	Amount of Original Issue	Description	Balance Outstanding at December 31, 2016
2009	118,080,000	To advance refund portions of the 2001, 2003, 2004 and 2007 General Obligation Bonds and to currently refund all of the 2007A and a portion of the 2007B and all of the 2007 C&D General Obligation Notes, all of which were issued for capital projects consisting of preservation of open space, the acquisition of certain information technology, facilities improvements, and the payment of costs incurred by the County to issue the bonds. Principal due in annual installments on July 15, increasing from \$5,000 in 2009 to \$17,320,000 in 2029.	24,755,000
2009A	25,265,000	To advance refund all of the currently outstanding portions of the 2003 and 2004 and a portion of the outstanding 2005 General Obligation Bonds, all of which were issued to implement the Open Space Recreation and Agricultural Preservation program, to acquire equipment and fixtures, for construction and improvements to County buildings and to pay the costs incurred by the County to issue the bonds. Principal due in annual installments on September 1, increasing from \$5,000 in 2010 to \$340,000 in 2022.	9,495,000
2009B	40,915,000	Implementation of Open Space Recreation and Agricultural Preservation program, acquisition of equipment and fixtures, construction and improvements to County buildings, bridges, community revitalization and other public transportation projects and the payments of interest during acquisition and construction period. Principal due in annual installments on July 15, increasing from \$13,270,000 in 2030 to \$27,645,000 in 2032.	40,915,000
2009C	55,960,000	To currently refund the current remaining balance of General Obligation Note, Series of 2006 which was issued for implementation of Open Space Recreation and Agricultural Preservation program, acquisition of equipment and fixtures, construction and improvements to County buildings, bridges, community revitalization and other public transportation projects and the payments of interest during acquisition and construction period. Principal due in annual installments on July 15, increasing from \$5,000 in 2011 to \$12,320,000 in 2029.	18,970,000
2010A	29,425,000	To advance refund portions of the 2007 and 2009 General Obligation Bonds which were issued refunding other General Obligation Notes and Bonds issued for capital projects consisting of preservation of open space, acquisition of information technology, facilities improvements and the payment of costs incurred by the County to issue the bonds. Principal due in annual installments on July 15, increasing from \$5,000 in 2011 to \$7,075,000 in 2025.	29,395,000
2011	8,935,000	To finance the current refunding of the County's outstanding General Obligation Bonds, Series of 2001, which were issued refunding other issues financing open space, recreation and agricultural preservation program and capital improvements to public park facilities and to pay the costs of issuing the notes. Principal due in annual installments on November 15, increasing from \$5,000 in 2012 to \$2,375,000 in 2024.	8,910,000
2011	36,525,000	To finance the costs of a portion of the County's five-year capital plan and to finance the current refunding of the entire remaining of the County's General Obligation Notes, Series B of 2007, which were issued to finance open space, recreation and agricultural preservation program and capital improvements to public park facilities and to pay the costs of issuing the notes. Principal due in annual installments on November 15, increasing from \$5,000 in 2012 to \$3,100,000 in 2033.	36,500,000
2012	37,180,000	To finance the costs of a portion of the County's five-year capital plan, known as the Capital Investment Program ("CIP"), including but not limited to: (a) the continuation of the County's Open Space program, (b) the development of and capital improvements to County park facilities and trails; (c) the acquisition and installation of equipment and fixtures in County facilities; (d) the construction of and improvements to County facilities and infrastructure; (e) the funding of the County's public safety buildings and emergency radio systems; (f) upgrading and securing technology; (g) the funding of a portion of the County's Community Revitalization program to provide the County's share of the cost of capital projects to be undertaken with certain other local government units; and (h) the construction of various public transportation related projects and transportation uses; and pay the costs of issuing the Bonds. Principal due in annual installments on November 15, increasing from \$8,605,000 in 2030 to \$9,965,000 in 2033.	37,160,000
2013A	7,165,000	Series A bonds issued to finance the costs of currently refunding certain maturities of the County's General Obligation Bonds series of 2008. Principal due in annual installments on February 15, increasing from \$1,850,000 in 2017 to \$2,500,000 in 2018.	7,165,000

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**10) Long-term Liabilities, Continued**

Date of Issue	Amount of Original Issue	Description	Balance Outstanding at December 31, 2016
2013B	27,230,000	Series B bonds issued to finance the costs of advance refunding certain maturities of the County's General Obligation Bonds series A of 2005. Principal due in annual installments on February 15, increasing from \$2,620,000 in 2014 to \$3,280,000 in 2022.	15,420,000
2014	83,570,000	To finance the cost of advance refunding all of the County's outstanding General Obligation Bonds series of 2007, originally issued in the aggregate principal amount of \$63,455,000 and currently outstanding in the aggregate principal amount of \$45,555,000. The remaining portion will be used to finance a portion of the County's five-year capital plan known as the Capital Investment Program. Principal due in annual installments on July 15, increasing from \$2,855,000 in 2015 to \$2,875,000 in 2034.	79,320,000
2015	91,105,000	To advance refund a portion of 2006 General Obligation Bonds. Principal due in installments on November 15, increasing from \$2,375,000 in 2015 to \$15,660,000 in 2024.	87,825,000
2016	58,170,000	To finance the Open Space Recreation and Agricultural Preservation program, capital improvements to County park facilities, acquisition of equipment and fixtures, construction and improvements to County buildings and the infrastructure, community revitalization, construction of renovations and repairs to County owned bridges and other public transportation projects. Principal due in annual installments on July 15, increasing from \$50,000 in 2017 to \$4,560,000 in 2036.	58,170,000
2016 A	96,765,000	To advance refund a portion of 2009 and 2009 C General Obligation Bonds. Principal due in annual installments on July 15, increasing from \$5,000 in 2017 to \$ 27,475,000 in 2029.	96,765,000
	<b>\$ 716,290,000</b>		<b>\$ 550,765,000</b>

Interest rates on the above fixed rate obligations range from 0.25 to 5.5 percent. The County has pledged its taxing power as security for outstanding general obligation debt.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. During the current year, the County performed calculations of excess investment earnings on various bonds and financings and at December 31, 2016 does not expect to incur a liability.

On March 24, 2016, the County issued its General Obligation Bonds, Series of 2016 in the principal amount of \$58,170,000 (the "2016 Bonds").

Proceeds of the 2016 Bonds were used for financing a portion of the County's ongoing five-year Capital Investment Program including, but not limited to the funding of the County's public safety buildings and emergency radio systems, the continuation of the County's Open Space program, the funding of a portion of the County's Community Revitalization program, the construction of improvements to County facilities, capital improvements County park facilities and trails, the funding of various County infrastructure improvements as well as the payment of costs incurred by the County in connection with the issuance of the 2016 Bonds.

On August 4, 2016, the County issued its General Obligation Bonds, Series A of 2016 in the principal amount of \$96,765,000 (the "2016A Bonds").

Proceeds of the 2016A Bonds were used towards – a) the advance refunding of a portion of the County's General Obligation Bonds, Series of 2009 (the "2009 Bonds"), which were outstanding in the aggregate principal amount of \$105,515,000, of which \$80,700,000 was refunded by the 2016A Bonds; b) the advance refunding a portion of the County's General Obligation Bonds, Series C of 2009 (the "2009C Bonds"), which were outstanding in the aggregate principal amount of \$47,725,000 of which \$23,635,000 was refunded by the 2016A Bonds; and c) the payment of costs incurred by the County in connection with the issuance of the 2016A Bonds. The 2016A Bonds will provide net present value debt service savings of approximately \$17,173,294 while not extending the final maturity of the 2009 Bonds or 2009C Bonds. The future value of such savings or the savings in comparison to the total cost of the old debt service and the total cost of the new debt service is \$19,127,736.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**10) Long-term Liabilities, Continued**

In prior years, the County defeased various general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the accompanying financial statements. As of December 31, 2016, the principal amount outstanding relative to defeased debt was \$176,695,000. This is made up of \$60,125,000 Bonds, Series of 2007, \$92,935,000 Bonds, Series of 2009 and \$23,635,000 Bonds, Series of 2009C.

**11) Employee Retirement Trust Fund**

**Basis of Accounting**

The County of Chester Employee Retirement Trust Fund financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Plan Description**

The County of Chester provides a single-employer defined benefit pension plan (the Plan) that is administered by the County Retirement Board. Management of the Plan is vested in the Board, which consists of five members - three elected County Commissioners, the County Controller and the County Treasurer. All employees working over 1,000 hours per year are required to enter the Plan. County elected officials have the option of enrolling in the Plan. The Plan is included in the basic financial statements of the County of Chester as a retirement trust fund. A *separate, audited GAAP-basis pension plan report is not issued*. The Plan provides retirement, disability and death benefits to plan members and their beneficiaries pursuant to Act 96 of 1971 (the Act) of the Commonwealth of Pennsylvania (County Pension Law). Cost-of-living adjustments are provided at the discretion of the County Retirement Board.

Employees who have reached the normal retirement age of 60, or age 55 with 20 years of County service, are entitled to annual retirement benefits equal to the member's annuity based on the actuarial equivalent of the accumulated payroll deductions, and a County annuity equal to the product of: (a) the "Final Average Salary" (three highest years) times (b) the employee's applicable class rates times (c) the membership service in the applicable class.

The Plan permits early retirement on a voluntary basis before age 55 with 20 years of service and, on an involuntary basis, after eight years of service. Employees become 100 percent vested after five years of service. Death and disability benefits are also provided for in the Plan. If an active employee dies at age 60 or older, or after 10 years of County service, death benefits are paid to the employee's beneficiary.

Active employees who become totally disabled receive an annual pension equal to 25 percent of the "Final Average Salary" after 5 years of County service. A Plan member who leaves County service with less than 5 years of service may withdraw his or her contributions, plus any accumulated interest.

Rate of return – As of December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.96%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**11) Employee Retirement Trust Fund, Continued**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for the 2016 measurement period (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	5.4-6.4%
International equity	5.5-6.5
Fixed income	1.3-3.3
Real estate/Alternative Investments	4.5-5.5
Cash	0.0-1.0

**Changes in the Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of December 31, 2015 (restated)	\$ 410,666,328	\$ 363,600,790	\$ 47,065,538
<b>Changes for the Year:</b>			
1. Service Cost	11,272,383	-	11,272,383
2. Interest	30,544,719	-	30,544,719
3. Changes of Benefit Terms	-	-	-
4. Differences Between Expected and Actual Experience	(396,421)	-	(396,421)
5. Changes of Assumptions	6,385,724	-	6,385,724
6. Contributions - Employer	-	8,469,935	(8,469,935)
7. Contributions - Member	-	7,116,103	(7,116,103)
8. Net Investment Income	-	27,833,527	(27,833,527)
9. Benefit Payments, including Refunds of Member Contributions	(21,706,410)	(21,706,409)	(1)
10. Plan Administrative Expenses	-	(138,328)	138,328
11. Other Changes	-	704,763	(704,763)
<b>Net Changes</b>	<b>26,099,995</b>	<b>22,279,591</b>	<b>3,820,404</b>
Balances as of December 31, 2016	<u>\$ 436,766,323</u>	<u>\$ 385,880,381</u>	<u>\$ 50,885,942</u>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**11) Employee Retirement Trust Fund, Continued**

Plan Description, Continued

Discount rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, 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 payments to determine the total pension liability (i.e. no depletion date is projected to occur).

*Sensitivity of the net pension liability to changes in the discount rate.* The following table presents the net pension liability of the County, calculated using the discount rate of 7.5 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
County's net pension liability	\$ 103,571,988	\$ 50,885,942	\$ 29,200,629

Membership

Membership of the Plan consisted of the following at December 31, 2016:

Inactive plan members or beneficiaries	
currently receiving benefits	1,233
Inactive plan members entitled to	
but not yet receiving benefits	278
Active plan members	<u>2,293</u>
Total	<u>3,804</u>

Plan members are required to contribute 5 percent of their annual covered salary and may contribute up to 15 percent. Plan members hired on or after January 1, 2011 are required to contribute 6 percent of their annual covered salary and may contribute up to 16 percent. The County contributions are determined as part of an annual actuarial valuation. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County may be amended by the General Assembly of the Commonwealth of Pennsylvania. Administrative costs of the plan are financed through investment earnings.

The Chester County Employee's Retirement System uses the entry age normal method. Under this method, an actuarial accrued liability is determined as the actuarial present value of projected benefits for all participants minus the actuarial present value of future normal costs. The normal cost is determined as the annual amount required to fund from date of hire to actuarial present value of projected benefits for each participant under the assumed retirement age.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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11) Employee Retirement Trust Fund, Continued

Funding Policy and Contributions

An actuarially determined contribution is recommended by the plan actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by Plan members during the year, with an additional amount to finance an unfunded accrued liability. For the 2016 measurement period, the active member contribution rate was 5.0 percent (6.0 percent if entered after January 1, 2011) of the annual pay, and the County average contribution rate was 7.14 percent of annual payroll.

The total pension liability was based on an actuarial valuation dated January 1, 2016 and update procedures were needed to roll-forward the total pension liability to the December 31, 2016 measurement date. The components of the net pension liability of the County at December 31, 2016 were as follows:

Total pension liability	\$ 436,766,323
Plan fiduciary net position	<u>385,880,381</u>
County's net pension liability	<u>\$ 50,885,942</u>
Plan fiduciary net position as a percentage of the total pension liability	88.35%

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the 2016 measurement period, the County recognized pension expense (income) of \$15,109,547 and reported deferred outflows of resources and deferred inflows of resources that relate to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 343,000	\$ 318,691
Change of assumptions	5,133,621	-
Net difference between projected and actual earnings on pension plan investments	<u>20,178,096</u>	<u>-</u>
Total	<u>\$ 25,654,717</u>	<u>\$ 318,691</u>

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

Year ended	Amount
2017	\$ 8,014,583
2018	8,014,583
2019	8,014,583
2020	1,076,839
2021	178,688
Thereafter	36,750

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**11) Employee Retirement Trust Fund, Continued**

**Plan Actuarial Methods and Assumptions**

The total pension liability was determined by an actuarial valuation for the 2016 measurement period at January 1, 2016 and rolled forward to December 31, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation

For the 2016 measurement period, Mortality rates were updated and based on the RP-2013 Annuitant and Non-Annuitant Mortality Tables for Males and Females with no projected improvement. This assumption change increased the total pension liability by \$6,385,724.

The actuarial assumptions used in the valuation for the 2016 measurement period were based on past experience under the plan and reasonable future expectations which represent our best estimate of anticipated experience under the plan. An actuarial experience study was performed during 2016; however, no modifications to assumptions were made as a result.

No ad hoc postemployment benefit changes were included in future liability.

**Component Units - Employees' Retirement Plan**

**Chester County Solid Waste Authority**

**Defined Contribution Plan**

CCSWA maintains a Single Employer Defined Contribution Employee Benefit Plan with Mass Mutual covering substantially all employees. Participation begins January 1 in the year following the date of hire. CCSWA contributions for each employee are fully vested after one year of continued service. Contributions to the plan are at the discretion of CCSWA's Board up to a maximum of 15% of employee compensation, and employee contributions are not required. On termination of service, due to death, disability, separation or retirement at or after the age of 65, a participant may elect to receive a lump sum amount equal to the value of his or her account, or may elect to receive benefits in the form of an annuity as specified by the Plan. Forfeitures by non-vested participants are used to reduce future Authority contributions or pay plan expenses. For 2016, there were no forfeitures nor were there any forfeiture applied to reduce contributions or pay expenses. For 2016, the contribution rate was 12%. For 2016, CCSWA's total payroll approximated \$1,921,000. For 2016, the CCSWA's total expense under the Plan approximated \$214,000.

**12) Other Post-Employment Benefits**

**Plan Description**

In addition to providing a pension benefits plan, the County provides post-employment health care and life insurance benefits (OPEB) for eligible retired employees, spouses and dependents through a single employer defined benefit plan. The benefits, benefits level, employee contribution and employer contribution are administered by the Board of Commissioners and can be amended by the County through its personnel manual and union contracts. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. A separate, audited GAAP basis benefits plan report is not issued. The activity of the plan is reported in the County's Benefits Fund, an internal service fund.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**12) Other Post-Employment Benefits, Continued**

**Benefits Provided**

The County provides post-employment health care and life insurance benefits to detective union members and eligible participants retired before July 1, 2006. Employees who retire after June 30, 2006, with the exception of the detective union members, will only be eligible for the life insurance benefit. The County terminated healthcare options for new retirees after June 30, 2006.

All medical health care benefits are provided through the County's self-insurance plan. The benefit levels are the same as those afforded to active employees. Benefits include medical services and prescriptions. A \$5,000 life insurance policy is provided for life of the retiree and is fully paid for by the County.

**Membership**

Membership of the plan consisted of the following at January 1, 2016, the date of the latest actuarial valuation (actuarial valuations are performed every two years):

	Pocopson			
	Detectives	Home	Other	Total
Retirees and beneficiaries receiving benefits *	9	75	384	468
Active employees	7	262	1,925	2,194
Total	<u>16</u>	<u>337</u>	<u>2,309</u>	<u>2,662</u>
*Retired with medical	5	-	1	6

**Funding Policy and Contributions**

The County negotiates the contribution percentage between the County and employees through the union contracts and personnel policy. All eligible retirees contribute 50 percent of the actuarially determined premium to the plan and the County contributes the remainder to cover the cost of providing the benefits to the retirees through the self-insured plan (pay-as-you-go). For the fiscal year ending December 31, 2016, the retirees contributed \$77,450 toward the cost of their healthcare.

**Annual OPEB Cost and Net OPEB Obligation**

The County had its first actuarial valuation performed for the plan as of December 31, 2006 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the year ended. Actuarial valuations are performed every two years. The County's 2016 OPEB cost of \$131,100 was less than the actuarial determined annual OPEB cost of \$427,241 for the year.

The net OPEB obligation (NOO) as of December 31, 2016, was calculated as follows:

	Total
December 31, 2015 Net OPEB Obligation (NOO)	\$ 2,569,683
Annual OPEB Cost (AOC)	427,241
Less contributions made	(131,100)
December 31, 2016 Net OPEB Obligation (NOO)	\$ 2,865,824

This schedule discloses the current year and the two preceding years for: (1) the annual required contribution (ARC), (2) the interest on the NOO, (3) the adjustment to the ARC, (4) the increase or decrease in the NOO, and (5) the NOO at the reporting date.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**12) Other Post-Employment Benefits, Continued**

Annual OPEB Cost and Net OPEB Obligation, Continued

Year	Annual Required Contribution	Interest on Net OPEB Obligation		Annual OPEB Cost	Annual Contribution	Percentage of AOC Contributed	Change in Net OPEB Obligation	Net OPEB Obligation Balance
		ARC Adjustment	ARC					
2016	\$ 822,021	-	(394,780)	427,241	131,100	30.7%	296,141	2,865,824
2015	\$ 766,702	-	(295,443)	471,259	182,600	38.7%	288,659	2,569,683
2014	\$ 684,760	-	(223,715)	461,045	187,100	40.6%	273,945	2,281,024

The projected unit credit cost method was used to calculate the ARC.

Funded Status and Funding Progress

The funded status of the plan as of December 31, 2016, was as follows (actuarial valuations are performed every two years):

Actuarial Accrued Liability (AAL)	\$ 3,768,100
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 3,768,100</u>
Funded Ratio (actuarial value of plan assets/AAL)	0%
Covered Payroll (active plan members)	\$104,894,672
UAAL as a percentage of covered payroll	3.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, claim cost, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Actuarial valuations are performed every two years for the County's OPEB plan. The next actuarial report will be prepared in the year 2018. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.25 percent investment rate of return and an annual postretirement benefit increase (healthcare cost trend) rate of 6.9 percent initially, reduced to a rate of 4.2 percent in the year 2075 and later. The inflation rate is 2.5 percent. For postretirement medical valuations, the health care cost trend assumption is comprised of a variety of factors, including inflation. Projected salary increases are not applicable since the calculations for medical and life insurance benefits did not factor in salary. The actuarial value of assets was not determined as the County has not advance funded its obligation. The plans unfunded actuarial accrued liability is being amortized on a closed basis over 10 years at a level dollar amount and remaining amortization period is six years.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**13) Related Party Transactions**

The County is affiliated with the Southeastern Pennsylvania Transportation Authority (SEPTA) as a result of the following factors:

- SEPTA provides transportation services to County residents.
- The County has representation on SEPTA's governing board.
- The County partially subsidizes SEPTA's operations and capital projects.

Because of the pervasive nature of SEPTA's operations (SEPTA services all of Southeastern Pennsylvania, including several governmental entities significantly larger than Chester County), it was not considered part of the County's reporting entity; however, the County does consider SEPTA a related party based on the factors enumerated above. It further does not meet the requirements of Statement No. 61 of the Governmental Accounting Standards Board to be included as a component unit.

During 2016, the County provided operating and capital subsidies to SEPTA of approximately \$1,312,776 and \$339,487, respectively.

In addition, as of December 31, 2016, the County has committed to fund operating and capital subsidies to SEPTA approximating \$1,385,000 and \$468,000, respectively, in 2017.

In 1985, Chester County and three neighboring counties co-sponsored the formation of the Delaware Valley Regional Finance Authority (DVRFA) for the purpose of establishing a pooled loan program for the benefit of local governmental units in the four-county area. Under the terms of the DVRFA's loan program, eligible borrowers include boroughs, cities, townships, and school districts located in the four-county area, as well as the sponsoring counties themselves. The DVRFA does not constitute a joint venture arrangement under current GASB pronouncements. However, Chester County is affiliated with the DVRFA via its sponsorship role and continuing representation on the Authority's Board. The DVRFA has credit facilities and insurance arrangements in place to guarantee their debt.

In years prior to 2016, the County has borrowed from the DVRFA through general obligation notes of which there is currently nothing outstanding at December 31, 2016.

**14) Commitments and Contingencies**

- A. Through 1996, the County levied a tax on personal property (defined primarily as equity and fixed-income securities) held by County residents. In 1996, the U.S. Supreme Court declared a North Carolina intangibles tax, similar to the County's personal property tax, unconstitutional. During 2000, the Pennsylvania Supreme Court ruled that the personal property tax was constitutional; however, the exemption for holdings of in-state securities was unconstitutional. The Pennsylvania Supreme Court, in the Annenberg decision, ordered that counties fashion a backward looking remedy to correct the unconstitutional exemption from the tax.

The County has in good faith implemented the backward looking remedy as required by the Annenberg decision. At this date, there is no law suit filed and no litigation currently. Although the County did not and does not anticipate collection of back taxes, there was \$13,156 collected in 2016 which was recorded as current general revenue.

- B. In the normal course of business, there are various claims and suits pending against the County and its elected officials. Management is of the opinion that these matters will not have a material adverse effect on the County's financial position at December 31, 2016.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**14) Commitments and Contingencies, Continued**

- C. At the end of 2016, there was approximately \$13.1 million contractually committed to purchase assets on behalf of others in accordance with the County's Open Space and Community Revitalization Program. This amount includes commitments for Municipal Park grants, Conservancy grants, a commitment to West Whiteland Township for Exton Park development, and Community Revitalization grants.
- D. The County has various active construction/reconstruction projects as of December 31, 2016.

Project	Expended through December 31, 2016	Remaining on contract
Prison - Kitchen Roof Replacement	\$ -	\$ 28,040.00
Exton Library - Carpet Replacement	\$ -	204,716.00
	<hr/>	<hr/>
	\$ -	\$ 232,756.00

**Component Unit – Commitment and Contingencies**

**Chester County Solid Waste Authority**

The Authority maintains insurance coverage for environmental and other matters subject to certain policy exclusions. The insurance limits in force for 2016 were \$6,000,000 for each occurrence and \$12,000,000 aggregate. Any significant claims against the Authority relative to environmental matters that are not covered by existing insurance arrangements, if asserted and not successfully defended, could have a material adverse impact on the Authority's financial position and results of operations. As of December 31, 2016, however, the Authority was not aware of any such claims, asserted or unasserted, related to its operations.

**15) Closure and Post-closure Costs**

**Component Unit - Closure and Post-closure Costs**

**Chester County Solid Waste Authority**

Commonwealth and federal laws and regulations require CCSWA to place a cover on the completed sections of the landfill when it stops accepting waste at a site, and to perform certain maintenance and monitoring functions at the landfill site for extended periods (up to thirty years) after closure. Although closure and post-closure care costs are paid only when CCSWA stops accepting waste at a site, a portion of such costs are reported as an operating expense, each period based on landfill capacity used as of each balance sheet date. As of December 31, 2016, the landfill's total capacity used was 94%. Based on estimates using current tonnage received, the landfill will be fully depleted by approximately 2025.

CCSWA increases and decreases its estimated liability for closure and post-closure costs each year based on revised cost estimates provided by consulting engineers and percentage of the facility utilized. During 2016 costs of \$515,719 were expensed.

The current closure and post-closure financial assurance requirement approved by the PADEP is \$24,534,000 as of December 31, 2016. The Authority will recognize the remaining estimated cost of closure and post-closure care for the entire site (measured as of December 31, 2016) as the remaining estimated capacity is filled. Actual costs may differ due to the rate of inflation, changes in technology, or changes in regulations.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to the Financial Statements**  
**December 31, 2016, Continued**

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**15) Closure and Post-closure Costs, Continued**

**Component Unit - Closure and Post-closure Costs, Continued**

**Chester County Solid Waste Authority, Continued**

Total cash and investments on deposit in trust accounts specifically restricted for closure and post-closure care costs totaled \$25,758,040 at December 31, 2016.

Total closure and post-closure liability, including changes for fiscal year 2016, are as follows:

	Estimated closure/ post-closure costs
Balance at December 31, 2015	\$ 19,670,012
Closure/post-closure expense	515,719
Payments made	(1,003,796)
Capping construction in process applied to closure liability	<u>(2,828,968)</u>
Balance at December 31, 2016	<u>\$ 16,352,967</u>
Balance at December 31, 2016 due within one year	<u>\$ 6,033,395</u>

The United States Environmental Protection Agency (EPA) has enacted regulations that became effective in October of 1993, which, among other things, require municipal solid waste organizations to conduct post-closure care monitoring activities for a minimum of thirty years for new landfill units. Management of CCSWA has been advised by legal counsel that such regulations do not apply to certain older portions of CCSWA's landfill site that did not receive waste after the date the regulations were published. Accordingly, based on management's present intentions, CCSWA's recorded liability for post-closure obligations reflects the estimated costs of post-closure care for these older areas of the landfill site for a period of twenty years after closure, consistent with a Closure Plan submitted by the CCSWA and approved by the DEP.

CCSWA is permitted to voluntarily conduct post-closure care activities for a period in excess of twenty years and has resolved to annually review and re-evaluate its plans and intentions in this regard. Further, CCSWA's recorded obligations for closure and post-closure care activities are accounting estimates that are based on a number of variables and could change significantly in the future as a result of changes in regulatory requirements, technology and management's plans.

Amounts reported as closure and post-closure care liabilities at December 31, 2016 are as follows:

	<u>2016</u>
Current	\$ 6,033,395
Noncurrent	<u>10,319,572</u>
Total	<u>\$ 16,352,967</u>

# Required Supplementary Information

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Required Supplementary Information**  
**Year Ended December 31, 2016**

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OPEB Plan Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liabilities (AAL) Project Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
01/01/2016	\$ -	\$ 3,768,100	\$3,768,100	0%	\$ 104,894,672	3.6%
01/01/2014	\$ -	\$ 3,908,000	\$3,908,000	0%	\$ 95,854,881	4.1%
01/01/2012	\$ -	\$ 3,923,000	\$3,923,000	0%	\$ 102,091,544	3.8%

The County implemented GASB Statement No.45 for the fiscal year ended December 31, 2006. Actuarial valuations are performed every two years for the County's OPEB plan. The next actuarial report will be prepared for the year 2018.

OPEB Plan Schedule of Employer Contributions

Year Ended	Annual Required Contribution (ARC) *	Percentage of ARC Contributed	Net OPEB Obligation
2016	\$ 822,021	15.9%	\$ 2,865,824
2015	\$ 766,702	23.8%	\$ 2,569,683
2014	\$ 684,760	27.3%	\$ 2,281,024

\* Based on actual benefit payments for the December 31, 2016 Fiscal Year.

The County implemented GASB Statement No. 45 for the fiscal year ended December 31, 2006.

Other Post-Employment Benefits

The employer contribution reported represents the current amount paid by the County for the current year cost of the benefits, which were entirely paid out or on behalf of eligible retirees. Accordingly, as disclosed in footnote 12, assets have not been placed in trust to advance fund the employer's obligation.

Unaudited - see accompanying independent auditors' report.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Required Supplementary Information**  
**Schedule of Changes in the County's Net**  
**Pension Liability and Related Ratios**  
**Last Ten Fiscal Years\***

	2016	2015	2014
<b>Total pension liability</b>			
Service cost	\$ 11,272,383	\$ 11,010,582	\$ 10,696,079
Interest	30,544,719	29,144,235	27,745,727
Difference between expected and actual experience	(396,421)	465,500	3,569,030
Changes of assumptions	6,385,724	-	-
Benefit payments, including refunds of member contributions	(21,706,410)	(21,035,418)	(19,683,449)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total pension liability	26,099,995	19,584,899	22,327,387
Total pension liability - beginning	<u>410,666,328</u>	<u>391,081,429</u>	<u>368,754,042</u>
Total pension liability - ending (a)	<u>\$ 436,766,323</u>	<u>\$ 410,666,328</u>	<u>\$ 391,081,429</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 8,469,935	\$ 6,025,657	\$ 7,810,793
Contributions - member	7,116,103	7,151,007	6,703,445
Net investment income	27,833,527	(6,621,058)	21,046,676
Benefit payments, including refunds of member contributions	(21,706,409)	(21,035,418)	(19,683,449)
Administrative expense	(138,328)	(132,597)	(127,798)
Other	<u>704,763</u>	<u>54,127</u>	<u>40,890</u>
<b>Net change in plan fiduciary net positions</b>	<u>22,279,591</u>	<u>(14,558,282)</u>	<u>15,790,557</u>
<b>Plan fiduciary net position - beginning</b>	<u>363,600,790</u>	<u>378,159,072</u>	<u>362,368,515</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 385,880,381</u>	<u>\$ 363,600,790</u>	<u>\$ 378,159,072</u>
<b>County's net pension liability - ending (a) - (b)</b>	<u>\$ 50,885,942</u>	<u>\$ 47,065,538</u>	<u>\$ 12,922,357</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	88.35%	88.54%	96.70%
<b>Covered-employee payroll</b>	\$ 118,689,818	\$ 111,337,938	\$ 112,704,901
<b>County's net pension liability as a percentage of covered-employee payroll</b>	42.9%	42.3%	11.5%

\*This schedule is present to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Required Supplementary Information**  
**Schedule of County Contributions**  
**Last Ten Fiscal Years**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 8,469,935	\$ 6,025,657	\$ 7,810,793	\$ 9,880,939	\$ 11,579,074	\$ 10,948,849	\$ 12,552,931	\$ 12,407,840	\$ 7,525,934	\$ 7,845,648
Contributions in relation to the actuarially determined contribution	<u>8,469,935</u>	<u>6,025,657</u>	<u>7,810,793</u>	<u>9,880,939</u>	<u>11,579,074</u>	<u>10,948,849</u>	<u>15,127,446</u>	<u>12,407,840</u>	<u>7,525,934</u>	<u>7,845,648</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,574,515)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Covered-employee payroll	\$ 118,689,818	\$ 111,337,938	\$ 112,704,901	\$ 110,864,248	\$ 115,886,844	\$ 115,580,646	\$ 116,443,020	\$ 116,911,628	\$ 111,960,789	\$ 103,537,753
Contributions as a percentage of covered-employee payroll	7.14%	5.41%	6.93%	8.91%	9.99%	9.47%	12.99%	10.61%	6.72%	7.58%

**Notes to Schedule**

Valuation date Jan 1, 2016

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level Dollar
Remaining amortization period	24 years
Asset valuation period	5-year smoothed market
Inflation	3.0%
Salary increases	3.5% average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	Age 60 or 55 with 20 years' service
Mortality	2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement

In 2016, Mortality rates were based on the 2013 RP Annuitant and Non-Annuitant Tables for males and females with no projected improvement. In prior years, Mortality Rates were based on the 1983 Group Annuity Mortality Tables for males and females with no projected improvement.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Required Supplementary Information**  
**Schedule of Investment Returns**  
**Last Ten Fiscal Years\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	7.96%	(1.57)%	6.10%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is shown.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
Taxes:				
Real estate	\$ 103,453,618	\$ 103,453,618	\$ 104,170,293	\$ 716,675
Personal property	-	-	13,156	13,156
Licenses and permits	1,753,300	1,753,300	1,858,810	105,510
General grants	6,233,838	6,931,789	5,806,732	(1,125,057)
Health and welfare grants	6,873,818	7,306,390	6,610,260	(696,130)
Departmental earnings	14,200,661	14,255,967	15,044,220	788,253
Court costs and fines	4,509,805	4,509,805	4,151,080	(358,725)
Interest and rent	433,988	433,988	575,616	141,628
Other	3,222,949	3,341,215	4,086,422	745,207
<b>Total revenues</b>	<b>140,681,977</b>	<b>141,986,072</b>	<b>142,316,589</b>	<b>330,517</b>
<b>Expenditures:</b>				
Current:				
General government				
Commissioners	951,325	951,325	945,270	6,055
Finance	880,643	880,643	855,067	25,576
Human resources	1,043,343	1,043,343	1,005,658	37,685
Contracts and purchasing	1,491,910	1,491,910	1,454,679	37,231
Public information	118,696	125,906	124,924	982
Voter services	2,121,069	2,137,341	2,137,329	12
Assessment	2,659,790	2,659,790	2,478,046	181,744
Treasurer	785,233	785,233	737,270	47,963
Controller	1,574,169	1,574,169	1,548,641	25,528
Solicitor	345,312	345,312	315,436	29,876
Public defender	3,839,644	3,839,644	3,739,353	100,291
Recorder of deeds	1,551,786	1,551,786	1,468,672	83,114
Facilities management	8,053,196	8,057,415	7,929,543	127,872
DCIS	10,757,307	10,757,307	9,936,188	821,119
Archives	373,596	378,738	364,750	13,988
Veterans affairs	285,454	285,454	252,907	32,547
Non-departmental	8,390,112	7,842,099	4,648,400	3,193,699
	<b>45,222,585</b>	<b>44,707,415</b>	<b>39,942,133</b>	<b>4,765,282</b>
Reimbursable costs				
Allocated costs	(1,709,587)	(1,709,587)	(1,706,295)	(3,292)
Indirect costs	(6,847,669)	(6,847,669)	(6,844,590)	(3,079)
Maintenance in lieu of rent	(1,884,754)	(1,884,754)	(1,884,422)	(332)
	<b>(10,442,010)</b>	<b>(10,442,010)</b>	<b>(10,435,307)</b>	<b>(6,703)</b>

Unaudited - see accompanying independent auditor's report.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>		<b>Variance with Final Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
Judicial				
Justice center	2,079,077	2,084,077	2,090,830	(6,753)
Court administration	5,923,300	5,923,300	5,874,847	48,453
Court reporters	1,680,880	1,680,880	1,597,649	83,231
District justices	6,499,723	6,539,723	6,049,893	489,830
Law library	167,883	167,883	144,573	23,310
Clerk of courts	1,278,299	1,278,779	1,278,826	(47)
Constables	1,500,000	1,600,000	1,534,208	65,792
Coroner	847,802	959,333	899,793	59,540
District attorney	9,667,766	10,127,605	9,720,943	406,662
Prothonotary	1,316,256	1,330,542	1,329,193	1,349
Register of wills	798,958	798,958	797,606	1,352
Sheriff	5,931,600	6,119,970	6,119,614	356
	<b>37,691,544</b>	<b>38,611,050</b>	<b>37,437,975</b>	<b>1,173,075</b>
Public safety				
Emergency services	3,958,569	4,200,115	3,611,670	588,445
	<b>3,958,569</b>	<b>4,200,115</b>	<b>3,611,670</b>	<b>588,445</b>
Corrections				
Prison	27,690,197	27,690,197	27,668,985	21,212
Adult probation	7,696,280	7,792,603	7,788,121	4,482
Juvenile probation	4,257,343	4,270,023	4,065,181	204,842
	<b>39,643,820</b>	<b>39,752,823</b>	<b>39,522,287</b>	<b>230,536</b>
Human services				
Health department	10,078,157	10,500,356	9,539,544	960,812
	<b>10,078,157</b>	<b>10,500,356</b>	<b>9,539,544</b>	<b>960,812</b>
Conservation and development				
Planning	3,341,948	3,346,582	3,208,085	138,497
Water resources	426,983	426,983	421,344	5,639
Open space preservation	597,874	608,874	605,820	3,054
Soil conservation	1,379,937	1,419,057	1,419,053	4
	<b>5,746,742</b>	<b>5,801,496</b>	<b>5,654,302</b>	<b>147,194</b>
Capital outlay:				
Other	37,000	37,000	-	37,000
	<b>37,000</b>	<b>37,000</b>	<b>-</b>	<b>37,000</b>
<b>Total expenditures</b>	<b>131,936,407</b>	<b>133,168,245</b>	<b>125,272,604</b>	<b>7,895,641</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>8,745,570</b>	<b>8,817,827</b>	<b>17,043,985</b>	<b>8,226,158</b>

Unaudited - see accompanying independent auditor's report.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Other financing sources (uses):</b>				
Transfers in	265,262	265,262	743,697	478,435
Transfers out	(17,040,832)	(17,113,089)	(11,917,697)	5,195,392
Sale of capital assets	30,000	30,000	2,424	(27,576)
<b>Total other financing sources (uses)</b>	<b>(16,745,570)</b>	<b>(16,817,827)</b>	<b>(11,171,576)</b>	<b>5,646,251</b>
<b>Net change in fund balances</b>	<b>(8,000,000)</b>	<b>(8,000,000)</b>	<b>5,872,409</b>	<b>13,872,409</b>
<b>Fund balances:</b>				
Beginning of year	-	41,017,593	41,017,593	-
<b>End of year</b>	<b>\$ (8,000,000)</b>	<b>\$ 33,017,593</b>	<b>\$ 46,890,002</b>	<b>\$ 13,872,409</b>

Unaudited - see accompanying independent auditor's report.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Managed Behavioral Healthcare Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
General grants	\$ 4,000	\$ 3,379	\$ 853	\$ (2,526)
Health and welfare grants	71,672,557	85,684,058	80,801,983	(4,882,075)
Interest and rent	4,000	4,000	-	(4,000)
<b>Total revenues</b>	<b>71,680,557</b>	<b>85,691,437</b>	<b>80,802,836</b>	<b>(4,888,601)</b>
<b>Expenditures:</b>				
Current:				
Human services	70,899,010	84,910,511	80,287,966	4,622,545
<b>Total expenditures</b>	<b>70,899,010</b>	<b>84,910,511</b>	<b>80,287,966</b>	<b>4,622,545</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>781,547</b>	<b>780,926</b>	<b>514,870</b>	<b>(266,056)</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	621	620	(1)
Transfers out	(781,547)	(781,547)	(515,490)	266,057
<b>Total other financing sources (uses)</b>	<b>(781,547)</b>	<b>(780,926)</b>	<b>(514,870)</b>	<b>266,056</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
Beginning of year	-	-	-	-
<b>End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Unaudited - see accompanying independent auditor's report.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Children, Youth & Families Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>		<b>Variance with Final Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
Health and welfare grants	\$ 22,716,402	\$ 22,689,308	\$ 22,540,069	\$ (149,239)
Departmental earnings	514,156	514,156	767,510	253,354
Interest and rent	20	20	-	(20)
Other	93,596	57,809	92,879	35,070
<b>Total revenues</b>	<b>23,324,174</b>	<b>23,261,293</b>	<b>23,400,458</b>	<b>139,165</b>
<b>Expenditures:</b>				
Current:				
Human services	29,113,010	29,284,180	29,274,299	9,881
Capital outlay:				
Other	-	2,638	2,598	40
<b>Total expenditures</b>	<b>29,113,010</b>	<b>29,286,818</b>	<b>29,276,897</b>	<b>9,921</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(5,788,836)</b>	<b>(6,025,525)</b>	<b>(5,876,439)</b>	<b>149,086</b>
<b>Other financing sources (uses):</b>				
Transfers in	7,063,264	7,261,145	7,052,708	(208,437)
Transfers out	(1,274,428)	(1,235,620)	(1,176,269)	59,351
<b>Total other financing sources (uses)</b>	<b>5,788,836</b>	<b>6,025,525</b>	<b>5,876,439</b>	<b>(149,086)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
Beginning of year	-	-	-	-
<b>End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Unaudited - see accompanying independent auditor's report.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Notes to Required Supplementary Information**  
**December 31, 2016**

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**Budgetary Information**

The County follows these procedures in developing its budget:

The County Code, Act of August 9, 1955 (P.L.323, No. 130), as amended, requires that the annual budget be adopted no later than December 31 for the succeeding fiscal year beginning January 1. The Code also requires that the proposed budget be available for public inspection at least twenty days prior to the date set for adoption.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental and business type funds.

County department heads are required to submit operating and capital expenditure budget requests and revenue estimates to the Finance Department by June 30. The requested budgets are submitted by category of expenditure or revenue in accordance with the account structure established in the County's financial system and also by major program or activity to enhance stakeholders' understanding of County services and to aid the Board of Commissioners in implementing program priorities.

During July and August, the Finance Department and County senior staff meet with department heads to review budget requests. Review meetings are followed by public work sessions at which selected departments are asked to present their program budgets to the Commissioners.

No later than October 31, the proposed budget is available for public inspection. A public budget hearing is held during November and the budget adopted no later than the statutory deadline.

The County is legally required to maintain budgetary controls at the major function level. In practice, the County maintains budgetary control at the line item level for grant funded accounts. Non-grant funded accounts are controlled at the categorical level.

During the course of the year, departmental needs and priorities may change, emergencies may occur or additional revenue may arise. As a result, funds may need to be transferred within a department's budget, additional revenues recognized or the expenditure budget increased.

Budgets may be adjusted by either a budget amendment or by an internal budget transfer. A budget amendment is necessary when a supplemental appropriation increases a department's total appropriation by recognizing additional revenue sources, a transfer from another fund, a transfer within a fund from the unappropriated contingency line item or a transfer from one department to another department within a fund. Budget amendments require Board approval as part of the Finance agenda at a public Commissioners' meeting.

An internal budget transfer is necessary anytime a request is made to move funds from one line to another without changing the total appropriation for that department. Budget transfers may be approved by the Department Head and the County Executive charged with oversight of the department.

Any appropriations which are unspent at the end of the year lapse into fund balance. During the next year, the Commissioners approve the necessary budget amendments for roll-forward amounts of federal and state grants and multi-year capital projects.

## Supplementary Information

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Supplementary Information**  
**December 31, 2016**

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Description of Funds – Nonmajor Governmental Funds

Domestic Relations Fund

Operations of the County Domestic Relations Program. Financing is provided by the federal government and a General Fund appropriation.

Liquid Fuels Fund

Maintenance and construction of County bridges. Financing is provided by the County's share of state gasoline taxes and federal grants.

Community Development Fund

Operations and administration of the Housing and Community Development programs and programs operated under the Job Training Partnership Act (JTPA). Financing is provided by federal and state grants.

Parks and Recreation Fund

Operations of the County's parks and provision of recreation programs. Financing is primarily provided by designated real estate taxes.

Public Safety Communications Fund

Operation and administration of 9-1-1 emergency telephone system for the County. Financing is provided by a surcharge levied on telephone bills and a General Fund appropriation.

Library Fund

Operations and administration of the County's Library system. Financing is provided by state grants, the General Fund, and designated real estate taxes.

Human Services Fund

Operation and administration of the Human Services Program. Financing is provided by state and federal grants and program income.

Mental Health / Intellectual & Developmental Disabilities Fund (MH/IDD)

This fund is for the operations and administration of the County MH/IDD program. Financing is provided by state and federal grants with an appropriation from the County General Fund.

Office of Aging Fund

Operations and administration of the County Senior Citizens Program. Financing is provided by private contributions, state and federal grants, and a matching appropriation from the County General Fund.

Drug and Alcohol Fund

Operations and administration of the County Drug and Alcohol Program. Financing is provided by state and federal grants with a matching appropriation from the County General Fund.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Supplementary Information**  
**December 31, 2016**

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Description of Funds – Nonmajor Governmental Funds, Continued

Child Care Information Services Fund

Operations and administration of the Child Care Information Services Program. Financing is provided by state and federal grants.

Capital Reserve Fund

Certain capital expenditures financed principally by a General Fund transfer.

Description of Funds – Major Governmental Funds

General Fund

This fund is the County's primary operating fund. It accounts for the general operating activities of the County, except for those accounted for in another fund. The general tax revenues of the County as well as other resources received and not designated for a special purpose are accounted for in the General Fund.

Managed Behavioral Healthcare Fund

This fund is for the operations and administration of the County's medical assistance funded mental health and drug and alcohol programs. Financing is provided by state and federal grants and program income.

Children, Youth and Families Fund (CYF)

This fund is for the operations and administration of the County CYF program. Financing is provided by state and federal grants with an appropriation from the County General Fund. The General Fund also finances costs in excess of state funding ceilings.

Debt Service

Maintained for the accumulation of resources for the payment of principal and interest on general obligation long-term debt. Financing is primarily provided by designated real estate taxes.

Capital Improvement Fund

Projects for the acquisition and/or construction of assets with an extended useful life are financed through the issuance of general obligation notes and bonds.

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**December 31, 2016**

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	<b>Domestic Relations</b>	<b>Liquid Fuels</b>	<b>Community Development</b>	<b>Parks and Recreation</b>	<b>Public Safety Communications</b>
<b>Assets:</b>					
Cash and cash equivalents	\$ 200	\$ 256,828	\$ -	\$ 5,092,830	\$ -
Taxes receivable	-	-	-	130,629	-
Grants receivable	988,740	-	3,068,634	-	-
Other receivables	376	-	163,244	216,831	2,907,076
Prepays	-	-	9,462	-	120,495
Other assets	-	-	1,743	-	-
Advances to subcontractors	-	-	-	-	-
Restricted cash and cash equivalents	-	-	1,962,675	414,675	-
<b>Total assets</b>	<b>\$ 989,316</b>	<b>\$ 256,828</b>	<b>\$ 5,205,758</b>	<b>\$ 5,854,965</b>	<b>\$ 3,027,571</b>
<b>Liabilities, deferred inflow of resources, and fund balances:</b>					
<b>Liabilities:</b>					
Vouchers and accounts payable	\$ 13,551	\$ 86,599	\$ 1,452,513	\$ 74,857	\$ 190,040
Accrued liabilities	66,309	3,822	27,139	47,210	119,464
Unearned grant revenue	-	-	2,761,938	-	-
Other unearned revenue	-	-	2,998	4,915	-
Funds held in escrow	-	-	-	2,785	-
Due to other funds	559,456	-	695,332	-	2,718,067
Due to other governments	-	-	120,274	-	-
<b>Total liabilities</b>	<b>639,316</b>	<b>90,421</b>	<b>5,060,194</b>	<b>129,767</b>	<b>3,027,571</b>
<b>Deferred inflow of resources:</b>					
Unavailable real estate taxes	-	-	-	105,258	-
<b>Total deferred inflow of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,258</b>	<b>-</b>
<b>Fund balances:</b>					
Nonspendable:					
Prepaid items	-	-	-	-	-
Hatfield trust endowment principal	-	-	-	342,799	-
Restricted:					
Act 13 - impact fee revenues	-	-	-	-	-
County records improvement	-	-	-	-	-
Child support enforcement	350,000	-	-	-	-
Bridge construction and maintenance	-	166,407	-	-	-
County fee local use fund	-	-	-	-	-
Affordable housing act	-	-	145,564	-	-
Hatfield trust - spendable	-	-	-	261,355	-
Assigned:					
Capital projects	-	-	-	-	-
Upkeep of county parks	-	-	-	5,015,786	-
Upkeep of county libraries	-	-	-	-	-
<b>Total fund balances</b>	<b>350,000</b>	<b>166,407</b>	<b>145,564</b>	<b>5,619,940</b>	<b>-</b>
<b>Total liabilites,deferred inflow of resources and fund balances</b>	<b>\$ 989,316</b>	<b>\$ 256,828</b>	<b>\$ 5,205,758</b>	<b>\$ 5,854,965</b>	<b>\$ 3,027,571</b>

Library		Human Services		MH/IDD		Aging		Drug and Alcohol		Child Care Information Services		Capital Reserve		Total Nonmajor Governmental Funds
\$ 2,301,629 221,853	\$ 765,702	\$ 4,838,637	\$ 294,294	\$ 1,307,714	\$ 1,222,830	\$ 10,324,372	\$ 26,405,036 352,482							
-	215,451	440,907	46,811	280,119	-	-	201,766	5,242,428						
483	-	8,775	16,183	39,697	57,831	-	15,531	3,426,027						
247,246	-	-	-	-	-	-	-	377,203						
-	-	-	-	-	-	-	-	1,743						
-	-	-	2,174	-	-	-	-	2,174						
-	-	-	-	-	-	-	-	2,377,350						
<b>\$ 2,771,211</b>	<b>\$ 981,153</b>	<b>\$ 5,288,319</b>	<b>\$ 359,462</b>	<b>\$ 1,627,530</b>	<b>\$ 1,280,661</b>	<b>\$ 10,541,669</b>	<b>\$ 38,184,443</b>							
<hr/>														
\$ 72,661 66,609	\$ 156,841 6,234	\$ 2,823,443 87,929	\$ 208,551 33,350	\$ 371,255 16,035	\$ 1,236,608 9,505	\$ 536,495	\$ 7,223,414 483,606							
-	41,825	2,282,579	117,561	516,715	34,548	-	5,755,166							
-	776,253	-	-	723,525	-	-	1,507,691							
4,000	-	-	-	-	-	-	6,785							
-	-	-	-	-	-	-	3,972,855							
-	-	94,368	-	-	-	-	214,642							
<b>143,270</b>	<b>981,153</b>	<b>5,288,319</b>	<b>359,462</b>	<b>1,627,530</b>	<b>1,280,661</b>	<b>536,495</b>	<b>19,164,159</b>							
<hr/>														
181,044	-	-	-	-	-	-	-	286,302						
181,044	-	-	-	-	-	-	-	286,302						
<hr/>														
247,246	-	-	-	-	-	-	-	247,246						
-	-	-	-	-	-	-	-	342,799						
-	-	-	-	-	-	-	-	1,946,041	1,946,041					
-	-	-	-	-	-	-	-	248,302	248,302					
-	-	-	-	-	-	-	-	350,000		350,000				
-	-	-	-	-	-	-	-	166,407		166,407				
-	-	-	-	-	-	-	-	935,050	935,050		935,050			
-	-	-	-	-	-	-	-	145,564		145,564				
-	-	-	-	-	-	-	-	261,355		261,355				
-	-	-	-	-	-	-	-	6,875,781	6,875,781		6,875,781			
-	-	-	-	-	-	-	-	5,015,786		5,015,786				
<b>2,199,651</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,199,651</b>
<b>2,446,897</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,733,982</b>
<b>\$ 2,771,211</b>	<b>\$ 981,153</b>	<b>\$ 5,288,319</b>	<b>\$ 359,462</b>	<b>\$ 1,627,530</b>	<b>\$ 1,280,661</b>	<b>\$ 10,541,669</b>	<b>\$ 38,184,443</b>							

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2016**

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	<u>Domestic Relations</u>	<u>Liquid Fuels</u>	<u>Community Development</u>	<u>Parks and Recreation</u>	<u>Public Safety Communications</u>
<b>Revenues:</b>					
Taxes:					
Real estate	\$ -	\$ -	\$ -	\$ 4,258,721	\$ -
General grants	- -	1,024,423	8,981,059	-	-
Health and welfare grants	4,435,464	-	3,476,516	-	-
Departmental earnings	21,062	-	1,025,183	78,416	11,638,321
Court costs and fines	46,645	-	-	-	-
Interest and rent	- -	1,027	-	190,700	521,508
Other	- -	5,733	214,648	895,846	37,669
<b>Total revenues</b>	<b>4,503,171</b>	<b>1,031,183</b>	<b>13,697,406</b>	<b>5,423,683</b>	<b>12,197,498</b>
<b>Expenditures:</b>					
Current:					
General government	- -	-	-	-	-
Judicial	6,510,400	-	-	-	-
Public safety	- -	-	-	-	13,452,732
Corrections	- -	-	-	-	-
Public works	- -	974,259	-	-	-
Human services	- -	-	13,147,546	-	-
Culture and recreation	- -	-	-	4,233,472	-
Conservation and development	- -	-	-	-	-
Capital outlay:					
Bridges	- -	-	-	-	-
Other	24,720	-	1,085,613	165,516	-
<b>Total expenditures</b>	<b>6,535,120</b>	<b>974,259</b>	<b>14,233,159</b>	<b>4,398,988</b>	<b>13,452,732</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,031,949)</b>	<b>56,924</b>	<b>(535,753)</b>	<b>1,024,695</b>	<b>(1,255,234)</b>
<b>Other financing sources (uses):</b>					
Transfers in	2,031,949	-	580,455	-	1,255,234
Transfers out	- -	-	(4,782)	(5,357)	-
Sale of capital assets	- -	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>2,031,949</b>	<b>-</b>	<b>575,673</b>	<b>(5,357)</b>	<b>1,255,234</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>56,924</b>	<b>39,920</b>	<b>1,019,338</b>	<b>-</b>
<b>Fund balances:</b>					
Beginning of year	350,000	109,483	105,644	4,600,602	-
<b>End of year</b>	<b>\$ 350,000</b>	<b>\$ 166,407</b>	<b>\$ 145,564</b>	<b>\$ 5,619,940</b>	<b>\$ -</b>

<b>Library</b>	<b>Human Services</b>	<b>MH/IDD</b>	<b>Aging</b>	<b>Drug and Alcohol</b>	<b>Child Care Information Services</b>	<b>Capital Reserve</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 6,864,847	\$ -	\$ -	\$ 5,919,815	\$ 215,515	\$ -	\$ 1,673,910	\$ 11,123,568
- 338,324	-	-	-	-	-	-	18,153,046
- 923,950	-	25,197,364	-	4,037,084	15,113,016	-	53,183,394
- -	-	-	-	-	-	136,190	12,899,172
- -	-	-	-	11,980	-	-	58,625
80,331	4,648	36,411	2,944	8,117	4,431	57,908	908,025
16,195	66	56,677	155,329	580	57,767	964,240	2,404,750
<b>6,961,373</b>	<b>1,266,988</b>	<b>25,290,452</b>	<b>6,078,088</b>	<b>4,273,276</b>	<b>15,175,214</b>	<b>2,832,248</b>	<b>98,730,580</b>
<hr/>							
- -							
- -							
- -							
- -							
- -							
- 1,486,218							
6,819,914 26,787,671							
- -							
- -							
- -							
- 225,878							
<b>7,045,792</b> <b>1,486,218</b> <b>26,787,671</b> <b>6,122,213</b> <b>4,218,865</b> <b>15,135,864</b> <b>5,434,773</b> <b>105,825,654</b>							
<hr/>							
<b>(84,419)</b>	<b>(219,230)</b>	<b>(1,497,219)</b>	<b>(44,125)</b>	<b>54,411</b>	<b>39,350</b>	<b>(2,602,525)</b>	<b>(7,095,074)</b>
<hr/>							
- 551,656	- 1,758,606	- 274,504	- 542,958	-	- 2,000,000	- 8,995,362	
- (332,426)	- (261,387)	- (230,379)	- (597,369)	- (39,350)	- (62,500)	- (1,533,550)	
- -	- -	- -	- -	- -	- 29,452	- 29,452	
<hr/>							
- 219,230	- 1,497,219	- 44,125	- (54,411)	- (39,350)	- 1,966,952	- 7,491,264	
<b>(84,419)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(635,573)</b>	<b>396,190</b>	
<hr/>							
2,531,316	-	-	-	-	-	10,640,747	18,337,792
<b>\$ 2,446,897</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,005,174</b>	<b>\$ 18,733,982</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Domestic Relations Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
Health and welfare grants	\$ 4,489,689	\$ 4,489,689	\$ 4,435,464	\$ (54,225)
Departmental earnings	21,500	21,500	21,062	(438)
Court costs and fines	39,000	39,000	46,645	7,645
<b>Total revenues</b>	<b>4,550,189</b>	<b>4,550,189</b>	<b>4,503,171</b>	<b>(47,018)</b>
<b>Expenditures:</b>				
Current:				
Judicial	6,640,455	6,615,455	6,510,400	105,055
Capital outlay:				
Other	-	25,000	24,720	280
<b>Total expenditures</b>	<b>6,640,455</b>	<b>6,640,455</b>	<b>6,535,120</b>	<b>105,335</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,090,266)</b>	<b>(2,090,266)</b>	<b>(2,031,949)</b>	<b>58,317</b>
<b>Other financing sources (uses):</b>				
Transfers in	2,090,266	2,090,266	2,031,949	(58,317)
<b>Total other financing sources (uses)</b>	<b>2,090,266</b>	<b>2,090,266</b>	<b>2,031,949</b>	<b>(58,317)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
Beginning of year	-	350,000	350,000	-
<b>End of year</b>	<b>\$ -</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>	<b>\$ -</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Liquid Fuels Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>		
<b>Revenues:</b>					
General grants	\$ 835,000	\$ 911,291	\$ 1,024,423	\$ 113,132	
Interest and rent	450	450	1,027	577	
Other	-	-	5,733	5,733	
<b>Total revenues</b>	<b>835,450</b>	<b>911,741</b>	<b>1,031,183</b>	<b>119,442</b>	
<b>Expenditures:</b>					
Current:					
Public works	975,227	1,051,518	974,259	77,259	
<b>Total expenditures</b>	<b>975,227</b>	<b>1,051,518</b>	<b>974,259</b>	<b>77,259</b>	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(139,777)</b>	<b>(139,777)</b>	<b>56,924</b>	<b>196,701</b>	
<b>Other financing sources (uses):</b>					
Transfers in	139,777	139,777	-	(139,777)	
<b>Total other financing sources (uses)</b>	<b>139,777</b>	<b>139,777</b>	<b>-</b>	<b>(139,777)</b>	
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>56,924</b>	<b>56,924</b>	
<b>Fund balances:</b>					
Beginning of year	-	109,483	109,483	-	
<b>End of year</b>	<b>\$ -</b>	<b>\$ 109,483</b>	<b>\$ 166,407</b>	<b>\$ 56,924</b>	

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Department of Community Development Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>		<b>Variance with Final Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
General grants	\$ 11,282,689	\$ 13,521,416	\$ 8,981,059	\$ (4,540,357)
Health and welfare grants	4,606,182	4,544,933	3,476,516	(1,068,417)
Departmental earnings	1,243,821	1,204,264	1,025,183	(179,081)
Interest and rent	-	3,000	-	(3,000)
Other	186,158	349,477	214,648	(134,829)
<b>Total revenues</b>	<b>17,318,850</b>	<b>19,623,090</b>	<b>13,697,406</b>	<b>(5,925,684)</b>
<b>Expenditures:</b>				
Current:				
Human services	15,703,650	18,427,114	13,147,546	5,279,568
Capital outlay:				
Other	1,802,000	1,838,637	1,085,613	753,024
<b>Total expenditures</b>	<b>17,505,650</b>	<b>20,265,751</b>	<b>14,233,159</b>	<b>6,032,592</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(186,800)</b>	<b>(642,661)</b>	<b>(535,753)</b>	<b>106,908</b>
<b>Other financing sources (uses):</b>				
Transfers in	200,000	656,063	580,455	(75,608)
Transfers out	(13,200)	(13,402)	(4,782)	8,620
<b>Total other financing sources (uses)</b>	<b>186,800</b>	<b>642,661</b>	<b>575,673</b>	<b>(66,988)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>39,920</b>	<b>39,920</b>
<b>Fund balances:</b>				
Beginning of year	-	105,644	105,644	-
<b>End of year</b>	<b>\$ -</b>	<b>\$ 105,644</b>	<b>\$ 145,564</b>	<b>\$ 39,920</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Parks and Recreation Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
Taxes:				
Real estate	\$ 4,236,301	\$ 4,236,301	\$ 4,258,721	\$ 22,420
Departmental earnings	94,965	94,965	78,416	(16,549)
Interest and rent	169,695	169,695	190,700	21,005
Other	726,080	726,080	895,846	169,766
<b>Total revenues</b>	<b>5,227,041</b>	<b>5,227,041</b>	<b>5,423,683</b>	<b>196,642</b>
<b>Expenditures:</b>				
Current:				
Culture and recreation	5,132,299	5,131,942	4,233,472	898,470
Capital outlay:				
Other	172,992	172,992	165,516	7,476
<b>Total expenditures</b>	<b>5,305,291</b>	<b>5,304,934</b>	<b>4,398,988</b>	<b>905,946</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(78,250)</b>	<b>(77,893)</b>	<b>1,024,695</b>	<b>1,102,588</b>
<b>Other financing sources (uses):</b>				
Transfers out	(5,000)	(5,357)	(5,357)	-
<b>Total other financing sources (uses)</b>	<b>(5,000)</b>	<b>(5,357)</b>	<b>(5,357)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(83,250)</b>	<b>(83,250)</b>	<b>1,019,338</b>	<b>1,102,588</b>
<b>Fund balances:</b>				
Beginning of year	-	4,600,602	4,600,602	-
<b>End of year</b>	<b>\$ (83,250)</b>	<b>\$ 4,517,352</b>	<b>\$ 5,619,940</b>	<b>\$ 1,102,588</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Public Safety Communications Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
Departmental earnings	\$ 9,250,000	\$ 9,250,000	\$ 11,638,321	\$ 2,388,321
Interest and rent	255,000	255,000	521,508	266,508
Other	21,500	21,500	37,669	16,169
<b>Total revenues</b>	<b>9,526,500</b>	<b>9,526,500</b>	<b>12,197,498</b>	<b>2,670,998</b>
<b>Expenditures:</b>				
Current:				
Public safety	14,497,992	14,497,992	13,452,732	1,045,260
<b>Total expenditures</b>	<b>14,497,992</b>	<b>14,497,992</b>	<b>13,452,732</b>	<b>1,045,260</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(4,971,492)</b>	<b>(4,971,492)</b>	<b>(1,255,234)</b>	<b>3,716,258</b>
<b>Other financing sources (uses):</b>				
Transfers in	4,971,492	4,971,492	1,255,234	(3,716,258)
<b>Total other financing sources (uses)</b>	<b>4,971,492</b>	<b>4,971,492</b>	<b>1,255,234</b>	<b>(3,716,258)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
Beginning of year	-	-	-	-
<b>End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Library Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>		<b>Variance with Final Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
Taxes:				
Real estate	\$ 6,815,065	\$ 6,815,065	\$ 6,864,847	\$ 49,782
Interest and rent	64,300	64,300	80,331	16,031
Other	11,000	11,000	16,195	5,195
<b>Total revenues</b>	<b>6,890,365</b>	<b>6,890,365</b>	<b>6,961,373</b>	<b>71,008</b>
<b>Expenditures:</b>				
Current:				
Culture and recreation	6,911,143	6,911,143	6,819,914	91,229
Capital outlay:				
Other	34,000	284,000	225,878	58,122
<b>Total expenditures</b>	<b>6,945,143</b>	<b>7,195,143</b>	<b>7,045,792</b>	<b>149,351</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(54,778)</b>	<b>(304,778)</b>	<b>(84,419)</b>	<b>220,359</b>
<b>Net change in fund balances</b>	<b>(54,778)</b>	<b>(304,778)</b>	<b>(84,419)</b>	<b>220,359</b>
<b>Fund balances:</b>				
Beginning of year	-	2,531,316	2,531,316	-
<b>End of year</b>	<b>\$ (54,778)</b>	<b>\$ 2,226,538</b>	<b>\$ 2,446,897</b>	<b>\$ 220,359</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Human Services Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>		
<b>Revenues:</b>					
General grants	\$ 330,843	\$ 321,643	\$ 338,324	\$ 16,681	
Health and welfare grants	942,253	991,303	923,950	(67,353)	
Interest and rent	100	2,000	4,648	2,648	
Other	100	100	66	(34)	
<b>Total revenues</b>	<b>1,273,296</b>	<b>1,315,046</b>	<b>1,266,988</b>	<b>(48,058)</b>	
<b>Expenditures:</b>					
Current:					
Human services	1,672,296	1,544,290	1,486,218	58,072	
<b>Total expenditures</b>	<b>1,672,296</b>	<b>1,544,290</b>	<b>1,486,218</b>	<b>58,072</b>	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(399,000)</b>	<b>(229,244)</b>	<b>(219,230)</b>	<b>10,014</b>	
<b>Other financing sources (uses):</b>					
Transfers in	403,500	561,750	551,656	(10,094)	
Transfers out	(4,500)	(332,506)	(332,426)	80	
<b>Total other financing sources (uses)</b>	<b>399,000</b>	<b>229,244</b>	<b>219,230</b>	<b>(10,014)</b>	
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>					
Beginning of year	-	-	-	-	-
<b>End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Mental Health/Intellectual & Developmental Disabilities Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>		<b>Variance with Final Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
Health and welfare grants	\$ 27,021,433	\$ 26,617,933	\$ 25,197,364	\$ (1,420,569)
Interest and rent	33,204	33,204	36,411	3,207
Other	39,675	69,775	56,677	(13,098)
<b>Total revenues</b>	<b>27,094,312</b>	<b>26,720,912</b>	<b>25,290,452</b>	<b>(1,430,460)</b>
<b>Expenditures:</b>				
Current:				
Human services	28,604,065	28,488,129	26,787,671	1,700,458
<b>Total expenditures</b>	<b>28,604,065</b>	<b>28,488,129</b>	<b>26,787,671</b>	<b>1,700,458</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,509,753)</b>	<b>(1,767,217)</b>	<b>(1,497,219)</b>	<b>269,998</b>
<b>Other financing sources (uses):</b>				
Transfers in	1,662,453	2,035,853	1,758,606	(277,247)
Transfers out	(152,700)	(268,636)	(261,387)	7,249
<b>Total other financing sources (uses)</b>	<b>1,509,753</b>	<b>1,767,217</b>	<b>1,497,219</b>	<b>(269,998)</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
Beginning of year	-	-	-	-
<b>End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Aging Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
General grants	\$ 5,801,815	\$ 5,965,752	\$ 5,919,815	\$ (45,937)
Interest and rent	2,500	3,250	2,944	(306)
Other	135,373	160,686	155,329	(5,357)
<b>Total revenues</b>	<b>5,939,688</b>	<b>6,129,688</b>	<b>6,078,088</b>	<b>(51,600)</b>
<b>Expenditures:</b>				
Current:				
Human services	5,975,192	6,166,472	6,122,213	44,259
<b>Total expenditures</b>	<b>5,975,192</b>	<b>6,166,472</b>	<b>6,122,213</b>	<b>44,259</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(35,504)</b>	<b>(36,784)</b>	<b>(44,125)</b>	<b>(7,341)</b>
<b>Other financing sources (uses):</b>				
Transfers in	274,504	274,504	274,504	-
Transfers out	(239,000)	(237,720)	(230,379)	7,341
<b>Total other financing sources (uses)</b>	<b>35,504</b>	<b>36,784</b>	<b>44,125</b>	<b>7,341</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
Beginning of year	-	-	-	-
<b>End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Drug and Alcohol Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>		
<b>Revenues:</b>					
General grants	\$ 193,190	\$ 193,190	\$ 215,515	\$ 22,325	
Health and welfare grants	4,353,304	4,362,721	4,037,084	(325,637)	
Court costs and fines	390,000	390,000	11,980	(378,020)	
Interest and rent	1,000	1,000	8,117	7,117	
Other	-	2,229	580	(1,649)	
<b>Total revenues</b>	<b>4,937,494</b>	<b>4,949,140</b>	<b>4,273,276</b>	<b>(675,864)</b>	
<b>Expenditures:</b>					
Current:					
Human services	5,508,748	4,934,615	4,218,865	715,750	
<b>Total expenditures</b>	<b>5,508,748</b>	<b>4,934,615</b>	<b>4,218,865</b>	<b>715,750</b>	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(571,254)</b>	<b>14,525</b>	<b>54,411</b>	<b>39,886</b>	
<b>Other financing sources (uses):</b>					
Transfers in	598,916	587,270	542,958	(44,312)	
Transfers out	(27,662)	(601,795)	(597,369)	4,426	
<b>Total other financing sources (uses)</b>	<b>571,254</b>	<b>(14,525)</b>	<b>(54,411)</b>	<b>(39,886)</b>	
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Fund balances:</b>					
Beginning of year	-	-	-	-	
<b>End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Child Care Information Services Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>		<b>Variance with Final Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
Health and welfare grants	\$ 14,946,351	\$ 15,331,351	\$ 15,113,016	\$ (218,335)
Interest and rent	4,000	4,000	4,431	431
Other	100	100	57,767	57,667
<b>Total revenues</b>	<b>14,950,451</b>	<b>15,335,451</b>	<b>15,175,214</b>	<b>(160,237)</b>
<b>Expenditures:</b>				
Current:				
Human services	14,925,451	15,296,040	15,135,864	160,176
<b>Total expenditures</b>	<b>14,925,451</b>	<b>15,296,040</b>	<b>15,135,864</b>	<b>160,176</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>25,000</b>	<b>39,411</b>	<b>39,350</b>	<b>(61)</b>
<b>Other financing sources (uses):</b>				
Transfers out	(25,000)	(39,411)	(39,350)	61
<b>Total other financing sources (uses)</b>	<b>(25,000)</b>	<b>(39,411)</b>	<b>(39,350)</b>	<b>61</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
Beginning of year	-	-	-	-
<b>End of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Capital Reserve Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
General grants	\$ 3,465,784	\$ 3,465,784	\$ 1,673,910	\$ (1,791,874)
Departmental earnings	162,000	162,000	136,190	(25,810)
Interest and rent	44,550	44,550	57,908	13,358
Other	-	-	964,240	964,240
<b>Total revenues</b>	<b>3,672,334</b>	<b>3,672,334</b>	<b>2,832,248</b>	<b>(840,086)</b>
<b>Expenditures:</b>				
Current:				
General government	6,000,566	4,807,809	658,739	4,149,070
Judicial	-	8,981	8,980	1
Corrections	-	27,337	25,937	1,400
Public works	100,000	109,017	95,321	13,696
Conservation and development	133,750	306,762	222,368	84,394
Capital outlay:				
Bridges	6,073,138	6,601,393	2,663,657	3,937,736
Other	2,448,975	2,895,130	1,759,771	1,135,359
<b>Total expenditures</b>	<b>14,756,429</b>	<b>14,756,429</b>	<b>5,434,773</b>	<b>9,321,656</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(11,084,095)</b>	<b>(11,084,095)</b>	<b>(2,602,525)</b>	<b>8,481,570</b>
<b>Other financing sources (uses):</b>				
Transfers in	2,000,000	2,000,000	2,000,000	-
Transfers out	(62,500)	(62,500)	(62,500)	-
Sale of capital assets	-	-	29,452	29,452
<b>Total other financing sources (uses)</b>	<b>1,937,500</b>	<b>1,937,500</b>	<b>1,966,952</b>	<b>29,452</b>
<b>Net change in fund balances</b>	<b>(9,146,595)</b>	<b>(9,146,595)</b>	<b>(635,573)</b>	<b>8,511,022</b>
<b>Fund balances:</b>				
Beginning of year	-	10,640,747	10,640,747	-
<b>End of year</b>	<b>\$ (9,146,595)</b>	<b>\$ 1,494,152</b>	<b>\$ 10,005,174</b>	<b>\$ 8,511,022</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Debt Service Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
<b>Revenues:</b>				
Taxes:				
Real estate	\$ 39,613,537	\$ 39,613,537	\$ 39,952,418	\$ 338,881
Interest and rent	160,875	160,875	236,458	75,583
Other	1,548,742	1,548,742	1,182,928	(365,814)
<b>Total revenues</b>	<b>41,323,154</b>	<b>41,323,154</b>	<b>41,371,804</b>	<b>48,650</b>
<b>Expenditures:</b>				
Current:				
General government	15,000	15,000	11,446	3,554
Debt service:				
Principal	18,765,000	19,034,000	18,659,377	374,623
Interest	22,107,684	22,700,782	22,944,962	(244,180)
Debt issuance costs	-	-	563,077	(563,077)
<b>Total expenditures</b>	<b>40,887,684</b>	<b>41,749,782</b>	<b>42,178,862</b>	<b>(429,080)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>435,470</b>	<b>(426,628)</b>	<b>(807,058)</b>	<b>(380,430)</b>
<b>Other financing sources (uses):</b>				
Premium on bond issue	-	-	21,199,138	21,199,138
Payment to refunded bond escrow agent	-	-	(117,401,061)	(117,401,061)
Issuance of Refunding Bonds	-	-	96,765,000	96,765,000
Transfers in	951,755	951,755	1,139,213	187,458
Transfers out	(2,000,000)	(2,000,000)	(2,000,000)	-
<b>Total other financing sources (uses)</b>	<b>(1,048,245)</b>	<b>(1,048,245)</b>	<b>(297,710)</b>	<b>750,535</b>
<b>Net change in fund balances</b>	<b>(612,775)</b>	<b>(1,474,873)</b>	<b>(1,104,768)</b>	<b>370,105</b>
<b>Fund balances:</b>				
Beginning of year	-	32,115,422	32,115,422	-
<b>End of year</b>	<b>\$ (612,775)</b>	<b>\$ 30,640,549</b>	<b>\$ 31,010,654</b>	<b>\$ 370,105</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Capital Improvement Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget (GAAP Basis) and Actual**  
**For the Year Ended December 31, 2016**

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	<b>Budgeted Amounts</b>			<b>Variance with Final Budget</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>		
<b>Revenues:</b>					
General grants	\$ 495,000	\$ 718,149	\$ 1,454,405	\$ 736,256	
Interest and rent	85,000	85,000	298,377	213,377	
Other	70,000	124,000	338,856	214,856	
<b>Total revenues</b>	<b>650,000</b>	<b>927,149</b>	<b>2,091,638</b>	<b>1,164,489</b>	
<b>Expenditures:</b>					
Current:					
General government	2,098,415	2,817,245	339,487	2,477,758	
Judicial	-	86,070	49,000	37,070	
Corrections	-	14,970	14,970	-	
Human services	3,282,908	6,318,284	3,088,695	3,229,589	
Culture and recreation	165,000	165,000	102,532	62,468	
Conservation and development	6,596,720	9,906,301	3,531,222	6,375,079	
Capital outlay:					
Bridges	196,000	-	-	-	
Other	59,757,105	53,065,427	19,561,832	33,503,595	
Debt service:					
Debt issuance costs	-	-	362,671	(362,671)	
<b>Total expenditures</b>	<b>72,096,148</b>	<b>72,373,297</b>	<b>27,050,409</b>	<b>45,322,888</b>	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(71,446,148)</b>	<b>(71,446,148)</b>	<b>(24,958,771)</b>	<b>46,487,377</b>	
<b>Other financing sources (uses):</b>					
Issuance of G.O. bonds	(71,000,000)	-	58,170,000	58,170,000	
Premium on bond issue	-	-	13,192,671	13,192,671	
Transfers out	(35,000)	(35,000)	(246,780)	(211,780)	
Sale of capital assets	-	-	9,251	9,251	
<b>Total other financing sources (uses)</b>	<b>(71,035,000)</b>	<b>(35,000)</b>	<b>71,125,142</b>	<b>71,160,142</b>	
<b>Net change in fund balances</b>	<b>(142,481,148)</b>	<b>(71,481,148)</b>	<b>46,166,371</b>	<b>117,647,519</b>	
<b>Fund balances:</b>					
Beginning of year	-	2,800,293	2,800,293	-	
<b>End of year</b>	<b>\$ (142,481,148)</b>	<b>\$ (68,680,855)</b>	<b>\$ 48,966,664</b>	<b>\$ 117,647,519</b>	

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Supplementary Information**  
**December 31, 2016**

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**Description of Funds – Internal Service Funds**

**Technology**

Leasing/purchase of desktop computer hardware and software on a cost reimbursement basis.

**Benefits**

Accounts for health care, workers' compensation, and pension costs for self-insurance activities on a cost reimbursement basis.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**December 31, 2016**

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	<b>Technology</b>	<b>Benefits</b>	<b>Total</b>
<b>Assets:</b>			
Current assets			
Cash and cash equivalents	\$ 240,901	\$ 13,339,482	\$ 13,580,383
Receivables (net where applicable, of allowances for uncollectible amounts):			
Other	-	78,003	78,003
Prepays	-	755,199	755,199
Total current assets	<u>240,901</u>	<u>14,172,684</u>	<u>14,413,585</u>
Noncurrent assets			
Capital assets	<u>368,950</u>	<u>-</u>	<u>368,950</u>
<b>Total assets</b>	<b><u>609,851</u></b>	<b><u>14,172,684</u></b>	<b><u>14,782,535</u></b>
<b>Liabilities:</b>			
Current liabilities:			
Vouchers and accounts payable	17,198	1,053,940	1,071,138
Accrued salaries	-	5,846	5,846
Other liabilities	-	98,064	98,064
Workers' compensation claims	-	645,451	645,451
Health and long-term disability claims	-	1,186,495	1,186,495
Capital leases payable	<u>218,954</u>	<u>-</u>	<u>218,954</u>
Total current liabilities	<u>236,152</u>	<u>2,989,796</u>	<u>3,225,948</u>
Noncurrent liabilities:			
Workers' compensation claims	-	1,440,079	1,440,079
Capital leases payable	<u>149,996</u>	<u>-</u>	<u>149,996</u>
Total noncurrent liabilities	<u>149,996</u>	<u>1,440,079</u>	<u>1,590,075</u>
<b>Total liabilities</b>	<b><u>386,148</u></b>	<b><u>4,429,875</u></b>	<b><u>4,816,023</u></b>
<b>Net Position:</b>			
Restricted for:			
Medical claims	-	2,862,000	2,862,000
Unrestricted	<u>223,703</u>	<u>6,880,809</u>	<u>7,104,512</u>
<b>Total net position</b>	<b><u>\$ 223,703</u></b>	<b><u>\$ 9,742,809</u></b>	<b><u>\$ 9,966,512</u></b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Combining Statement of Revenues, Expenses and**  
**Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended December 31, 2016**

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	<b>Technology</b>	<b>Benefits</b>	<b>Total</b>
<b>Operating revenues:</b>			
Self insurance premiums - employer	\$ -	\$ 32,007,538	\$ 32,007,538
Self insurance premiums - employee	- -	4,162,614	4,162,614
Computer usage fees	794,269	-	794,269
Other	5,237	1,098,527	1,103,764
<b>Total operating revenues</b>	<b>799,506</b>	<b>37,268,679</b>	<b>38,068,185</b>
<b>Operating expenses:</b>			
Personal services	- -	608,337	608,337
Other services and charges	543,436	8,919,082	9,462,518
Self insurance claims	- -	30,062,483	30,062,483
Depreciation	322,103	-	322,103
Indirect costs	- -	76,065	76,065
<b>Total operating expenses</b>	<b>865,539</b>	<b>39,665,967</b>	<b>40,531,506</b>
<b>Operating (loss) income</b>	<b>(66,033)</b>	<b>(2,397,288)</b>	<b>(2,463,321)</b>
<b>Nonoperating revenues:</b>			
Interest income	859	102,559	103,418
Interest expense	(13,821)	-	(13,821)
<b>Total nonoperating revenues (expenses)</b>	<b>(12,962)</b>	<b>102,559</b>	<b>89,597</b>
<b>(Loss) income before transfers</b>	<b>(78,995)</b>	<b>(2,294,729)</b>	<b>(2,373,724)</b>
<b>Change in net position</b>	<b>(78,995)</b>	<b>(2,294,729)</b>	<b>(2,373,724)</b>
<b>Total net position - beginning</b>	<b>302,698</b>	<b>12,037,538</b>	<b>12,340,236</b>
<b>Total net position - ending</b>	<b>\$ 223,703</b>	<b>\$ 9,742,809</b>	<b>\$ 9,966,512</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year ended December 31, 2016**

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	<u>Technology</u>	<u>Benefits</u>	<u>Total</u>
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 794,269	\$ 36,123,037	\$ 36,917,306
Payments to suppliers	(562,917)	(8,962,651)	(9,525,568)
Payments to employees	-	(607,151)	(607,151)
Claims paid	-	(30,450,326)	(30,450,326)
Other receipts	6,081	1,098,527	1,104,608
<b>Net cash provided by (used in) by operating activities</b>	<b><u>237,433</u></b>	<b><u>(2,798,564)</u></b>	<b><u>(2,561,131)</u></b>
<b>Cash flows from capital and related financing activities</b>			
Principal paid on capital debt	(322,103)	-	(322,103)
Interest paid on capital debt	(13,821)	-	(13,821)
<b>Net cash used in capital and related financing activities</b>	<b><u>(335,924)</u></b>	<b><u>-</u></b>	<b><u>(335,924)</u></b>
<b>Cash flows from investing activities</b>			
Interest and dividends	859	102,559	103,418
<b>Net cash provided by investing activities</b>	<b><u>859</u></b>	<b><u>102,559</u></b>	<b><u>103,418</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b><u>(97,632)</u></b>	<b><u>(2,696,005)</u></b>	<b><u>(2,793,637)</u></b>
<b>Balances-beginning of the year</b>	<b><u>338,533</u></b>	<b><u>16,035,487</u></b>	<b><u>16,374,020</u></b>
<b>Balances-end of the year</b>	<b><u>\$ 240,901</u></b>	<b><u>\$ 13,339,482</u></b>	<b><u>\$ 13,580,383</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>			
Operating income (loss)	\$ (66,033)	\$ (2,397,288)	\$ (2,463,321)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	322,103		322,103
(Increase) decrease in receivable	844	(47,115)	(46,271)
(Increase) decrease in prepaid items	-	(22,912)	(22,912)
Increase (decrease) in accounts payable	(19,481)	56,594	37,113
Increase (decrease) in workers comp.claims	-	(387,843)	(387,843)
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 237,433</u></b>	<b><u>\$ (2,798,564)</u></b>	<b><u>\$ (2,561,131)</u></b>

**Non cash transactions:**

Computers were acquired through capital lease of \$297,051 in the Technology Fund.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Supplementary Information**  
**December 31, 2016**

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**Description of Funds – Nonmajor Component Units**

**Chester County Water Resources Authority**

The Authority owns and operates four regional flood control facilities that were constructed on behalf of the County. Financing is principally provided by transfers from the County.

**Chester County Library and District Center**

Operations and administration of the County Library and supported libraries. Financing is provided by state and federal grants and appropriations from other government organizations.

**Chester County Area Airport Authority**

Operations and administration of the Chester County Area Airport.

**Chester County Conference and Visitors Bureau, Inc.**

Operations and administration of the Chester County Conference and Visitors Bureau, Inc. Plans and promotes programs designed to increase tourism. Financing is provided through the levy and collection of a hotel tax.

**Chester County General Authority**

The authority was created for the purpose of carrying out projects which are permitted under the Pennsylvania Municipality Authorities Act and are located in the County of Chester.

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Combining Statement of Net Position**  
**Nonmajor Component Units**  
**December 31, 2016**

	Water Resources Authority	Chester County Library and District Center	Area Airport Authority	Chester County Conference and Visitors Bureau	General Authority	Total
<b>Assets</b>						
Current assets						
Cash and cash equivalents	\$ 766,424	\$ 1,610,781	\$ 1,128,685	\$ 818,116	\$ -	\$ 4,324,006
Investments	-	994,240	-	-	-	994,240
Accounts receivable	31,793	1,429	17,769	433,700	-	484,691
Grants receivable	-	-	73,297	-	-	73,297
Prepays	-	136,533	15,933	39,287	-	191,753
Total current assets	<u>798,217</u>	<u>2,742,983</u>	<u>1,235,684</u>	<u>1,291,103</u>	-	<u>6,067,987</u>
Noncurrent assets						
Capital assets, being depreciated, net	9,020,813	1,045,683	10,742,840	267,316	-	21,076,652
Total noncurrent assets	<u>9,020,813</u>	<u>1,045,683</u>	<u>10,742,840</u>	<u>267,316</u>	-	<u>21,076,652</u>
<b>Total assets</b>	<b>9,819,030</b>	<b>3,788,666</b>	<b>11,978,524</b>	<b>1,558,419</b>	-	<b>27,144,639</b>
<b>Liabilities</b>						
Current liabilities						
Vouchers and accounts payable	44,477	111,842	90,749	26,925	-	273,993
Accrued salaries	-	-	-	38,714	-	38,714
Unearned revenue	-	-	94,899	12,894	-	107,793
Grants payable	-	-	-	216,811	-	216,811
<b>Total liabilities</b>	<b>44,477</b>	<b>111,842</b>	<b>185,648</b>	<b>295,344</b>	-	<b>637,311</b>
<b>Deferred inflow of resources</b>						
Grants received in advance	-	-	223,345	-	-	223,345
<b>Net position</b>						
Net investment in capital assets	9,020,813	1,045,683	10,742,840	267,316	-	21,076,652
Restricted						
Donor	-	29,680	-	-	-	29,680
Unrestricted	753,740	2,601,461	826,691	995,759	-	5,177,651
<b>Total net position</b>	<b>\$ 9,774,553</b>	<b>\$ 3,676,824</b>	<b>\$ 11,569,531</b>	<b>\$ 1,263,075</b>	<b>\$ -</b>	<b>\$ 26,283,983</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Combining Statement of Activities**  
**Nonmajor Component Units**  
**For the Year Ended December 31, 2016**

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<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Water Resources Authority</b>				
Conservation and development	\$ 478,469	\$ 55	\$ 423,333	\$ 467,850
<b>Library and District Center</b>				
Culture and recreation	1,839,489	345,748	1,405,794	-
<b>Area Airport Authority</b>				
Public works	1,129,580	648,913	-	437,972
<b>Conference and Visitors Bureau</b>				
Culture and recreation	3,479,481	33,644	-	-
<b>General Authority</b>				
Public works	-	23,262	-	-
Total nonmajor component units	<u>\$ 6,927,019</u>	<u>\$ 1,051,622</u>	<u>\$ 1,829,127</u>	<u>\$ 905,822</u>

General revenues:  
 Hotel Tax  
 Investment earnings  
 Total general revenues  
 Change in net position  
 Net position - beginning  
 Net position - ending

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Net (Expense) Revenue and Changes in Net Position						
Water Resources Authority	Library and District Center	Area Airport Authority	Conference and Visitors Bureau	General Authority	Totals	
\$ 412,769	\$ -	\$ -	\$ -	\$ -	\$ 412,769	
-	(87,947)	-	-	-	(87,947)	
-	-	(42,695)	-	-	(42,695)	
-	-	-	(3,445,837)	-	(3,445,837)	
-	-	-	-	23,262	23,262	
<u>\$ 412,769</u>	<u>\$ (87,947)</u>	<u>\$ (42,695)</u>	<u>\$ (3,445,837)</u>	<u>\$ 23,262</u>	<u>\$ (3,140,448)</u>	
-	-	-	2,870,136	-	2,870,136	
2,097	58,474	4,181	1,179	-	65,931	
2,097	58,474	4,181	2,871,315	-	2,936,067	
414,866	(29,473)	(38,514)	(574,522)	23,262	(204,381)	
9,359,687	3,706,297	11,608,045	1,837,597	(23,262)	26,488,364	
<u>\$ 9,774,553</u>	<u>\$ 3,676,824</u>	<u>\$ 11,569,531</u>	<u>\$ 1,263,075</u>	<u>\$ -</u>	<u>\$ 26,283,983</u>	

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Supplementary Information**  
**December 31, 2016**

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**Description of Funds – Agency Funds**

**Tax Claim Agency**

Delinquent taxes and interest collected by the Tax Claim Office on behalf of other taxing authorities.

**Row Offices Agency**

Fees assessed by row offices on behalf of other government agencies.

**Hotel Tax Agency**

Hotel Tax assessed and collected to be utilized by the County Conference and Visitors Bureau.

**Municipal Tax Agency**

Current real estate taxes collected by the Treasurer's office on behalf of other taxing authorities.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Combining Statement of Fiduciary Net Position**  
**Agency Funds**  
**For the year ended December 31, 2016**

	<b>Tax Claim</b>		<b>Row Offices</b>		<b>Hotel Tax</b>		<b>Municipal Tax</b>		<b>Total</b>
<b>Assets:</b>									
Cash and cash equivalents	\$ 2,225,278		\$ 17,728,004		\$ 168,397		\$ 219,761		\$ 20,341,440
Agency tax/interest receivables	14,206,971		-		-		-		14,206,971
Hotel tax receivable	-		-		340,175		-		340,175
Municipal tax receivable	-		-		-		515,389		515,389
<b>Total assets</b>	<b>\$ 16,432,249</b>		<b>\$ 17,728,004</b>		<b>\$ 508,572</b>		<b>\$ 735,150</b>		<b>\$ 35,403,975</b>
<b>Liabilities:</b>									
Due to other governments	\$ -		\$ 4,952,739		\$ -		\$ -		\$ 4,952,739
Other liabilities	-		12,775,265		-		-		12,775,265
Due to taxing authorities	16,432,249		-		-		-		16,432,249
Hotel tax payable	-		-		508,572		-		508,572
Municipal tax payable	-		-		-		735,150		735,150
<b>Total liabilities</b>	<b>\$ 16,432,249</b>		<b>\$ 17,728,004</b>		<b>\$ 508,572</b>		<b>\$ 735,150</b>		<b>\$ 35,403,975</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended December 31, 2016**

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	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
<b><u>Tax Claim Agency Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,248,675	\$ 31,418,257	\$ 31,441,654	\$ 2,225,278
Agency tax/interest receivables	<u>14,856,336</u>	<u>25,184,335</u>	<u>25,833,700</u>	<u>14,206,971</u>
<b>Total assets</b>	<b><u>\$ 17,105,011</u></b>	<b><u>\$ 56,602,592</u></b>	<b><u>\$ 57,275,354</u></b>	<b><u>\$ 16,432,249</u></b>
<b>Liabilities:</b>				
Due to taxing authorities	\$ 17,105,011	\$ 24,645,467	\$ 25,318,229	\$ 16,432,249
<b>Total liabilities</b>	<b><u>\$ 17,105,011</u></b>	<b><u>\$ 24,645,467</u></b>	<b><u>\$ 25,318,229</u></b>	<b><u>\$ 16,432,249</u></b>
 <b><u>Row Offices Agency Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 18,794,454	\$ 2,818,553	\$ 3,885,003	\$ 17,728,004
<b>Total assets</b>	<b><u>\$ 18,794,454</u></b>	<b><u>\$ 2,818,553</u></b>	<b><u>\$ 3,885,003</u></b>	<b><u>\$ 17,728,004</u></b>
<b>Liabilities:</b>				
Due to other governments	\$ 8,261,235	\$ 3,308,496	\$ 4,952,739	
Other liabilities	<u>10,533,219</u>	<u>2,388,280</u>	<u>146,234</u>	<u>12,775,265</u>
<b>Total liabilities</b>	<b><u>\$ 18,794,454</u></b>	<b><u>\$ 2,388,280</u></b>	<b><u>\$ 3,454,730</u></b>	<b><u>\$ 17,728,004</u></b>
 <b><u>Hotel Tax Agency Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 235,282	\$ 2,942,783	\$ 3,009,668	\$ 168,397
Hotel tax receivable	<u>242,182</u>	<u>3,077,115</u>	<u>2,979,122</u>	<u>340,175</u>
<b>Total assets</b>	<b><u>\$ 477,464</u></b>	<b><u>\$ 6,019,898</u></b>	<b><u>\$ 5,988,790</u></b>	<b><u>\$ 508,572</u></b>
<b>Liabilities:</b>				
Hotel tax payable	\$ 477,464	\$ 5,821,366	\$ 5,790,258	\$ 508,572
<b>Total liabilities</b>	<b><u>\$ 477,464</u></b>	<b><u>\$ 5,821,366</u></b>	<b><u>\$ 5,790,258</u></b>	<b><u>\$ 508,572</u></b>

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the year ended December 31, 2016**

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	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
<b><u>Municipal Tax Agency Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ -	\$ 16,252,508	\$ 16,032,747	\$ 219,761
Municipal tax receivable	<u>-</u>	<u>15,273,317</u>	<u>14,757,928</u>	<u>515,389</u>
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 31,525,825</b>	<b>\$ 30,790,675</b>	<b>\$ 735,150</b>
<b>Liabilities:</b>				
Municipal tax payable	\$ -	\$ 15,237,978	\$ 14,502,828	\$ 735,150
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 15,237,978</b>	<b>\$ 14,502,828</b>	<b>\$ 735,150</b>
<b><u>Total Agency Funds</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 21,278,411	\$ 53,432,101	\$ 54,369,072	\$ 20,341,440
Agency tax/interest receivables	14,856,336	25,184,335	25,833,700	14,206,971
Hotel tax receivable	242,182	3,077,115	2,979,122	340,175
Municipal tax receivable	<u>-</u>	<u>15,273,317</u>	<u>14,757,928</u>	<u>515,389</u>
<b>Total assets</b>	<b>\$ 36,376,929</b>	<b>\$ 96,966,868</b>	<b>\$ 97,939,822</b>	<b>\$ 35,403,975</b>
<b>Liabilities:</b>				
Due to other governments	\$ 8,261,235	\$ -	\$ 3,308,496	\$ 4,952,739
Other liabilities	10,533,219	2,388,280	146,234	12,775,265
Due to taxing authorities	17,105,011	24,645,467	25,318,229	16,432,249
Hotel tax payable	477,464	5,821,366	5,790,258	508,572
Municipal tax payable	<u>-</u>	<u>15,237,978</u>	<u>14,502,828</u>	<u>735,150</u>
<b>Total liabilities</b>	<b>\$ 36,376,929</b>	<b>\$ 48,093,091</b>	<b>\$ 49,066,045</b>	<b>\$ 35,403,975</b>

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Supplementary Information**  
**December 31, 2016**

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**Capital Assets Used in the Operation of Governmental Funds**

Comparative Schedules by Source

Schedule by Function and Activity

Schedule of Changes by Function and Activity

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedules by Source**  
**December 31, 2016**

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Governmental funds capital assets:	
Land and improvements	\$ 38,689,876
Land development rights	89,196,825
Buildings and improvements	289,531,295
Infrastructure	24,454,794
Furniture, fixtures and equipment	159,156,939
Construction in progress	<u>22,966,985</u>
Total governmental funds capital assets	623,996,714
Less: Accumulated depreciation	<u>(219,163,858)</u>
Net governmental funds capital assets	<u>\$ 404,832,856</u>
Investment in governmental funds capital assets by source:	
General fund	\$ 121,908,020
Special revenue funds	46,162,333
Capital improvement fund	453,369,257
Donations	<u>2,557,104</u>
Total governmental funds capital assets	623,996,714
Less: Accumulated depreciation	<u>(219,163,858)</u>
Net governmental funds capital assets	<u>\$ 404,832,856</u>

This schedule presents only the capital asset balances related to governmental funds. Internal service funds are not included in the above amounts. (See note 5).

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity**  
**Year Ended December 31, 2016**

Function and activity	Total	Land and land improvements	Land development rights	Buildings and building improvements	Infrastructure	Furniture fixtures and equipment
General government	\$ 80,363,764	\$ 1,344,513	\$ -	\$ 17,479,240	\$ -	\$ 61,540,011
Judicial government	114,332,582	1,335,261	-	99,878,884	-	13,118,437
Public safety	92,961,278	4,745,483	-	20,306,225	-	67,909,570
Corrections	82,053,710	799,248	-	76,304,298	-	4,950,164
Public works	25,477,475	388,815	-	-	24,454,794	633,866
Human services	20,741,440	-	-	13,489,612	-	7,251,828
Culture and recreation	45,522,268	19,906,320	2,155,776	19,963,543	-	3,496,629
Conservation and development	93,267,044	5,969,561	87,041,049	-	-	256,434
General government buildings	46,310,168	4,200,675	-	42,109,493	-	-
 Total govermental funds capital assets	 601,029,729	 38,689,876	 89,196,825	 289,531,295	 24,454,794	 159,156,939
 Less: Accumulated depreciation	 219,163,858	 4,286,598	 -	 94,723,947	 10,449,888	 109,703,425
 Total	 381,865,871	 \$ 34,403,278	 \$ 89,196,825	 \$ 194,807,348	 \$ 14,004,906	 \$ 49,453,514
 Construction in progress	 22,966,985					
 Net governmental funds capital assets	 \$ 404,832,856					

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This schedule presents only the capital asset balances related to governmental funds.  
Internal service funds are not included in the above amounts. (See note 5).

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Changes by Function and Activity**  
**For the Year Ended December 31, 2016**

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Function and activity	Primary Government				
	Balance at January 1, 2016	Increases	Decreases	Balance at December 31, 2016	
General government	\$ 75,706,458	\$ 4,702,476	\$ 45,170	\$ 80,363,764	
Judicial government	113,984,227	348,355	-	114,332,582	
Public safety	46,481,653	68,571,860	22,092,235	92,961,278	
Corrections	79,601,591	2,486,139	34,020	82,053,710	
Public works	24,079,029	1,398,446	-	25,477,475	
Human services	19,649,634	1,091,806	-	20,741,440	
Culture and recreation	43,109,564	2,473,969	61,265	45,522,268	
Conservation and development	91,255,643	2,011,401	-	93,267,044	
General government buildings	<u>46,310,168</u>	<u>-</u>	<u>-</u>	<u>46,310,168</u>	
Total governmental funds capital assets	<u>540,177,967</u>	<u>83,084,452</u>	<u>22,232,690</u>	<u>601,029,729</u>	
Construction in progress	<u>82,277,724</u>	<u>17,049,389</u>	<u>76,360,128</u>	<u>22,966,985</u>	
Less: Accumulated depreciation	<u>220,680,808</u>	<u>10,925,327</u>	<u>12,442,277</u>	<u>219,163,858</u>	
Net governmental funds capital assets	<u>\$ 401,774,883</u>	<u>\$ 89,208,514</u>	<u>\$ 86,150,541</u>	<u>\$ 404,832,856</u>	

This schedule presents only the capital asset balances related to governmental funds. Internal service funds are not included in the above amounts. (See note 5).

# Statistical Section



**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statistical Section**  
**Year Ended December 31, 2016**

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Narrative Summary

Chester County has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*. The statement is intended to improve consistency and comparability in reporting and to provide clearer guidance regarding the applicability of the standards for the statistical section to all types of governmental entities.

This part of the County's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the County's most significant local revenue source, the real estate property tax.

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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Table 1

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(Unaudited)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	\$ 1,830,308	\$ 5,355,350	\$ (1,122,703)	\$ (1,853,595)	\$ (2,650,214)	\$ (4,406,646)	\$ (1,106,580)	\$ (495,499)	\$ 6,149,574	\$ 5,005,509
Restricted	8,034,744	8,409,899	5,144,664	6,028,363	4,808,417	28,132,167	31,080,558	4,245,126	4,794,115	5,059,801
Unrestricted	(72,528,779)	(68,719,396)	(47,711,468)	(59,322,478)	(62,559,388) *	(79,790,476)	(82,893,082)	(48,672,031)	(30,890,602)	(13,246,180)
Total governmental activities net position	<u>(62,663,727)</u>	<u>(54,954,147)</u>	<u>(43,689,507)</u>	<u>(55,147,710)</u>	<u>(60,401,185)</u>	<u>(56,064,955)</u>	<u>(52,919,104)</u>	<u>(44,922,404)</u>	<u>(19,946,913)</u>	<u>(3,180,870)</u>
Business-type activities										
Net investment in capital assets	6,783,867	4,500,709	2,938,087	2,808,196	2,690,800	3,268,166	3,634,505	3,618,084	4,057,939	4,285,405
Restricted	-	-	-	-	-	-	-	-	70,336	68,482
Unrestricted	(6,198,624)	(2,724,420)	956,010	708,421	989,721 *	604,543	27,250	613,625	572,227	583,626
Total business-type activities net position	<u>585,243</u>	<u>1,776,289</u>	<u>3,894,097</u>	<u>3,516,617</u>	<u>3,680,521</u>	<u>3,872,709</u>	<u>3,661,755</u>	<u>4,231,709</u>	<u>4,700,502</u>	<u>4,937,513</u>
Primary government										
Net Investment in capital assets	8,614,175	9,856,059	1,815,384	954,601	40,586	(1,138,480)	2,527,925	3,122,585	10,207,513	9,290,914
Restricted	8,034,744	8,409,899	5,144,664	6,028,363	4,808,417	28,132,167	31,080,558	4,245,126	4,864,451	5,128,283
Unrestricted	(78,727,403)	(71,443,816)	(46,755,458)	(58,614,057)	(61,569,667) *	(79,185,933)	(82,865,832)	(48,058,406)	(30,318,375)	(12,662,554)
Total primary government net position	<u>\$ (62,078,484)</u> ^	<u>\$ (53,177,858)</u> ^	<u>\$ (39,795,410)</u>	<u>\$ (51,631,093)</u>	<u>\$ (56,720,664)</u>	<u>\$ (52,192,246)</u>	<u>\$ (49,257,349)</u>	<u>\$ (40,690,695)</u>	<u>\$ (15,246,411)</u>	<u>\$ 1,756,643</u>

\* 2012 Restated to reflect implementation of GASB 65

^ 2015 beginning balances were restated to reflect the effects of the implementation of GASB 68.

+ 2016 beginning balances were restated to reflect an overstatement of net pension liability and deferred outflow of resources related to pension.

Source: Statement of Net Position, Comprehensive Annual Financial Report

Certain amounts presented in the prior period have been reclassified to conform to the current year's financial statements.

For a complete explanation of the Total primary government net position, please reference page XX of the Management Discussion & Analysis, Government-wide Statement of Net Position.

Table 2

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Changes in Net Positon**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(Unaudited)**

	2016	2015	*	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>											
Governmental Activities:											
General government	\$ 39,966,052	\$ 36,900,190		\$ 38,579,984	\$ 37,146,962	\$ 34,379,889	\$ 36,586,381	\$ 32,083,979	\$ 36,195,211	\$ 39,349,733	\$ 32,972,229
Judicial government	48,866,015	44,076,475		46,691,476	46,507,044	46,954,358	46,415,457	48,675,397	49,979,776	42,765,075	38,771,294
Public safety	29,975,222	18,761,892		19,578,410	17,896,133	18,726,090	18,304,861	19,463,907	19,243,862	17,875,241	15,993,396
Corrections	42,594,834	39,023,001		40,625,910	40,638,479	42,123,875	41,218,759	41,365,617	39,989,120	35,801,274	36,234,750
Public works	1,641,908	1,621,342		1,684,945	1,571,151	1,627,190	1,594,963	1,347,879	1,324,047	1,189,122	1,506,075
Human services	191,939,745	171,046,136		175,804,586	176,345,610	176,198,215	182,321,252	184,472,957	205,643,344	220,742,397	207,131,642
Culture and recreation	13,107,347	12,260,263		13,319,976	13,580,807	14,682,137	13,724,587	13,584,644	14,101,409	22,226,204	16,752,209
Conservation and recreation	9,091,124	11,518,183		9,989,008	9,022,330	10,575,749	11,979,024	16,071,724	18,316,615	11,655,352	8,286,655
Interest on long-term debt	26,951,207	22,956,163		12,186,502	27,115,238	23,123,019	20,182,355	21,207,028	25,662,207	17,536,590	19,440,346
Total Governmental Activities	<b>404,133,454</b>	<b>358,163,645</b>		<b>358,460,797</b>	<b>369,823,754</b>	<b>368,390,522</b>	<b>372,327,639</b>	<b>378,273,132</b>	<b>410,455,591</b>	<b>409,140,988</b>	<b>377,088,596</b>
Business-type Activity:											
Geriatric Center	26,408,244	24,055,422		25,401,759	25,534,504	25,794,771	25,278,484	25,740,857	25,354,355	25,127,252	23,867,112
Total Business-type Activities	<b>26,408,244</b>	<b>24,055,422</b>		<b>25,401,759</b>	<b>25,534,504</b>	<b>25,794,771</b>	<b>25,278,484</b>	<b>25,740,857</b>	<b>25,354,355</b>	<b>25,127,252</b>	<b>23,867,112</b>
Total Expenses	<b>\$ 430,541,698</b>	<b>\$ 382,219,067</b>		<b>\$ 383,862,556</b>	<b>\$ 395,358,258</b>	<b>\$ 394,185,293</b>	<b>\$ 397,606,123</b>	<b>\$ 404,013,989</b>	<b>\$ 435,809,946</b>	<b>\$ 434,268,240</b>	<b>\$ 400,955,708</b>
<b>Program Revenues</b>											
Governmental Activities:											
Charges for services:											
General government	\$ 12,350,778	\$ 12,827,426		\$ 10,106,535	\$ 11,542,846	\$ 11,443,147	\$ 11,387,493	\$ 11,640,943	\$ 11,493,302	\$ 10,378,710	\$ 13,242,431
Judicial government	8,022,906	8,059,251		7,961,358	8,088,779	8,049,607	8,608,773	9,194,871	9,256,869	8,690,509	8,520,523
Public safety	12,418,994	10,537,821		7,295,054	7,270,166	8,561,119	9,772,936	10,240,014	11,510,830	9,970,534	9,868,379
Corrections	4,416,627	4,312,573		4,283,435	4,505,420	4,151,958	4,001,307	3,733,405	2,942,921	2,697,097	2,779,337
Public works	939,631	-		11,258	34,451	46,314	540	429	-	4,967	-
Human services	3,962,072	3,578,554		4,061,730	4,386,241	4,132,713	3,300,430	4,023,677	3,429,256	3,465,618	3,480,950
Culture and recreation	306,611	273,041		214,369	238,699	327,429	380,022	389,453	386,614	305,472	271,068
Conservation and recreation	1,441,261	1,250,919		1,116,775	1,068,768	993,810	1,039,972	1,404,265	1,136,728	1,111,556	1,121,300
Operating grants and contributions	186,484,289	170,820,476		172,809,019	172,885,823	169,889,775	177,613,376	177,617,614	196,256,401	210,829,647	194,405,068
Capital grants and contributions	3,128,315	3,188,033		4,806,097	8,089,191	11,889,359	3,178,319	6,252,822	1,340,868	2,075,959	176,594
Total Governmental Activities	<b>233,471,484</b>	<b>214,848,094</b>		<b>212,665,630</b>	<b>218,110,384</b>	<b>219,485,231</b>	<b>219,283,168</b>	<b>224,497,493</b>	<b>237,753,789</b>	<b>249,530,069</b>	<b>233,865,650</b>
Business-type Activity:											
Charges for services:											
Geriatric Center	25,740,289	24,548,724		24,770,403	24,361,525	24,478,303	24,176,438	22,287,303	21,874,187	21,799,199	21,572,855
Operating grants and contributions	18,725	3,753		134,312	2,475	-	-	-	-	-	949,468
Capital grants and contributions	-	-		-	-	15,165	186,416	342,267	-	6,709	-
Total Business-type Activity	<b>25,759,014</b>	<b>24,552,477</b>		<b>24,904,715</b>	<b>24,364,000</b>	<b>24,493,468</b>	<b>24,362,854</b>	<b>22,629,570</b>	<b>21,874,187</b>	<b>21,805,908</b>	<b>22,522,323</b>
Total Program Revenues	<b>\$ 259,230,498</b>	<b>\$ 239,400,571</b>		<b>\$ 237,570,345</b>	<b>\$ 242,474,384</b>	<b>\$ 243,978,699</b>	<b>\$ 243,646,022</b>	<b>\$ 247,127,063</b>	<b>\$ 259,627,976</b>	<b>\$ 271,335,977</b>	<b>\$ 256,387,973</b>
Net (Expense)/Revenue											
Governmental Activities	\$ (170,661,970)	\$ (143,315,551)		\$ (145,795,167)	\$ (151,713,370)	\$ (148,905,291)	\$ (153,044,471)	\$ (153,775,639)	\$ (172,701,802)	\$ (159,610,919)	\$ (143,222,946)
Business-type Activities	(649,230)	497,055		(497,044)	(1,170,504)	(1,301,303)	(915,630)	(3,111,287)	(3,480,168)	(3,321,344)	(1,344,789)
Total Net Expense	<b>\$ (171,311,200)</b>	<b>\$ (142,818,496)</b>		<b>\$ (146,292,211)</b>	<b>\$ (152,883,874)</b>	<b>\$ (150,206,594)</b>	<b>\$ (153,960,101)</b>	<b>\$ (156,886,926)</b>	<b>\$ (176,181,970)</b>	<b>\$ (162,932,263)</b>	<b>\$ (144,567,735)</b>

Table 2

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(Unaudited)**

	2016	2015	+	2014	2013	2012	2011	2010	2009	2008	2007
<b>General Revenues</b>											
Governmental Activities:											
Taxes											
Property taxes	\$ 155,056,169	\$ 153,693,123		\$ 151,973,173	\$ 151,162,049	\$ 143,393,722	\$ 143,975,950	\$ 144,430,733	\$ 144,810,041	\$ 137,964,699	\$ 136,054,592
Personal property taxes	13,156	2,193		11,080	14,240	19,822	36,939	16,006	4,199	28,164	40,384
Investment earnings	1,344,485	817,991		646,740	589,576	820,355	1,225,245	1,341,897	3,382,496	6,701,381	9,130,749
Miscellaneous	5,996,766	4,804,880		5,493,551	6,207,580	3,881,286	5,786,845	2,531,524	2,540,480	1,233,111	1,753,971
Transfers	541,814	(769,236)		(871,174)	(1,006,600)	(1,112,390)	(1,126,359)	(2,541,221)	(3,010,905)	(3,082,479)	(1,602,529)
Total governmental activities	<u>162,952,390</u>	<u>158,548,951</u>		<u>157,253,370</u>	<u>156,966,845</u>	<u>147,002,795</u>	<u>149,898,620</u>	<u>145,778,939</u>	<u>147,726,311</u>	<u>142,844,876</u>	<u>145,377,167</u>
Business-type Activity:											
Investment earnings	-	-		-	-	-	225	112	470	1,854	7,418
Miscellaneous	-	-		3,350	-	-	-	-	-	-	-
Transfers	(541,814)	769,236		871,174	1,006,600	1,112,390	1,126,359	2,541,221	3,010,905	3,082,479	1,602,529
Total Business-type activities	<u>(541,814)</u>	<u>769,236</u>		<u>874,524</u>	<u>1,006,600</u>	<u>1,112,390</u>	<u>1,126,584</u>	<u>2,541,333</u>	<u>3,011,375</u>	<u>3,084,333</u>	<u>1,609,947</u>
Total primary government	<u>\$ 162,410,576</u>	<u>\$ 159,318,187</u>		<u>\$ 158,127,894</u>	<u>\$ 157,973,445</u>	<u>\$ 148,115,185</u>	<u>\$ 151,025,204</u>	<u>\$ 148,320,272</u>	<u>\$ 150,737,686</u>	<u>\$ 145,929,209</u>	<u>\$ 146,987,114</u>
<b>Change in Net Position</b>											
Governmental Activity	\$ (7,709,580)	\$ 15,233,400		\$ 11,458,203	\$ 5,253,475	\$ (1,902,496)	\$ (3,145,851)	\$ (7,996,700)	\$ (24,975,491)	\$ (16,766,043)	\$ 2,154,221
Business-type Activity	(1,191,044)	1,266,291		377,480	(163,904)	(188,913)	210,954	(569,954)	(468,793)	(237,011)	265,158
Total Change in Net Position	<u>\$ (8,900,624)</u>	<u>\$ 16,499,691</u>		<u>\$ 11,835,683</u>	<u>\$ 5,089,571</u>	<u>\$ (2,091,409)</u>	<u>\$ (2,934,897)</u>	<u>\$ (8,566,654)</u>	<u>\$ (25,444,284)</u>	<u>\$ (17,003,054)</u>	<u>\$ 2,419,379</u>

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+ 2015 numbers were restated to reflect an overstatement of net pension liability and deferred outflow of resources related to pension.

Source: Statement of Activities, Comprehensive Annual Financial Report

Table 3

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(Unaudited)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>General Fund</b>										
Nonspendable										
Prepaid Items	\$ 1,643,297	\$ 1,613,754	\$ 1,751,644	\$ 1,471,864	\$ 1,046,275	\$ 894,961	\$ 831,073	\$ 802,888	\$ 959,874	\$ 847,822
Assigned										
Approp. Sub. Year Budget	8,000,000	-	-	-	-	-	-	-	-	-
Working Capital Reserve	16,200,000	15,900,000	15,700,000	15,800,000	15,700,000	15,400,000	15,800,000	16,000,000	16,200,000	15,700,000
Unassigned	21,046,705	23,503,839	20,440,106	23,437,728	22,977,419	26,947,313	29,194,547	24,660,587	18,848,943	22,725,788
Total General Fund	46,890,002	41,017,593	37,891,750	40,709,592	39,723,694	43,242,274	45,825,620	41,463,475	36,008,817	39,273,610
All Other Governmental Funds										
Nonspendable										
Prepaid Items	247,246	-	21,594	32,147	55,330	52,355	69,190	20,038	6,494	101,612
Hatfield Trust Endowment Principal	342,799	342,799	342,799	342,799	342,799	342,799	342,799	342,799	342,799	342,799
Restricted										
Capital Projects	48,815,743	2,599,888	45,262,987	27,154,509	47,780,954	23,612,967	26,565,304	46,729,659	38,724,894	94,074,087
Agricultural Easement	148,139	199,752	142,101	142,798	142,798	153,764	125,841	104,076	192,480	334,137
County Records Improvement	248,302	506,697	737,919	1,144,416	1,408,175	1,963,449	1,963,301	1,646,140	1,890,550	2,212,574
Act 13 - Impact Fee Revenues	1,948,823	2,831,979	2,173,505	1,840,399	423,255	-	-	-	-	-
Child Support Enforcement	350,000	350,000	423,464	460,117	369,606	279,503	279,503	728,567	628,567	222,466
Bridge Construction and Maint.	166,407	109,483	42,995	180,539	223,102	207,341	369,314	244,596	254,088	-
County Fee LU Fund	935,050	-	-	-	-	-	-	-	-	-
Affordable Housing Act	145,564	105,644	262,987	1,034,312	1,024,158	688,862	543,441	525,866	828,181	1,046,394
Hatfield Trust - Spendable	261,355	265,701	267,819	271,518	271,518	283,928	291,501	298,123	292,835	282,727
Managed Behavioral Health Care	-	-	-	-	-	-	-	-	738,682	654,398
Assigned										
Capital Projects	6,875,781	7,302,724	8,346,278	9,487,423	12,498,170	11,698,065	7,977,386	8,458,716	2,326,449	2,668,179
Retirement of Long Term Debt	31,010,654	32,115,422	32,666,806	30,086,932	23,535,791	21,569,484	20,020,287	19,562,032	21,403,786	22,181,442
Upkeep of County Parks	5,015,786	3,992,102	3,369,347	3,078,427	2,462,195	1,760,885	1,644,713	1,379,443	1,311,443	1,698,558
Upkeep of County Libraries	2,199,651	2,531,316	2,384,513	2,358,438	2,289,498	2,132,757	2,137,192	1,777,929	1,401,130	1,332,997
Unassigned	-	-	(21,594)	(32,147)	(55,330)	(52,355)	(69,190)	(20,038)	(6,494)	(101,612)
Total all other governmental funds	98,711,300	53,253,507	96,423,520	77,582,627	92,772,019	64,693,804	62,260,582	81,797,946	70,335,884	127,050,758
Total governmental fund balance	<u>\$ 145,601,302</u>	<u>\$ 94,271,100</u>	<u>\$ 134,315,270</u>	<u>\$ 118,292,219</u>	<u>\$ 132,495,713</u>	<u>\$ 107,936,078</u>	<u>\$ 108,086,202</u>	<u>\$ 123,261,421</u>	<u>\$ 106,344,701</u>	<u>\$ 166,324,368</u>

Source: Balance Sheet Governmental Funds, Comprehensive Annual Financial Report

Table 4

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Changes in Fund Balance - Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**  
**(Unaudited)**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues</b>										
Taxes	\$ 155,259,435	\$ 154,015,348	\$ 152,217,681	\$ 151,150,202	\$ 143,275,215	\$ 144,281,703	\$ 144,650,617	\$ 144,659,554	\$ 137,579,080	\$ 135,348,302
Licenses and permits	1,858,810	1,861,870	1,822,415	1,768,722	1,598,367	1,341,840	1,339,207	922,917	1,066,502	973,745
General Grants	25,415,036	25,613,513	26,612,062	29,791,431	32,953,749	25,392,449	34,267,826	24,566,737	22,474,642	18,089,035
Health and welfare grants	163,135,706	146,870,690	149,538,702	149,440,635	146,368,179	154,069,889	149,245,720	172,108,569	189,489,481	174,305,713
Departmental earnings	28,710,902	26,006,290	21,903,647	23,683,254	24,678,306	24,861,253	26,480,028	27,273,023	23,963,725	26,302,036
Court costs and fines	4,209,705	4,293,961	5,180,056	5,275,327	5,017,178	4,861,222	5,228,064	5,373,678	5,390,746	4,888,707
Interest and rent	2,018,476	1,290,930	1,020,594	962,318	1,298,026	1,324,450	1,826,322	3,569,893	7,085,296	10,432,823
Other	8,105,835	8,318,647	6,966,113	7,185,549	7,758,452	6,312,548	5,023,132	4,503,929	3,475,093	4,914,323
Total Revenues	388,713,905	368,271,249	365,261,270	369,257,438	362,947,472	362,445,354	368,060,916	382,978,300	390,524,565	375,254,684
<b>Expenditures</b>										
General government	30,516,498	31,123,853	31,250,681	29,522,953	27,469,872	26,891,886	26,800,709	27,728,442	30,729,010	27,235,080
Judicial	44,006,355	42,645,485	43,347,789	42,873,215	43,060,650	43,451,077	43,935,800	45,188,980	40,666,401	38,864,036
Public safety	17,064,402	17,415,803	17,555,443	15,712,104	16,358,839	17,720,289	17,434,765	17,073,106	16,643,135	14,779,668
Corrections	39,563,194	38,662,721	38,633,007	38,215,743	37,641,528	38,929,756	38,428,145	37,191,761	35,688,808	35,534,988
Public works	1,069,580	1,026,608	1,129,543	997,143	1,034,821	1,122,033	836,489	885,915	1,385,845	1,291,541
Human services	189,088,881	172,137,715	175,309,773	175,663,271	175,499,647	181,875,651	182,872,468	203,849,863	220,365,896	206,912,533
Culture and recreation	11,155,918	11,363,673	12,091,359	11,717,136	12,514,205	13,098,127	12,849,309	12,974,409	22,316,689	15,586,696
Conservation and development	9,407,892	11,868,622	10,149,241	9,083,598	10,586,132	11,769,415	15,910,214	18,105,078	11,673,839	8,463,138
Capital outlay										
Bridges	2,663,657	1,818,657	1,036,652	431,236	1,083,852	1,683,100	2,141,278	1,261,132	1,784,663	8,000
Other	22,825,928	38,110,106	25,868,430	23,447,939	25,897,746	13,813,557	13,781,232	20,314,360	35,645,943	50,515,485
Debt Service										
Principal	18,659,377	21,338,692	14,294,160	10,572,046	8,194,776	11,154,104	8,996,118	8,617,898	13,177,099	13,785,739
Interest	22,944,962	20,060,595	22,859,871	24,251,239	22,860,936	19,157,625	16,644,670	11,150,715	17,708,626	15,102,807
Debt issuance costs	925,748	519,486	483,622	255,670	262,523	358,047	280,615	1,687,518	101,836	682,296
Total Expenditures	409,892,392	408,092,016	394,009,571	382,743,293	382,465,527	381,024,667	380,911,812	406,029,177	447,887,790	428,762,007
Excess (deficiency) of revenues over (under) expenditures	(21,178,487)	(39,820,767)	(28,748,301)	(13,485,855)	(19,518,055)	(18,579,313)	(12,850,896)	(23,050,877)	(57,363,225)	(53,507,323)
<b>Other financing sources (uses)</b>										
Issuance of bonds	58,170,000	-	41,145,000	34,395,000	-	36,525,000	29,425,000	199,305,000	20,155,000	63,445,000
Premium on bond issue	34,391,809	-	13,265,064	644,926	8,087,434	5,805,572	571,117	9,484,534	258,506	2,391,371
Bond issuance	-	-	-	-	37,180,000	-	-	40,915,000	-	-
Note issuance	-	-	-	-	-	8,935,000	-	-	-	115,000,000
Payment to refunded bond escrow agent	(117,401,061)	(90,585,514)	(51,215,733)	(27,075,136)	-	-	(29,715,502)	(51,345,887)	-	-
Bond refunding	96,765,000	91,105,000	42,425,000	(7,709,119)	-	(10,730,000)	-	-	(19,960,000)	-
Note refunding	-	-	-	-	-	(25,126,000)	-	(155,818,021)	-	(65,297,000)
Transfers in	17,931,600	18,856,604	22,924,114	19,599,455	22,013,770	25,049,912	60,701,983	25,689,765	20,903,097	18,271,981
Transfers out	(17,389,786)	(19,625,839)	(23,795,288)	(20,606,052)	(23,782,470)	(26,270,659)	(63,343,204)	(28,700,670)	(23,985,576)	(19,874,509)
Sale of capital assets	41,127	26,346	23,196	33,287	578,956	4,240,365	36,283	437,876	12,509	368,564
Total other financing sources (uses)	72,508,689	(223,403)	44,771,353	(717,639)	44,077,690	18,429,190	(2,324,323)	39,967,597	(2,616,464)	114,305,407
<b>Net change in fund balances</b>	<b>\$ 51,330,202</b>	<b>\$ (40,044,170)</b>	<b>\$ 16,023,052</b>	<b>\$ (14,203,494)</b>	<b>\$ 24,559,635</b>	<b>\$ (150,123)</b>	<b>\$ (15,175,219)</b>	<b>\$ 16,916,720</b>	<b>\$ (59,979,689)</b>	<b>\$ 60,798,084</b>
<b>Debt service as a percentage of noncapital expenditures</b>	10.8%	11.2%	10.1%	9.7%	8.7%	8.3%	7.0%	5.1%	7.5%	7.7%

Source: Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds, Comprehensive Annual Financial Report

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Assessed Value and Estimated Market Value of Taxable Property**  
**At Year End**  
**Last Ten Years**  
**(Unaudited)**

**Table 5**

Year Ended <b>December</b>	<b>31</b>	<b>Total Taxable</b>					<b>Exempt<sup>1</sup></b>	<b>Total</b>	<b>Direct</b>	<b>Tax</b>	<b>Estimated Actual</b>	<b>Assessed Value as a Percentage of Market Value</b>
		<b>Residential</b>	<b>Commercial</b>	<b>Farm</b>	<b>Industrial</b>	<b>Assessed Value</b>						
2007	\$ 27,765,615,959	\$ 6,431,368,259	\$ 702,051,885	\$ 507,054,565	\$35,406,090,668	\$ 3,089,117,800	3.804	\$ 68,351,526,386				51.8
2008	28,371,195,917	6,520,333,731	702,363,889	499,819,835	36,093,713,372	3,263,435,580	3.804	69,813,758,940				51.7
2009	28,673,568,532	6,641,225,789	709,431,269	502,422,585	36,526,648,175	3,382,100,290	3.965	68,918,204,104				53.0
2010	28,671,429,707	6,636,504,847	714,650,579	497,116,720	36,519,701,853	3,445,833,950	3.965	65,920,039,446				55.4
2011	28,651,383,583	6,589,220,551	712,488,499	486,243,960	36,439,336,593	3,520,375,130	3.965	65,070,243,916				56.0
2012	28,628,949,915	6,558,911,416	711,509,255	484,635,030	36,384,005,616	3,484,298,300	3.965	61,667,806,129				59.0
2013	28,653,795,779	6,559,204,289	710,731,480	482,537,020	36,406,268,568	3,613,593,245	4.163	60,475,529,183				60.2
2014	28,835,287,289	6,638,648,739	712,191,660	466,264,590	36,652,392,278	3,593,185,794	4.163	63,522,343,636				57.7
2015	29,039,909,843	6,727,642,972	713,671,610	468,130,905	36,949,355,330	3,636,971,084	4.163	66,695,587,238				55.4
2016	29,218,902,146	6,856,872,905	718,430,610	474,826,975	37,269,032,636	3,686,529,704	4.163	67,272,622,087				55.4

Notes:

1 Exempt property includes utilities and railroads, which is not included in any of the other categories listed above.

Source: County Assessment Office

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Real Property Tax Rates - Direct and Overlapping Governments**  
**(Mills per \$1,000 of Assessed Value)**  
**(Last Ten Years)**  
**(Unaudited)**

**Table 6**

Year ended December 31	County Direct Rates					Overlapping Rates		Total Direct & Overlapping Rates	
	General Purposes	Debt Service	Parks & Playgrounds	Libraries	Total County Direct	Borough or Township <sup>1</sup>	School District <sup>1</sup>		
<sup>145</sup>	2007	2.700	0.758	0.156	0.190	3.804	1.4546	20.596	25.8546
	2008	2.778	0.680	0.156	0.190	3.804	1.5546	21.548	26.9066
	2009	2.939	0.680	0.156	0.190	3.965	1.5984	22.235	27.7984
	2010	2.853	0.766	0.156	0.190	3.965	1.6529	22.902	28.5199
	2011	2.730	0.889	0.156	0.190	3.965	1.7184	23.437	29.1204
	2012	2.706	0.913	0.156	0.190	3.965	1.7912	23.985	29.7412
	2013	2.780	1.071	0.128	0.184	4.163	1.8672	24.261	30.2912
	2014	2.780	1.071	0.128	0.184	4.163	1.9037	24.750	30.8167
	2015	2.794	1.071	0.114	0.184	4.163	1.9298	25.189	31.2818
	2016	2.794	1.071	0.114	0.184	4.163	1.9922	25.712	31.8672

Notes:

1 Each unit within these classes levies its own millage rate. The rates shown are weighted averages.

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Direct and Overlapping Property Tax Rates**  
**(Last Ten Years)**  
**(Unaudited)**

**Table 7**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>County Direct Rates</b>										
General Purposes	2.794	2.794	2.780	2.780	2.706	2.730	2.853	2.939	2.778	2.700
Debt Service	1.071	1.071	1.071	1.071	0.913	0.889	0.766	0.680	0.680	0.758
Parks & Playgrounds	0.114	0.114	0.128	0.128	0.156	0.156	0.156	0.156	0.156	0.156
Libraries	0.184	0.184	0.184	0.184	0.190	0.190	0.190	0.190	0.190	0.190
Total Direct Rate	4.163	4.163	4.163	4.163	3.965	3.965	3.965	3.965	3.804	3.804
<b>City Rates</b>										
City of Coatesville	13.7590	12.9150	12.9150	9.4150	9.4150	8.9150	8.9150	9.9050	9.9050	9.9050
<b>Borough Rates</b>										
Borough of Atglen	5.2000	5.1000	5.1000	5.1000	5.1000	4.1000	4.1000	4.1000	4.1000	4.1000
Borough of Avondale	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000	4.0000
Borough of Downingtown	7.6500	7.6500	7.6500	7.6500	7.0000	6.7000	6.7000	6.1000	5.8000	5.5000
Borough of Elverson	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Borough of Honey Brook	1.5000	1.2000	1.2000	1.2000	1.2000	1.2000	1.2000	1.1000	1.1000	1.1000
Borough of Kennett Square	6.3500	6.3500	5.3500	5.3500	4.8500	4.8500	3.8500	3.8500	2.8500	2.3500
Borough of Malvern	4.4200	4.4200	4.4200	3.9697	3.9697	3.9697	3.9697	3.7197	3.2197	2.9697
Borough of Modena	6.4000	6.4000	6.4000	6.4000	5.4000	5.4000	5.4000	3.4000	3.4000	3.4000
Borough of Oxford	12.2500	12.0000	12.0000	11.5000	11.2500	11.0000	10.5000	9.0000	8.0000	7.6300
Borough of Parkesburg	10.0000	10.0000	10.0000	10.0000	10.0000	8.0000	8.0000	8.0000	8.0000	8.0000
Borough of Phoenixville	5.3500	5.2500	5.2500	5.2500	5.2500	4.4100	4.0100	4.0100	3.8000	3.2960
Borough of South Coatesville	7.6000	7.6000	7.6000	7.6000	7.6000	7.6000	7.6000	7.6000	7.6000	7.6000
Borough of Spring City	4.3700	4.3700	4.3700	4.3700	4.0100	4.0100	4.0100	4.0100	3.8700	3.6200
Borough of West Chester	6.9600	6.9600	6.9600	6.9600	6.9600	6.9600	5.8000	5.6000	5.6000	5.2100
Borough of West Grove	5.0000	3.5000	3.5000	3.5000	3.5000	3.0000	3.0000	3.0000	3.0000	3.0000
<b>Municipalities</b>										
Birmingham Township	1.6000	1.6000	1.6000	1.6000	1.6000	1.6000	1.6000	1.5000	1.3500	1.3500
Calm Township	2.9580	2.8080	2.8080	2.8080	2.8080	2.8080	2.8080	2.8080	2.8080	2.8080
Charlestown Township	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
East Bradford Township	1.0000	0.3400	0.3400	0.3400	0.3400	0.0710	0.0710	0.0710	0.0710	0.0710
East Brandywine Township	2.5000	2.6000	2.7500	2.7500	2.7500	2.7500	2.7500	2.5000	2.5000	2.5000
East Caln Township	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	0.3750	0.3750
East Coventry Township	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	1.5000
East Fallowfield Township	1.2500	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
East Goshen Township	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
East Marlborough Township	2.1830	2.1830	2.0830	1.9330	1.7330	1.4330	1.4330	1.4330	1.4330	1.4330

**Table 7**

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Direct and Overlapping Property Tax Rates**  
**(Last Ten Years)**  
**(Unaudited)**

Municipalities, Continued	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
East Nantmeal Township	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
East Nottingham Township	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
East Pikeland Township	0.4400	0.4400	0.5800	0.5800	0.5800	0.5800	0.5800	0.5800	0.5800	0.2900
East Vincent Township	2.1000	0.9000	0.9000	0.9000	0.9000	0.9000	0.9000	0.9000	0.9000	0.9000
East Whiteland Township	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450	0.4450
Easttown Township	4.0140	4.0140	4.0140	4.0140	3.9790	3.9190	3.7690	3.3610	3.2410	3.0910
Elk Township	0.2570	0.2570	0.2570	0.2570	0.2570	0.2570	0.2570	0.2570	0.2570	0.2570
Franklin Township	2.4950	2.4950	2.7750	3.0830	3.0830	3.0830	3.0830	3.0830	3.2450	3.2450
Highland Township	2.3000	2.3000	2.3000	2.3000	2.3000	2.4000	1.3000	1.3000	1.0000	0.7500
Honey Brook Township	0.9800	0.9800	0.9800	0.9800	0.9800	0.9800	0.9800	0.9800	0.9550	0.7000
Kennett Township	0.2000	0.2000	0.2000	0.2000	0.4000	0.6000	0.4000	0.2000	0.6000	0.6000
London Britian Township	4.6550	4.3750	4.2750	4.0150	3.9900	3.4100	3.2910	2.9910	3.7210	2.6610
London Grove Township	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
Londonderry Township	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Lower Oxford Township	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.1800	0.1800
New Garden Township	1.6200	1.6200	1.6200	1.6200	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
New London Township	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Newlin Township	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500	0.7500
North Coventry Township	2.3500	2.1000	1.8000	1.6000	1.6000	1.6000	1.6000	1.6000	1.4000	1.4000
Penn Township	0.5300	0.5300	0.5300	0.5300	0.5300	0.5300	0.5300	0.5300	0.5300	0.5300
Pennsbury Township	1.4900	1.4900	1.4900	1.4900	1.4900	1.4900	1.4900	1.1500	1.1500	1.1500
Pocopson Township	2.2000	2.2000	2.2000	2.2000	2.2000	2.2000	2.2000	2.2000	2.2000	2.2000
Sadsbury Township	1.3000	1.0500	1.0500	0.7500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500
Schuylkill Township	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000	2.7000	2.0000
South Coventry Township	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.2900
Thornbury Township	0.9950	0.9950	0.9950	0.8400	0.8400	0.8400	0.8400	0.8400	0.8400	0.8400
Tredyffrin Township	2.3800	2.3800	2.3800	2.3800	2.3080	2.2300	2.2300	2.2300	2.1800	2.1100
Upper Oxford Township	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000	0.5000
Upper Uwchlan Township	1.0340	1.0340	1.0340	1.0340	1.0340	1.0340	1.0340	1.0340	1.0340	1.0340
Uwchlan Township	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200	0.1200
Valley Township	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	1.5000	0.8800	0.8800	0.8800
Wallace Township	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	2.4000	1.2000
Warwick Township	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
West Bradford Township	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

**Table 7**

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Direct and Overlapping Property Tax Rates**  
**(Last Ten Years)**  
**(Unaudited)**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Municipalities, Continued</b>										
West Brandywine Township	2.3080	2.3080	1.0810	1.0810	1.0810	1.3010	1.0810	1.0810	1.0810	0.8610
West Caln Township	1.0000	1.0000	1.0000	1.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
West Fallowfield Township	1.6710	1.6710	1.6710	1.6710	1.6710	1.6710	1.6710	1.6710	1.1710	1.1710
West Goshen Township	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000	1.5000	1.5000	1.5000
West Marlboro Township	1.7000	1.7000	1.7000	1.7000	1.7000	1.7000	1.7000	1.7000	1.7000	1.6000
West Nantmeal Township	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900	0.6900
West Nottingham Township	1.3450	0.9700	0.9700	0.9700	0.9700	0.9700	0.9300	0.9300	0.9300	0.9300
West Pikeland Township	0.8000	0.8000	0.5000	0.5000	0.5000	0.5000	0.5000	0.1250	0.1250	0.1250
West Sadsbury Township	2.6000	2.6000	2.6000	1.4000	1.0100	0.6100	0.6100	0.6100	0.6100	0.6100
West Vincent Township	2.0900	2.0900	2.0900	2.0900	2.0900	2.3300	2.3300	2.3300	2.2300	2.2300
West Whiteland Township	0.7190	0.7190	0.7190	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000
Westtown Township	3.5000	3.5000	3.5000	2.5000	2.5000	2.0000	2.0000	2.0000	2.0000	1.5000
Willistown Township	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800
<b>School Districts</b>										
Avon Grove	29.0400	28.1570	27.4990	26.7500	26.7500	26.1800	24.7200	23.8200	23.8200	23.8200
Coatesville Area	33.4598	32.7716	32.0036	31.1926	30.1090	29.4900	28.4900	27.5000	26.5000	25.7000
Downingtown Area	27.1820	27.1820	27.1820	27.1820	27.1820	26.7280	26.2130	25.4750	24.8500	24.0500
Great Valley	20.8000	20.3200	20.0000	19.5900	19.5900	19.0300	18.5000	18.2200	17.9200	17.4400
Kennett Consolidated	29.2408	28.6017	27.9406	27.4520	26.7303	25.7293	24.7781	23.9537	23.1400	21.9500
Octorara Area	38.6300	37.5100	36.6600	36.6600	36.6600	35.2800	35.1200	32.2300	31.6100	31.6100
Owen J. Roberts	29.6305	28.8262	28.2888	27.7395	27.2759	26.8200	26.1700	25.5000	24.8900	23.9600
Oxford Area	30.8400	30.5347	30.2324	30.0502	30.0502	29.5479	29.5479	29.5479	28.6865	25.1592
Phoenixville Area	29.1600	28.8900	28.8900	28.6400	28.2400	27.7800	27.0600	26.3900	25.8900	24.4400
Spring-Ford Area	26.2442	26.0610	25.7460	25.2540	24.7690	24.2910	23.5300	23.0700	22.1900	21.2700
Twin Valley	28.6049	28.0028	26.8903	24.4606	24.3000	23.2000	22.5000	21.3000	21.1000	19.5000
Tredyffrin-Easttown	21.7423	20.9868	20.2171	19.5902	19.2628	18.6474	17.9700	17.4700	16.9700	16.2600
Unionville-Chaddsford	27.6900	26.9900	26.4400	25.7300	25.1800	24.5300	24.2600	23.5800	22.5300	21.5700
West Chester Area	20.0982	19.5779	19.2100	18.6700	18.6700	18.3600	18.3600	17.8500	16.8500	15.7900

Source: County Assessment Office

**Table 8**

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Principal Taxpayers**  
**(Unaudited)**

Business	Type of Business	2016 Assessment			2007 Assessment		
		Assessed Valuation	Rank	% of Total Assessed Valuation	Assessed Valuation	Rank	% of Total Assessed Valuation
Liberty Property Ltd. Partnership	Real Estate Investment	\$ 145,961,877	1	0.39%	\$ 296,559,150	1	0.84%
WPT Land 2 LP *	Real Estate Investment	131,348,450	2	0.35%			
Horation Reality Trust	Financial Investment Firm	127,776,510	3	0.34%	81,770,190	5	0.23%
Hankin Group	Property Management	88,676,210	4	0.24%	112,197,080	2	0.32%
Chesterbrook Partners	Property Management	76,246,020	5	0.20%	80,928,380	6	0.23%
Home Properties	Real Estate Developer	73,440,160	6	0.20%			
Exton Square, Inc.	Shopping Mall	70,521,260	7	0.19%	97,681,730	3	0.28%
Brandywine Square, Inc	Shopping Mall	62,316,000	8	0.17%	82,616,470	4	0.23%
QVC, Inc.	Multichannel Retailer	50,366,400	9	0.14%	67,142,780	7	0.19%
Cerner Health (formerly Seimens)	Software Systems/Medical	47,495,290	10	0.13%	66,923,320	8	0.19%
Total Principal Taxpayers 2016		\$ 874,148,177		<u>2.35%</u>			
Coventry Retail	Shopping Mall				54,912,680	9	0.16%
Main Street at Exton	Shopping Mall				53,032,140	10	0.15%
Total Principal Taxpayers 2007					\$ 993,763,920		<u>2.82%</u>

\* New owners - 31 parcels purchased from Liberty Property

Source: County Assessment Office

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Property Tax Levies and Collections**  
**Last Ten Years**  
**(Unaudited)**

**Table 9**

<b>Year ended December 31</b>	<b>Total tax levy</b>	<b>Current tax collections</b>	<b>Percent of levy collected</b>	<b>Delinquent tax collections</b>	<b>Total tax collections</b>	<b>Percent of total tax collections to tax levy</b>	<b>Outstanding delinquent taxes</b>	<b>Percent of delinquent taxes to tax levy</b>
2007	\$137,752,508	\$132,274,953	96.0	\$ 3,032,965	\$135,307,918	98.2	\$ 1,421,063	1.0
2008	138,713,347	134,014,036	96.6	3,550,020	137,564,056	99.2	1,733,208	1.2
2009	145,576,725	140,729,901	96.7	3,925,454	144,655,355	99.4	1,735,536	1.2
2010	144,762,411	140,871,336	97.3	3,763,274	144,634,610	99.9	1,710,589	1.2
2011	144,458,036	140,180,637	97.0	4,064,128	144,244,765	99.9	1,693,783	1.2
2012	143,720,507	139,821,163	97.3	3,434,229	143,255,392	99.7	1,715,909	1.2
2013	151,924,640	147,617,485	97.2	3,518,477	151,135,962	99.5	1,700,687	1.1
2014	152,851,335	148,485,408	97.1	3,721,193	152,206,601	99.6	1,654,825	1.1
2015	154,628,180	150,415,110	97.3	3,598,045	154,013,155	99.6	1,561,294	1.0
2016	156,484,199	151,844,735	97.0	3,401,544	155,246,279	99.2	1,472,301	0.9

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Source: Comprehensive Annual Financial Reports

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Ratios of Outstanding Debt**  
**Last Ten Years**  
**(Unaudited)**

**Table 10**

Year ended December 31	Business-Type Activities											
	Governmental Activities		General		General							
	Obligation debt (GO)	Capital lease debt	Obligation debt (GO)	Total Primary Government	GO to market value	GO per capita	GO to personal income	Total debt to market value	Total debt per capita	Total debt to personal income		
2007	\$ 480,705,761	\$ 1,059,601	\$ 750,282	\$ 482,515,644	0.704%	\$ 990	1.71%	0.706%	\$ 992	1.71%		
2008	467,564,162	1,162,770	696,381	469,423,313	0.671%	953	1.63%	0.672%	955	1.64%		
2009	512,603,202	985,316	672,279	514,260,797	0.745%	1,029	1.80%	0.746%	1,031	1.81%		
2010	504,455,598	945,540	647,397	506,048,535	0.766%	1,012	1.75%	0.768%	1,014	1.76%		
2011	507,919,606	329,073	621,501	508,870,180	0.782%	1,009	1.70%	0.782%	1,010	1.70%		
2012	543,756,833	129,163	566,277	544,452,273	0.883%	1,075	1.69%	0.883%	1,075	1.69%		
2013	532,649,677	291,730	508,323	533,449,730	0.882%	1,046	1.58%	0.882%	1,047	1.58%		
2014	566,542,213	995,520	447,483	567,985,216	0.893%	1,106	1.54%	0.894%	1,108	1.54%		
2015	549,533,936	587,336	349,259	550,470,531	0.824%	1,066	1.44%	0.825%	1,067	1.45%		
2016	609,744,802	368,950	243,636	610,357,388	0.907%	1,181	n/a	0.907%	1,182	n/a		

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n/a - not available at time of printing

Source: County Planning and Assessment Offices and Comprehensive Annual Financial Reports

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Direct and Overlapping Governmental Activities Debt**  
**December 31, 2016**  
**(Unaudited)**

**Table 11**

	Net debt outstanding	Percentage applicable <sup>2</sup>	Estimated share of of direct and overlapping debt
<u>Direct Debt of County and Related Entities</u>			
County of Chester	610,113,752	100%	610,113,752
Overlapping Debt			
School Districts: <sup>1</sup>			
Avon Grove	23,346,689	100%	23,346,689
Coatesville Area	15,149,622	100%	15,149,622
Downington Area	123,350,086	100%	123,350,086
Great Valley	43,781,893	100%	43,781,893
Kennett Consolidated	61,935,500	100%	61,935,500
Octorara Area	60,915,000	74%	45,077,100
Owen J. Roberts	115,490,291	100%	115,490,291
Oxford Area	60,640,000	100%	60,640,000
Phoenixville Area	N/A	100%	N/A
Tredyffrin-Easttown	59,755,000	100%	59,755,000
Unionville-Chaddsford	85,475,000	78%	66,670,500
West Chester Area	266,615,000	92%	245,285,800
Spring-Ford Area	N/A	4%	N/A
Twin Valley	35,610,000	46%	<u>16,380,600</u>
Total School Districts			<u>876,863,081</u>
Municipalities:			
Birmingham Township	188,000	100%	188,000
Charlestown Township	12,010,000	100%	12,010,000
East Bradford Township	10,291,078	100%	10,291,078
East Brandywine Township	7,893,707	100%	7,893,707
East Coventry Township	7,938,012	100%	7,938,012
East Fallowfield Township	82,756	100%	82,756
East Goshen Township	784,000	100%	784,000
East Marlborough Township	7,465,000	100%	7,465,000
East Nantmeal Township	789,573	100%	789,573
East Vincent Township	N/A	100%	N/A
East Whiteland Township	37,364,870	100%	37,364,870
Easttown Township	25,475,000	100%	25,475,000
Franklin Township	3,157,000	100%	3,157,000
Highland Township	794,713	100%	794,713
Honey Brook Township	3,855,000	100%	3,855,000
London Britian Township	1,131,000	100%	1,131,000
London Grove Township	5,973,000	100%	5,973,000
Londonderry Township	239,567	100%	239,567
Lower Oxford Township	1,767,000	100%	1,767,000
New Garden Township	1,581,818	100%	1,581,818
North Coventry Township	1,272,113	100%	1,272,113
Pennsbury Township	3,650,000	100%	3,650,000
Pocopson Township	2,703,000	100%	2,703,000
Sadsbury Township	2,745,000	100%	2,745,000
Schuykill Township	167,830	100%	167,830
South Coventry Township	1,448,606	100%	1,448,606
Tredyffrin Township	N/A	100%	N/A
Upper Uwchlan Township	6,198,685	100%	6,198,685

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Direct and Overlapping Governmental Activities Debt**  
**December 31, 2016**  
**(Unaudited)**

**Table 11**

<u>Direct Debt of County and Related Entities</u>	<u>Net debt outstanding</u>	<u>Percentage applicable <sup>2</sup></u>	<u>Estimated share of direct and overlapping debt</u>
Municipalities, Continued:			
Uwchlan Township	1,479,000	100%	1,479,000
Valley Township	937,277	100%	937,277
West Bradford Township	9,870,000	100%	9,870,000
West Brandywine Township	3,077,252	100%	3,077,252
West Fallowfield Township	514,000	100%	514,000
West Goshen Township	5,849,000	100%	5,849,000
West Pikeland Township	N/A	100%	N/A
West Sadsbury Township	672,965	100%	672,965
West Vincent Township	6,973,371	100%	6,973,371
West Whiteland Township	11,695,000	100%	11,695,000
Westtown Township	22,055,000	100%	22,055,000
Willistown Township	8,093,977	100%	8,093,977
Borough of Atglen	2,341,000	100%	2,341,000
Borough of Avondale	N/A	100%	N/A
Borough of Downingtown	6,285,000	100%	6,285,000
Borough of Kennett Square	11,739,289	100%	11,739,289
Borough of Malvern	1,595	100%	1,595
Borough of Modena	N/A	100%	N/A
Borough of Oxford	1,756,851	100%	1,756,851
Borough of Parkesburg	3,280,440	100%	3,280,440
Borough of Phoenixville	496,400	100%	496,400
Borough of South Coatesville	N/A	100%	N/A
Borough of West Chester	N/A	100%	N/A
Borough of West Grove	N/A	100%	N/A
City of Coatesville	4,352,007	100%	4,352,007
Total Municipalities			248,435,752
Total overlapping debt			1,125,298,833
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>			<b>1,735,412,585</b>

Note:

- 1 The school district debt is as of June 30, 2016.
  - 2 The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the school district's boundaries and dividing it by the county's total taxable assessed value.
- N/A Net debt outstanding not available at time of printing.

Source: Chester County Finance Office

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Legal Debt Margin Information**  
**Last Ten Years**  
**(in thousands)**  
**(Unaudited)**

**Table 12**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt limit	\$ 1,312,894	\$ 1,296,199	\$ 1,295,454	\$ 1,292,830	\$ 1,288,723	\$ 1,301,763	\$ 1,318,613	\$ 1,319,109	\$ 1,297,043	\$ 1,245,358
Total net debt applicable to limit	550,765	518,930	533,360	509,700	518,335	489,405	490,981	498,387	461,428	474,464
Legal debt margin	\$ 762,129	\$ 777,269	\$ 762,094	\$ 783,130	\$ 770,388	\$ 812,358	\$ 827,632	\$ 820,722	\$ 835,615	\$ 770,894
Total net debt applicable to the limit as a percentage of debt limit	41.95%	40.03%	41.17%	39.43%	40.22%	37.60%	37.23%	37.78%	35.58%	38.10%

Legal Debt Margin Calculation for Fiscal Year 2016

Total Revenues Received	\$ 452,645	\$ 430,397	\$ 432,791
Grants for construction of specific programs	1,024	1,008	907
Net Revenues	\$ 451,621	\$ 429,389	\$ 431,884
Total net revenue	\$ 1,312,894		
Borrowing base = Total net revenues, divided by three	\$ 437,631		

Source: Office of the County Controller as compiled from Comprehensive Annual Financial Report

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Demographic Economic Statistics**  
**Last Ten Years**  
**(Unaudited)**

**Table 13**

Year ended December 31	Population <sup>1</sup>	Per capita income <sup>2</sup>	Public school enrollment <sup>4</sup>	Unemployment rate <sup>3</sup>	Personal income <sup>2</sup>
2007	486,345	\$ 58,130	71,948	3.1	\$ 28,227,873,000
2008	491,489	58,156	72,123	4.1	28,687,469,000
2009	498,894	57,033	72,027	6.3	28,453,609,000
2010	498,886	57,555	71,495	6.9	28,802,662,000
2011	503,897	59,467	76,049	6.1	29,965,229,000
2012	506,575	63,741	71,373	6.0	32,289,398,000
2013	509,468	66,136	71,764	5.8	33,694,240,000
2014	512,784	71,971	73,553	4.3	36,905,406,000
2015	515,939	73,803	75,854	3.7	38,077,908,000
2016	516,312	n/a	75,468	3.9	n/a

Sources:

1 All years are United States Census Bureau estimates except 2010 which is from the 2010 Census.

2 Bureau of Economic Analysis, 2016 information currently not available.

3 Pennsylvania Department of Labor and Industry, Bureau of Research Statistics.

4 Chester County Intermediate Unit 2015/2016 School Year

**Table 14**

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Principal Employers**  
**Current Year and Ten Years Ago**  
**(Unaudited)**

Employer	2016			2007		
	Rank	# Employees	% of Labor Force	Rank	# Employees	% of Labor Force
Main Line Hospitals	1	11,500	4.08%			
Vanguard Group ^	2	10,000	3.55%	1	8,500	3.28%
County of Chester	3	2,806	1.00%			
Chester County Hospital	4	2,318	0.82%	5	1,909	0.74%
QVC, Inc.	5	2,220	0.79%	2	4,000	1.54%
Cerner Health Services, Inc. *	6	2,200	0.79%			
Giant Food Stores, LLC	7	2,093	0.78%			
YMCA of Greater Brandywine Valley	8	1,985	0.70%			
The Devereux Foundation	9	1,876	0.00%	8	1,500	0.58%
Downingtown School District	10	1,761	0.63%	3	3,950	1.52%
SunGuard Data Systems, Inc				4	3,000	1.16%
Acme Markets, Inc.				6	1,900	0.73%
West Chester University				7	1,578	0.61%
Nobel Learning Centers				9	1,400	0.54%
Wyeth				10	1,250	0.48%
Total		<u>38,759</u>	<u>13.76%</u>		<u>28,987</u>	<u>11.17%</u>
Labor Force 2016 (average)		281,650				
Labor Force 2007 (average)		259,483				

Source for Rank: Philadelphia Business Journal, Book of Business Lists, Chester County Private-Sector Employers (2007) and Pennsylvania Center for Workforce Information and Analysis; and Individual Employers

<sup>^</sup> Includes contracted employees

<sup>\*</sup> Formerly Siemens Medical Solutions

Excludes Federal and State Government Entities

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Full-time Equivalent County Government Employees by Function**  
**Last Ten Years**  
**(Unaudited)**

**Table 15**

<b>Function</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
General Government	309	304	317	324	321	343	363	374	390	397
Judicial	498	493	484	492	496	527	541	552	553	534
Public Safety	118	119	110	113	118	140	137	140	141	142
Corrections	443	435	433	439	432	453	460	452	437	434
Public Works	4	3	4	4	4	4	4	4	4	4
Human Services	485	496	488	486	490	561	557	562	593	580
Culture & Recreation	151	151	147	151	156	157	160	168	170	167
Conservation & Development	71	71	67	66	65	65	66	69	71	66
	<b>2,079</b>	<b>2,072</b>	<b>2,050</b>	<b>2,075</b>	<b>2,082</b>	<b>2,250</b>	<b>2,288</b>	<b>2,321</b>	<b>2,359</b>	<b>2,324</b>

Note:

Totals do not include FTE's for Pocopson Home.

Source: Chester County Human Resources Department

**COUNTY OF CHESTER**  
**Operating Indicators by Function**  
**Last Ten Years**  
**(Unaudited)**

**Table 16**

<b>Function</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
General Government				
% of customers receive accurate assessments	99%	99%	100%	100%
% of vendor payments that are compliant and accurate	100%	100%	100%	100%
% of bids for goods/services obtained in a cost effective and timely manner	97%	100%	100%	100%
% of voter precincts that have error-free paperwork that is subsequently reconciled	93%	90%	90%	80%
Judicial				
Criminal cases pending	1,558	1,661	1,503	1,393
Family Court new cases	6,154	5,947	6,161	6,646
Total filings through District Justices offices	102,500	102,536	105,591	111,837
Public Safety				
% or more of 9-1-1 calls received and dispatched within two minutes or less	98%	98%	95%	95%
Call volume	277,198	278,255	282,982	262,170
Corrections				
Prison inmate population (average)	831	893	935	951
% of probationers/parolees will not be convicted of a new offense during their supervision period	95%	95%	85%	85%
Public Works				
Bridge inspections performed	94	94	97	88
Human Services				
% of job seekers trained obtaining employment who retain a job for six months	92%	99%	94%	86%
% of the total money owed in child/spousal support is paid	84%	84%	83%	83%
% of customers successfully managing their recovery from illness or addiction	N/A	79%	79%	81%
% of children receiving child care that meets or exceeds state standards	96%	94%	93%	93%
Culture & Recreation				
% of park visitors will have access to park programs and services within visitor desired time frames	87%	87%	88%	89%
% of patrons surveyed will say they found the materials and services they needed at the Library	N/A	98%	97%	n/a
Conservation & Development				
Acres preserved with Farmland Easement Programs	995	1,480	2,607	1,494
% of Chester County protected for open space annually	0.70%	0.80%	0.70%	0.40%

In 2010 Chester County implemented Managing for Results as part of the Strategic Plan. Participating departments developed strategic plans which included new performance measures.

Source: Chester County Budget

**COUNTY OF CHESTER**  
**Operating Indicators by Function**  
**Last Ten Years**  
**(Unaudited)**

**Table 16**

2012	2011	2010	2009	2008	2007
99%	99%	99%	n/a	n/a	n/a
90%	90%	90%	n/a	n/a	n/a
97%	97%	97%	n/a	n/a	n/a
100%	100%	100%	n/a	n/a	n/a
1,538 7,074 113,893	1,576 7,785 118,460	1,593 7,572 133,436	1,602 7,691 137,645	1,665 7,646 139,328	1,659 7,240 137,589
80%	80%	80%	n/a	n/a	n/a
274,756	291,399	291,038	288,029	293,051	297,387
935	1,000	1,000	1,100	949	971
95%	95%	95%	n/a	n/a	n/a
83	83	42	40	46	49
77%	77%	77%	n/a	n/a	n/a
83%	83%	83%	n/a	n/a	n/a
89%	89%	89%	n/a	n/a	n/a
85%	85%	85%	n/a	n/a	n/a
60%	60%	60%	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
1,538 0.80%	677 0.80%	1,428 0.80%	1,752 n/a	1,535 n/a	1,589 n/a

**COUNTY OF CHESTER**  
**Capital Asset Statistics by Function and Activity**  
**Last Ten Years**  
**(Unaudited)**

**Table 17**

<b>Function</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Governmental</b>										
General government										
Motor vehicles	12	13	12	13	14	13	13	12	10	10
Buildings	6	6	6	6	6	6	8	8	9	9
Judicial government										
Motor vehicles	105	98	95	96	91	85	81	79	73	65
Buildings	2	2	2	2	2	2	2	2	2	1
Public safety										
Motor vehicles	20	19	19	19	19	19	16	17	17	17
Buildings	2	1	1	1	1	1	1	-	-	-
Corrections										
Motor vehicles	33	30	29	29	29	28	27	27	24	22
Buildings	3	3	3	3	3	3	3	3	3	3
Public works										
Motor vehicles	9	8	7	7	7	7	7	7	6	6
County owned bridges	95	95	97	97	97	97	97	97	97	95
Human services										
Motor vehicles	97	79	69	71	56	50	42	45	30	29
Buildings	1	1	1	1	1	1	1	1	1	1
Culture and recreation										
Motor vehicles	48	48	49	51	50	44	44	44	41	39
Number of major parks	9	9	9	9	9	9	9	9	9	10
Acreage of major parks	4,374	4,374	4,374	4,374	4,374	4,374	4,374	4,374	4,361	4,869
Miles of trails	42	42	42	42	42	42	31	31	22	22
Buildings	5	5	4	4	4	4	4	4	3	3
Conservation and development										
Motor vehicles	5	5	5	5	5	5	5	5	4	4
Acreage of open space	43,972	42,977	38,890	36,283	34,789	32,826	32,149	30,721	28,969	27,769
General government buildings										
Buildings	3	3	3	3	3	2	2	2	3	3
<b>Business type</b>										
Geriatric center										
Motor vehicles	8	8	8	8	7	7	6	7	7	6
Buildings	3	3	3	3	3	3	3	3	3	3

Source: Various government departments

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Miscellaneous Statistics**  
**December 31, 2016**  
**(Unaudited)**

**Table 18**

Date founded:	1682		
Form of government:	County		
Area:	782 square miles		
Number of Municipalities:	57 Townships 15 Boroughs 1 City		
Miles of roads:	2,585 - Municipal 1,061 - State		
County bridges:	95		
Airports:	3		
Passenger Rail Stations:	12		
Fire / ambulance protection:	49 Volunteer Fire Stations 29 Ambulance & EMS Stations		
Police protection:	42 Municipal Police Departments 2 State Police Barracks 1 County Detective Department 2 School District / University Departments		
Hospitals and medical centers	18		
Number of school districts:	14		
Number of colleges:	8		
Major county parks:	Park	Acres	Active Trail/miles      Proposed Trail/miles
	Hibernia/Chambers Lake/Hatfield	1,329	6.1      -
	Nottingham	651	6.5      -
	Warwick	566	7.3      -
	Springton Manor Farm	262	6.4      -
	Black Rock Sanctuary	346	0.8      -
	Exton (Church Farm)	440	-      -
	Wolf's Hollow Farm	569	5.7      -
	Chester Valley Trail	67	15.0      3.5
	Struble Trail	144	2.6      -
	Schuylkill River Trail	0.4	5.8      10.0
County employees:	2,382 - Full-time 424 - Part-time		
Public libraries:	18		
Registered voters:	354,459		

Source: Planning Commission, Human Resources Department, Department of Emergency Services,  
Parks & Recreation Department, Voter Services, PennDOT

Notes: