# CITY OF CHESTER

## FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2021

# CITY OF CHESTER

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# Independent Auditors' Report

To the City Council,
City of Chester, Pennsylvania

## Unmodified and Disclaimer of Opinions

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information; of the City of Chester, Pennsylvania (City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

## Summary of Opinions

| Opinion Unit | Type of Opinion |
|---|---|
| Governmental Activities | Disclaimer |
| Business-type Activities | Unmodified |
| General Fund | Disclaimer |
| Chester Economic Development Authority | Unmodified |
| Chester Redevelopment Authority | Unmodified |
| Aggregate Remaining Fund Information | Disclaimer |

## Disclaimer of Opinions

We do not express an opinion on the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information. Because of the significance of the matters, and disclaimers of opinions described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, general fund, and aggregate remaining fund information.

## Unmodified Opinions on Business-type Activities, Chester Economic Development Authority and Chester Redevelopment Authority

In our opinion, based on the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Business-Type Activities, the Chester Economic Development Authority and Chester Redevelopment Authority of the City, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Chester Economic Development Authority which represents 7 percent, 1 percent and 4 percent, respectively of the assets, net position and revenues of the Governmental Activities as of December 31, 2021. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chester Economic Development Authority is based solely on the report of the other auditors.

We did not audit the financial statements of the Chester Redevelopment Authority which represents 100 percent of the assets, net position and revenues of the Business-Type Activities as of December 31, 2021. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included the Chester Redevelopment Authority and the Business Type Activities opinion units are based solely on the report of the other auditors.

**Basis for Disclaimers of Opinions**

The City did not provide sufficient audit evidence to support the restatements recorded to the beginning fund balance as described in Note 18.

Further we were unable to obtain sufficient appropriate audit evidence about the City's net pension liability disclosures due to the change in accounting estimate described in Note 1. We were also unable to obtain sufficient appropriate audit evidence about the value of the City's total OPEB liability and related disclosures because the City did not perform a roll forward of its December 31, 2020 valuation for the measurement period ending December 31, 2021. The amount by which this departure would affect the deferred inflows and outflows, liabilities, net position, expenses and notes to the financial statements of the City has not been determined.

In addition the City was not able to provide support and authorization for certain journal entries.

**Emphasis of Matter – Change in Accounting Estimate**

As discussed in Note 1 to the financial statements, during the current year, the City changed its accounting estimate to fully allow against pension contribution receivables due from the General Fund and reported in its pension fiduciary trust funds, in the amount of $36,608,193. Our opinion is not modified with respect to this matter.

**Emphasis of Matter – Correction of an Error and Restatement**

As discussed in Note 18 to the financial statements, in 2021 the City restated its' opening balance relating to its' general fund for activity that related to the prior year.

**Substantial Doubt About the Entity's Ability to Continue as a Going Concern**

The financial statements of the City were prepared assuming the entity will continue as a going concern. The City has experience substantial recurring expenses in excess of revenue, a deficit unassigned fund balance in its general fund of $30,941,701 and a net unrestricted deficit in its governmental activities of $428,439,626 at December 31, 2021. The City has limited funding available to meet its financial obligations without additional funding sources or a reduction of expenses. As of December 31, 2021 , the City continued to be delinquent in certain required pension payments and debt covenants. As of December 31, 2021, the City had not made contributions to its pension plan and had accrued contributions and interest payable to the plans of $36,607,970. The Plan's available assets may be depleted as a result. Furthermore, on April 13, 2020, the Governor of the Commonwealth of Pennsylvania declared a fiscal emergency for the City due to the ongoing fiscal challenges and the enhanced fiscal distress caused by the COVID-19 pandemic. In June 2020, the Commonwealth appointed a legal Receiver for the City. The Receiver has many of the rights and authority to manage the City's operations that are normally reserved for elected officials. In 2022, the Receiver filed for Bankruptcy under Chapter 9. See Note 20.

These concerns raise substantial doubt about the City's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. Our opinion is not modified with respect to these matters.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditors' Responsibilities for the Audit of the Financial Statements**

**Auditors' Responsibilities for the Audit of the Governmental Activities, General Fund and Aggregate Remaining Fund Information**

Our responsibility is to conduct an audit of the City's financial statements in accordance with generally accepted auditing standards and to issue an auditors' report and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*. However, because of the matter described in the Basis for Disclaimer of Opinion on the governmental activities, general fund and aggregate remaining fund information section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, general fund and aggregate remaining fund information.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

**Auditors' Responsibilities for the Audit of the Business-type Activities, the Chester Economic Development Authority and Chester Redevelopment Authority**

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the errors resulting in the disclaimer of opinions as noted in the basis for disclaimer of opinions paragraph above. We do not express an opinion or provide any assurance on the information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

CBIZ CPAs P.C.

Providence, RI
November 25, 2025

# CITY OF CHESTER, PENNSYLVANIA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FOR THE YEAR ENDED DECEMBER 31, 2021

The management of the City of Chester, Pennsylvania (the "City") offers the readers of its financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2021.

### FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the City exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $418,800,982 (net position).

- The City's total net position decreased by $9,389,246 during the current fiscal year.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance deficit of $25,290,776, a decrease of $1,558,068 in comparison with the prior year.

- At the close of the current fiscal year, unassigned fund balance for the General Fund was a deficit balance of $30,941,701.

- The City's total long-term bonded debt (governmental and business-type activities combined), decreased by $1,492,000 or 7.92% during the current fiscal year due to principal payments.

- The City's business-type activities, which consists of the Chester Redevelopment Authority (CRA), ended the fiscal year with net position of $796,349, an increase of $155,266 from the prior year. Of the total net position, $772,674 or 97.03% is classified as unrestricted.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Government-wide Financial Statements

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

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements are intended to distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include activities such as: general government, public works, public safety, social services, and education. The business-type activities of the City include the CRA.

The government-wide financial statements can be found on pages 15 through 17 of this report.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Governmental Funds

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

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

The City maintains a number of individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 15 through 21 of this report.

### Proprietary Fund

The City maintains one type of proprietary fund. The City maintains an enterprise fund to account for its CRA fund which is the City's redevelopment authority activity.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 22 through 24 of this report.

## OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

### Fiduciary Funds

Fiduciary funds are primarily used to account for resources held for the benefit of retirees for pension benefits. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to the City's own programs. The accounting used for fiduciary funds is like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 25 and 26 of this report.

### Notes to the Financial Statements

The notes to the basic 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 to the financial statements can be found on pages 27 through 75 of this report.

### Required Supplementary

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information that can be found on pages 77 through 83 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Net Position

Over time, net position may serve as one measure of a government's financial position. The net position of the City totaled ($418,800,982) as of December 31, 2021 and ($409,411,736) as of December 31, 2020, and is summarized as follows:

| | Government Activities | | Business-Type Activities | | Total | | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | Percent Change |
| Current & other assets | $ 32,921,483 | $ 23,348,028 | $ 1,406,561 | $ 1,455,169 | $ 34,328,044 | $ 24,803,197 | 38.4% |
| Capital assets | 21,752,809 | 22,154,220 | 23,674 | -- | 21,776,483 | 22,154,220 | -1.7% |
| Total assets | 54,674,292 | 45,502,248 | 1,430,235 | 1,455,169 | 56,104,527 | 46,957,417 | 19.5% |
| Deferred outflows of resources | 46,954,601 | 53,394,127 | -- | -- | 46,954,601 | 53,394,127 | -12.1% |
| Current liabilities | 24,427,442 | 47,804,196 | 233,886 | 239,086 | 24,661,328 | 48,043,282 | -48.7% |
| Long-term liabilities | 459,461,182 | 427,463,151 | 400,000 | 575,000 | 459,861,182 | 428,038,151 | 7.4% |
| Total liabilities | 483,888,624 | 475,267,347 | 633,886 | 814,086 | 484,522,510 | 476,081,433 | 1.8% |
| Deferred inflows of resources | 37,337,600 | 33,681,847 | -- | -- | 37,337,600 | 33,681,847 | 10.9% |
| Net investment in capital assets | 4,022,259 | 15,774,931 | 23,674 | 26,042 | 4,045,933 | 15,800,973 | -74.4% |
| Restricted | 4,820,036 | 4,507,589 | -- | -- | 4,820,036 | 4,507,589 | 6.9% |
| Unrestricted | (428,439,626) | (430,335,339) | 772,675 | 615,041 | (427,666,951) | (429,720,298) | -0.5% |
| Total net position | $ (419,597,331) | $ (410,052,819) | $ 796,349 | $ 641,083 | $ (418,800,982) | $ (409,411,736) | 2.3% |

Total assets of the City at December 31, 2021 and 2020 were $56,104,527 and $46,957,4170, respectively, an increase of 19.5%. The significant components of current assets and other assets are cash, investments, tax receivables, accounts receivables, and assets held for sale. Capital assets include land and land improvements, buildings and building improvements, infrastructure, construction in progress, and machinery and equipment. All capital assets except for land and construction in progress are shown net of accumulated depreciation.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net Position (Continued)

Total liabilities of the City at December 31, 2021 and 2020 were $484,522,510 and $476,081,433, respectively, an increase of 1.8%. Current liabilities include accounts payable, accrued liabilities, current portions of long-term liabilities and unearned revenue. Noncurrent liabilities are primarily made up of the long-term portion of debt, accrued compensated absences net pension and OPEB liabilities.

Deferred inflows and outflows of resources relate to the City's pension and OPEB liabilities. In 2021, the City's deferred outflows decreased by $6,439,526 and deferred inflows increased by $3,655,753. These changes are the result of fluctuations in the actuarial valuations of the liabilities and the change in the value of pension assets.

Net position represents the City's equity, which is accounted for in three major categories. The first category, net investment in capital assets, represents the City's equity in land, buildings and building improvements, construction in progress, infrastructure, and equipment, net of related accumulated depreciation and capital debt outstanding. The next net position category is restricted net position; which occurs when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc. The last category is unrestricted net position; these funds are available to use for any lawful and prudent purpose of the City. Unrestricted net position increased by $2,053,347, or .5%, for the fiscal year.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

### Changes in Net Position

Changes in net position for the years ended December 31, 2021 and 2020 are as follows:

| | Government Activities | | Business-Type Activities | | Total | | |
|---|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | Percent Change |
| **Revenues** | | | | | | | |
| Charges for services | $ 4,529,742 | $ 3,070,338 | $ 80,134 | $ -- | $ 4,609,876 | $ 3,070,338 | 50.1% |
| Operating grants | 5,824,965 | 6,279,519 | 71,182 | 36,717 | 5,896,147 | 6,316,236 | -6.7% |
| Capital grants | 824,215 | -- | 189,000 | -- | 1,013,215 | -- | 100.0% |
| Property taxes | 11,301,674 | 10,645,078 | -- | -- | 11,301,674 | 10,645,078 | 6.2% |
| Other general revenues | 38,509,239 | 37,633,886 | 2,766 | 221,752 | 38,512,005 | 37,855,638 | 1.7% |
| Total Revenues | 60,989,835 | 57,628,821 | 343,082 | 258,469 | 61,332,917 | 57,887,290 | 6.0% |
| **Program Expenses** | | | | | | | |
| General government | 21,748,154 | 24,841,287 | -- | -- | 21,748,154 | 24,841,287 | -12.5% |
| Public safety | 38,528,882 | 35,986,962 | -- | -- | 38,528,882 | 35,986,962 | 7.1% |
| Highways and streets | 5,894,174 | 4,313,609 | -- | -- | 5,894,174 | 4,313,609 | 36.6% |
| Health and sanitation | 475,265 | 362,874 | -- | -- | 475,265 | 362,874 | 31.0% |
| Community development | 1,900,807 | 1,922,454 | -- | -- | 1,900,807 | 1,922,454 | -1.1% |
| Recreation | 746,912 | 333,785 | -- | -- | 746,912 | 333,785 | 123.8% |
| Interest on long-term debt | 1,240,153 | 1,340,819 | -- | -- | 1,240,153 | 1,340,819 | -7.5% |
| Redevelopment activities | -- | -- | 187,816 | 140,612 | 187,816 | 140,612 | 33.6% |
| Total Program Expenses | 70,534,347 | 69,101,790 | 187,816 | 140,612 | 70,722,163 | 69,242,402 | 2.1% |
| Change in net position | (9,544,512) | (11,472,969) | 155,266 | 117,857 | (9,389,246) | (11,355,112) | -17.3% |
| Net Position - Beginning, as restated | (410,052,819) | (398,579,850) | 641,083 | 523,226 | (409,411,736) | (398,056,624) | 2.9% |
| Net Position - Ending | $ (419,597,331) | $ (410,052,819) | $ 796,349 | $ 641,083 | $ (418,800,982) | $ (409,411,736) | 2.3% |

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position (Continued)

Governmental activities decreased the City's net position by $9,544,512. Business-type activities increased the City's net position by $155,266.

Total revenues generated by the City increased by $3,445,627 or 6.0% in comparison to revenues reported in the prior year. The City's property tax revenue increased $1,116,055 or 10.5% compared to the prior year due to an increase in mill rate, and charges for services increased by $999,945 or 32.6% in the current year due to an increase in rubbish fees.

Expenses incurred by the City increased $1,479,761 or 2.1% in comparison to expenses reported in the prior year primarily due to fluctuations in pension activity compared to 2020.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances deficit of $25,290,776.

General Fund

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was a deficit balance of $30,941,701. The fund balance of the City's General Fund decreased by $2,250,067 during the current fiscal year.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The net change in fund balance of the General Fund on a budgetary basis was a decrease of $2,250,067. Revenues were $2,230,612 higher than budgeted. Real estate tax revenue exceeded budget by $1,317,453 and local enabling act taxes exceeded budget by $779,196 off set by intergovernmental grants which were $903,972 less than budgeted. Expenditures, excluding transfers out were $5,287,553 more than budgeted. The City saw savings in debt services expenditures of $523,411 but exceeded the budget for general government and public safety by $3,086,640 and $2,830,395, respectively. See page 77 for the detailed comparison of budget versus actual for the year ended December 31, 2021.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets as of December 31, 2021 and 2020 totaled $21,776,483 and $22,154,220, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was $377,737 or 1.7%.

The following table is a two-year comparison of the investment in capital assets:

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Land | $ 2,568,529 | $ 2,505,145 | $ -- | $ -- | $ 2,568,529 | $ 2,505,145 |
| Leasehold improvements | -- | -- | 71,027 | -- | 71,027 | -- |
| Building and improvements | 20,686,226 | 20,563,980 | -- | -- | 20,686,226 | 20,563,980 |
| Machinery and equipment | 18,565,869 | 18,521,154 | -- | -- | 18,565,869 | 18,521,154 |
| Furniture | 3,677 | 3,677 | -- | -- | 3,677 | 3,677 |
| Infrastructure | 18,062,833 | 16,746,080 | -- | -- | 18,062,833 | 16,746,080 |
| Total Assets | 59,887,134 | 58,340,036 | 71,027 | -- | 59,958,161 | 58,340,036 |
| Less: accumulated depreciation | (38,134,325) | (36,185,816) | (47,353) | -- | (38,181,678) | (36,185,816) |
| Net Assets | $ 21,752,809 | $ 22,154,220 | $ 23,674 | $ -- | $ 21,776,483 | $ 22,154,220 |

## CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt as follows:

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| General obligation bonds | $ 17,332,000 | $ 18,824,000 | $ -- | $ -- | $ 17,332,000 | $ 18,824,000 |

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Factors that were considered in the 2022 budget development were as follows:

- Unfunded liability of City's pension and OPEB obligations
- Collection of Real Estate Taxes in the current year continues to be an ongoing issue, which results in the balance of delinquent tax increases
- Utilization of ARPA funding
- Increasing infrastructure and equipment needs
- Potential community housing and business development
- Employee recruiting and retention
- Growth of MLS Union Soccer facility and development of their sports complex for youth
- Growing relationship with Widener University
- The impact of COVID 19

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Chester's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the City's Finance Department, Richard Troutman, CPA, Chief Financial Officer, 1 East Fourth Street, Chester, PA 19013.

# CITY OF CHESTER

## STATEMENT OF NET POSITION

## DECEMBER 31, 2021

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| **Assets** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | $ 24,375,339 | $ 250,489 | $ 24,625,828 |
| Investments | 1,064,000 | -- | 1,064,000 |
| Tax receivable, net | 202,978 | -- | 202,978 |
| Accounts receivable, net | 6,844,333 | -- | 6,844,333 |
| Loan receivable | 200,000 | -- | 200,000 |
| Trash receivable, net | 190,700 | -- | 190,700 |
| Due from federal government and commonwealth | -- | 6,205 | 6,205 |
| Prepaids and other assets | 44,133 | -- | 44,133 |
| **Total Current Assets** | 32,921,483 | 256,694 | 33,178,177 |
| **Noncurrent Assets** | | | |
| Assets held for sale | -- | 1,149,867 | 1,149,867 |
| Capital assets not being depreciated | 2,568,529 | -- | 2,568,529 |
| Capital assets, net of accumulated depreciation | 19,184,280 | 23,674 | 19,207,954 |
| **Total Noncurrent Assets** | 21,752,809 | 1,173,541 | 22,926,350 |
| **Total Assets** | 54,674,292 | 1,430,235 | 56,104,527 |
| **Deferred Outflows of Resources** | | | |
| Pension related deferred outflows of resources | 44,097,601 | -- | 44,097,601 |
| OPEB related deferred outflows of resources | 2,857,000 | -- | 2,857,000 |
| **Total Deferred Outflows of Resources** | 46,954,601 | -- | 46,954,601 |

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

# CITY OF CHESTER

## STATEMENT OF NET POSITION (CONTINUED)

## DECEMBER 31, 2021

| | Primary Government | | |
|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Accounts payable and accrued expenses | 1,850,405 | 23,748 | 1,874,153 |
| Unearned revenue | 12,958,845 | -- | 12,958,845 |
| Other liabilities | 1,401,139 | 35,138 | 1,436,277 |
| Tax revenue anticipation note | 5,000,000 | -- | 5,000,000 |
| Current portion of notes payable | -- | 175,000 | 175,000 |
| Current portion of cotributions agreement | 349,022 | -- | 349,022 |
| Current portion of compensated absences | 94,912 | -- | 94,912 |
| Current portion of general obligation bonds | 2,584,000 | -- | 2,584,000 |
| Current portion of finance agreement obligations | 189,119 | -- | 189,119 |
| **Total Current Liabilities** | 24,427,442 | 233,886 | 24,661,328 |
| **Noncurrent Liabilities** | | | |
| Notes payable, net | -- | 200,000 | 200,000 |
| Loan payable | -- | 200,000 | 200,000 |
| Contributions agreement, net | 5,921,696 | -- | 5,921,696 |
| Compensated absences, net | 1,973,983 | -- | 1,973,983 |
| General obligation bonds, net | 14,748,000 | -- | 14,748,000 |
| Finance agreement obligations, net | 209,431 | -- | 209,431 |
| Net pension liability | 222,198,285 | -- | 222,198,285 |
| Total OPEB liability | 214,409,787 | -- | 214,409,787 |
| **Total Noncurrent Liabilities** | 459,461,182 | 400,000 | 459,861,182 |
| **Total Liabilities** | 483,888,624 | 633,886 | 484,522,510 |
| **Deferred Inflows of Resources** | | | |
| Pension related deferred inflows of resources | 16,320,600 | -- | 16,320,600 |
| OPEB related deferred inflows of resources | 21,017,000 | -- | 21,017,000 |
| **Total Deferred Inflows of Resources** | 37,337,600 | -- | 37,337,600 |
| **Net Position** | | | |
| Net investment in capital assets | 4,022,259 | 23,674 | 4,045,933 |
| Restricted: | | | |
| Redevelopment activities | 2,847,443 | -- | 2,847,443 |
| Special revenue | 1,972,593 | -- | 1,972,593 |
| Unrestricted | (428,439,626) | 772,675 | (427,666,951) |
| **Total Net Position** | $ (419,597,331) | $ 796,349 | $ (418,800,982) |

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

# CITY OF CHESTER

## STATEMENT OF ACTIVITIES

## FOR THE YEAR ENDED DECEMBER 31, 2021

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities | Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-type Activities | Net (Expense) Revenue and Changes in Net Position: Primary Government: Total |
|---|---|---|---|---|---|---|---|
| **Governmental Activities** | | | | | | | |
| General government | $ 21,748,154 | $ 66,230 | $ 2,224,288 | $ -- | $ (19,457,636) | | $ (19,457,636) |
| Public safety | 38,528,882 | 1,193,109 | 37,552 | 824,215 | (36,474,006) | | (36,474,006) |
| Highways and streets | 5,894,174 | 3,270,403 | 851,861 | -- | (1,771,910) | | (1,771,910) |
| Health and sanitation | 475,265 | -- | -- | -- | (475,265) | | (475,265) |
| Community development | 1,900,807 | -- | 2,711,264 | -- | 810,457 | | 810,457 |
| Recreation | 746,912 | -- | -- | -- | (746,912) | | (746,912) |
| Interest on long-term debt | 1,240,153 | -- | -- | -- | (1,240,153) | | (1,240,153) |
| **Total Governmental Activities** | 70,534,347 | 4,529,742 | 5,824,965 | 824,215 | (59,355,425) | | (59,355,425) |
| **Business-Type Activities** | | | | | | | |
| Redevelopment activities | 187,816 | 80,134 | 71,182 | 189,000 | | $ 152,500 | 152,500 |
| **Total Business-Type Activities** | 187,816 | 80,134 | 71,182 | 189,000 | | 152,500 | 152,500 |
| **Total** | $ 70,722,163 | $ 4,609,876 | $ 5,896,147 | $ 1,013,215 | (59,355,425) | 152,500 | (59,202,925) |
| | **General Revenues** | | | | | | |
| | Property taxes | | | | 11,301,674 | -- | 11,301,674 |
| | Local enabling taxes | | | | 18,500,955 | -- | 18,500,955 |
| | Commonwealth pension aid | | | | 1,355,721 | -- | 1,355,721 |
| | Cable television | | | | 404,660 | -- | 404,660 |
| | Host community fees | | | | 11,653,695 | -- | 11,653,695 |
| | Waste facility fees | | | | 4,893,188 | -- | 4,893,188 |
| | Payments in lieu of taxes | | | | 377,484 | -- | 377,484 |
| | Investment earnings | | | | 37,564 | 116 | 37,680 |
| | Reimbursements and others | | | | 1,224,324 | 2,650 | 1,226,974 |
| | Rent | | | | 61,648 | -- | 61,648 |
| | **Total General Revenues** | | | | 49,810,913 | 2,766 | 49,813,679 |
| | **Change in Net Position** | | | | (9,544,512) | 155,266 | (9,389,246) |
| | **Net Position** - Beginning of Year, **as restated** | | | | (410,052,819) | 641,083 | (409,411,736) |
| | **Net Position** - End of Year | | | | $ (419,597,331) | $ 796,349 | $ (418,800,982) |

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

# CITY OF CHESTER

## BALANCE SHEET
## GOVERNMENTAL FUNDS

## DECEMBER 31, 2021

| | General Fund | Chester Economic Development Authority | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ 6,976,665 | $ 831,732 | $ 16,566,942 | $ 24,375,339 |
| Investments | -- | 1,064,000 | -- | 1,064,000 |
| Taxes receivable, net | 202,978 | -- | -- | 202,978 |
| Other receivables, net | 5,091,103 | 1,641,149 | 112,081 | 6,844,333 |
| Trash receivables, net | 190,700 | -- | -- | 190,700 |
| Prepaid items | 44,133 | -- | -- | 44,133 |
| Loan receivables | -- | 200,000 | -- | 200,000 |
| Due from other funds | 799,945 | -- | -- | 799,945 |
| **Total Assets** | $ 13,305,524 | $ 3,736,881 | $ 16,679,023 | $ 33,721,428 |
| **Liabilities** | | | | |
| Accounts payable and accrued expenditures | $ 988,632 | $ 100,349 | $ 118,534 | $ 1,207,515 |
| Accrued payroll and related costs | 643,113 | -- | -- | 643,113 |
| Pension contribution payable | 36,607,970 | -- | -- | 36,607,970 |
| Due to other funds | -- | -- | 799,945 | 799,945 |
| Tax revenue anticipation note | 5,000,000 | -- | -- | 5,000,000 |
| Unearned revenue | -- | -- | 12,958,845 | 12,958,845 |
| Other liabilities | 569,700 | 2,333 | 829,106 | 1,401,139 |
| **Total Liabilities** | 43,809,415 | 102,682 | 14,706,430 | 58,618,527 |
| **Deferred Inflows of Resources** | | | | |
| Unavailable tax revenue | 393,677 | -- | -- | 393,677 |
| **Total Deferred Inflows of Resources** | 393,677 | -- | -- | 393,677 |
| **Fund Balances** | | | | |
| Non-spendable | 44,133 | -- | -- | 44,133 |
| Restricted | -- | 2,847,443 | 1,972,593 | 4,820,036 |
| Assigned | -- | 786,756 | -- | 786,756 |
| Unassigned | (30,941,701) | -- | -- | (30,941,701) |
| **Total Fund Balances** | (30,897,568) | 3,634,199 | 1,972,593 | (25,290,776) |
| **Total Liabilities, Deferred Inflows of Resources, and Fund Balances** | $ 13,305,524 | $ 3,736,881 | $ 16,679,023 | $ 33,721,428 |

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

# CITY OF CHESTER

## RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

## DECEMBER 31, 2021

| | |
|---|---|
| ***Amounts reported for governmental activities in the Statement of Net Position are different because of the following:*** | |
| ***Total Fund Balance reported in Governmental Funds*** | $ (25,290,776) |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore are not reported in the Governmental Funds Balance Sheet | 21,752,809 |
| Deferred outflows related to pension plan and OPEB plan are not current measurable and available resources and therefore not reported in the Fund Statements but are reported in the Statement of Net Position | 46,954,601 |
| Deferred inflows related to pension plan and OPEB plan are not current measurable and available resources and therefore not reported in the Fund Statements but are reported in the Statement of Net Position | (37,337,600) |
| Long-term liabilities and related items are not due and payable in the current period and therefore are not reported in the funds. These liabilities are reported in the Statement of Net Position: | |
| Accrual for net pension and OPEB liabilities | (399,999,879) |
| Finance lease agreements | (398,550) |
| Accrual for compensated absences | (2,068,895) |
| Contribution agreement obligation | (6,270,718) |
| General obligation bonds | (17,332,000) |
| Unavailable tax revenues (net of an allowance for uncollectibles) are recorded in the funds, but are not recorded under the measurement focus employed in the Statement of Net Position | 393,677 |
| ***Total Net Position reported in Statement of Net Position*** | $ (419,597,331) |

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

# CITY OF CHESTER

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

## FOR THE YEAR ENDED DECEMBER 31, 2021

| | General Fund | Chester Economic Development Authority | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes and assessments | | | | |
| Real estate | $ 10,934,913 | $ -- | $ -- | $ 10,934,913 |
| Rubbish fees | 2,137,868 | -- | -- | 2,137,868 |
| Local enabling act taxes | 18,500,955 | -- | -- | 18,500,955 |
| Intergovernmental | 2,179,936 | 1,449,147 | 3,443,829 | 7,072,912 |
| Licenses, permits and fees | 1,353,085 | -- | -- | 1,353,085 |
| Investment income | 3,826 | 33,305 | 433 | 37,564 |
| Departmental | 1,410,316 | -- | -- | 1,410,316 |
| Waste facilities fees | 4,893,188 | -- | -- | 4,893,188 |
| Casino host community fees | 11,653,695 | -- | -- | 11,653,695 |
| Payments in lieu of taxes | 377,484 | -- | -- | 377,484 |
| Other | 1,539,655 | 691,466 | 19,973 | 2,251,094 |
| **Total Revenues** | 54,984,921 | 2,173,918 | 3,464,235 | 60,623,074 |
| **Expenditures** | | | | |
| Current | | | | |
| General government | 22,134,569 | 422,176 | 313,886 | 22,870,631 |
| Public safety | 26,886,162 | -- | -- | 26,886,162 |
| Highways and streets | 4,387,350 | -- | 773,164 | 5,160,514 |
| Health and sanitation | 475,265 | -- | -- | 475,265 |
| Recreation | 379,072 | -- | 77,524 | 456,596 |
| Community development | -- | 1,691,839 | 208,968 | 1,900,807 |
| Debt Service | | | | |
| Principal | 351,916 | -- | 2,042,000 | 2,393,916 |
| Interest and other costs | -- | -- | 1,240,153 | 1,240,153 |
| Capital Outlays | 1,547,098 | -- | -- | 1,547,098 |
| **Total Expenditures** | 56,161,432 | 2,114,015 | 4,655,695 | 62,931,142 |
| **Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)** | (1,176,511) | 59,903 | (1,191,460) | (2,308,068) |
| **Other Financing Sources (Uses)** | | | | |
| Proceeds from long term debt | 750,000 | -- | -- | 750,000 |
| Transfers in | 2,358,212 | -- | 4,181,768 | 6,539,980 |
| Transfers out | (4,181,768) | -- | (2,358,212) | (6,539,980) |
| **Total Other Financing Sources (Uses)** | (1,073,556) | -- | 1,823,556 | 750,000 |
| **Net Change in Fund Balances** | (2,250,067) | 59,903 | 632,096 | (1,558,068) |
| **Fund Balance** - Beginning of Year**, as restated** | (28,647,501) | 3,574,296 | 1,340,497 | (23,732,708) |
| **Fund Balance** - End of Year | $ (30,897,568) | $ 3,634,199 | $ 1,972,593 | $ (25,290,776) |

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

# CITY OF CHESTER

## 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, 2021

| | |
|---|---|
| **Net Change in Fund Balances - Total Governmental Funds** | $ (1,558,068) |
| 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. | |
| Capital outlay, net of disposals | 1,547,098 |
| Depreciation expense, net of disposals | (1,948,509) |
| Governmental funds report bond, premium on bond, and capital lease proceeds as revenues. However, in the Statement of Activities, these funds are reported as additions to long-term debt. | (750,000) |
| Governmental funds report principal repayments on debt obligations as an expenditure. However, the repayment of principal has no effect on the net position. | 2,312,890 |
| Changes to the following accounts related to the Town's pension and OPEB plans are reported as an expense for governmental activities but are not reported as an expenditure in the fund financial statements until they are paid with measurable and available resources: | |
| Change in net pension liability | 185,707 |
| Change in deferred outflows of resources | (6,439,526) |
| Change in deferred inflows of resources | (5,420,484) |
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in governmental funds. Net unavailable change from 2020. | 366,761 |
| Contribution agreement long-term debt obligations is reported in the governmental activities but is not reported in the governmental fund statements. This is the change in contributions agreements from 2020. | 1,699,148 |
| The governmental funds reflect compensated absences when they will be paid with measurable and available resources. The change from prior year balances is reflected in the Statement of Activities. | |
| Compensated absences changed from 2020. | 460,471 |
| **Change in Net Position of Governmental Activities in the Statement of Activities** | $ (9,544,512) |

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

# CITY OF CHESTER

## STATEMENT OF NET POSITION
## PROPIETARY FUND

## DECEMBER 31, 2021

| | Chester Redevelopment Authority | Total Enterprise Funds |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 250,489 | $ 250,489 |
| Due from federal government and commonwealth | 6,205 | 6,205 |
| **Total Current Assets** | 256,694 | 256,694 |
| **Noncurrent Assets** | | |
| Assets held for sale | 1,149,867 | 1,149,867 |
| Capital assets, net of accumulated depreciation | 23,674 | 23,674 |
| **Total Noncurrent Assets** | 1,173,541 | 1,173,541 |
| **Total Assets** | 1,430,235 | 1,430,235 |
| **Liabilities** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses | 19,628 | 19,628 |
| Other liabilities | 35,138 | 35,138 |
| Accrued interest | 4,120 | 4,120 |
| Current portion of section 108 loan payable | 175,000 | 175,000 |
| **Total Current Liabilities** | 233,886 | 233,886 |
| **Noncurrent Liabilities** | | |
| Loan payable | 200,000 | 200,000 |
| Section 108 loan payable, net | 200,000 | 200,000 |
| **Total Noncurrent Liabilities** | 400,000 | 400,000 |
| **Total Liabilities** | 633,886 | 633,886 |
| **Net Position** | | |
| Investment in capital assets | 23,674 | 23,674 |
| Unrestricted | 772,675 | 772,675 |
| **Total Net Position** | $ 796,349 | $ 796,349 |

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

# CITY OF CHESTER

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
## PROPIETARY FUND

## FOR THE YEAR ENDED DECEMBER 31, 2021

| | Chester Redevelopment Authority | Total Enterprise Funds |
|---|---|---|
| **Operating Revenues** | | |
| Charges for usage, service, and assessments | $ 80,134 | $ 80,134 |
| Other revenues | 71,182 | 71,182 |
| **Total Operating Revenues** | 151,316 | 151,316 |
| **Operating Expenses** | | |
| Operations | 45,421 | 45,421 |
| Education | 127,741 | 127,741 |
| Depreciation and amortization | 2,368 | 2,368 |
| **Total Operating Expenses** | 175,530 | 175,530 |
| **Operating Income (Loss)** | (24,214) | (24,214) |
| **Nonoperating Revenues (Expenses)** | | |
| Nonoperating grants | 189,000 | 189,000 |
| Other nonoperating revenue | 2,650 | 2,650 |
| Interest income | 116 | 116 |
| Interest expense | (12,286) | (12,286) |
| **Net Nonoperating Revenues** | 179,480 | 179,480 |
| **Changes in Net Position** | 155,266 | 155,266 |
| **Total Net Position** - Beginning | 641,083 | 641,083 |
| **Total Net Position** - Ending | $ 796,349 | $ 796,349 |

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

# CITY OF CHESTER

## STATEMENT OF CASH FLOWS
## PROPIETARY FUND

## FOR THE YEAR ENDED DECEMBER 31, 2021

| | Chester Redevelopment Authority | Total Enterprise Funds |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Cash received from other revenue | $ 71,182 | $ 71,182 |
| Cash received from the sale of assets held for sale | 123,141 | 123,141 |
| Cash paid to suppliers for goods and services and other operating payments | (176,641) | (176,641) |
| Cash paid for assets held for sale | (7) | (7) |
| **Net Cash Provided by Operating Activities** | 17,675 | 17,675 |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Nonoperating grants received | 189,000 | 189,000 |
| Repayment of long-term debt | (175,000) | (175,000) |
| Interest paid on long-term debt | (14,000) | (14,000) |
| Other cash receipts | 2,650 | 2,650 |
| **Net Cash Provided by Capital and Related Financing Activities** | 2,650 | 2,650 |
| **Cash Flows from Investing Activities** | | |
| Investment income | 116 | 116 |
| **Net Cash Provided by Investing Activities** | 116 | 116 |
| **Net Increase in Cash and Cash Equivalents** | 20,441 | 20,441 |
| **Cash and Cash Equivalents** - Beginning of Year | 230,048 | 230,048 |
| **Cash and Cash Equivalents** - End of Year | $ 250,489 | $ 250,489 |
| **Reconciliation of Operating Income to Net Cash Provided by Operating Activities** | | |
| Operating loss | $ (24,214) | $ (24,214) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 2,368 | 2,368 |
| (Increase) decrease in assets held for sale | 43,007 | 43,007 |
| Increase (decrease) in accounts payable and accrued expenses | (674) | (674) |
| Increase (decrease) in land purchase deposit | 9,134 | 9,134 |
| Increase (decrease) in due to other governments | (11,946) | (11,946) |
| **Net Cash Provided by Operating Activities** | $ 17,675 | $ 17,675 |

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

# CITY OF CHESTER

## STATEMENT OF FIDUCIARY NET POSITION
## PENSION FUND

## FOR THE YEAR ENDED DECEMBER 31, 2021

| | Pension Trust Funds |
|---|---|
| **Assets** | |
| Cash and cash equivalents | $ 5,906,836 |
| Investments | 35,922,325 |
| **Total Assets** | $ 41,829,161 |
| **Liabilities** | |
| DROP account balances | $ 1,255,260 |
| Refund of member contributions | 1,574 |
| **Total Liabilities** | 1,256,834 |
| **Net Position** | |
| Restricted for employee benefits | $ 40,572,327 |

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

# CITY OF CHESTER

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
## PENSION FUND

## FOR THE YEAR ENDED DECEMBER 31, 2021

| | Pension Trust Funds |
|---|---|
| **Additions** | |
| Contributions: | |
| Employer | $ 7,405,385 |
| Plan members | 864,954 |
| Commonwealth | 1,352,834 |
| Total Contributions | 9,623,173 |
| Investment income | 5,964,706 |
| **Total Additions** | 15,587,879 |
| **Deductions** | |
| Benefit payments | 10,280,457 |
| Administrative expenses | 51,760 |
| Refund of employees' contributions | 168,796 |
| **Total Deductions** | 10,501,013 |
| **Special Item - See Note 1** | (36,608,193) |
| **Change in Net Position** | (31,521,327) |
| **Net Position** - Beginning | 72,093,654 |
| **Net Position** - Ending | $ 40,572,327 |

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Chester, Pennsylvania (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to governmental entities. In certain instances, summaries of the City's significant accounting policies have been presented throughout the notes to the basic financial statements in conjunction with other disclosures to which they relate.

The City of Chester (the "City") was incorporated on February 14, 1866. In 1980, a Home Rule Charter was approved by the citizens of the City. The legislative body of the City is City Council, which is comprised of five members, one of whom is elected under the title of Mayor. The City provides the following services, as authorized by its charter: public safety (police and fire), health and sanitation, highways and streets, and recreation.

In April 1995, the City was designated as a "Distressed Municipality" under the Commonwealth of Pennsylvania Municipalities Financial Recovery Act (Note 11) and maintained that status through 2019. In early 2020, the City began experiencing a significant negative financial impact from the COVID-19 Pandemic and on April 13, 2020, the Governor of the Commonwealth declared a fiscal emergency for the City. The City's continuation as a going concern is dependent upon its ability to implement its recover plan. The financial statements do not include any adjustments relating to the recoverability of recorded assets or amounts of liabilities that might be necessary should the City be unable to meet its obligations as they come due.

The Receiver filed for Bankruptcy in November 2022, see Note 20.

### *BASIS OF PRESENTATION*

*Government-Wide Financial Statements*

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its two blended component units. These statements display information about the government of the City as a whole. The effect of interfund activity among the governmental funds has been removed from these statements.

These statements typically distinguish between governmental and business type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business type activities are funded by user changes and other similar revenues.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *BASIS OF PRESENTATION (CONTINUED)*

The Statement of Activities demonstrates the degree to which the expenses of a given function or segment are offset by program revenues. Expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or segment and 2) grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items are reported as general revenues.

*Fund Financial Statements*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each funding category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and report as nonmajor funds.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those accounted for in another fund.
- Chester Economic Development Authority (blended component unit).

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units. These funds include the accounts of the Police Pension Fund, Paid Firemen's Pension Fund, Officers, and Employees Retirement System.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *REPORTING ENTITY*

As required by GAAP, these financial statements present the City and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with date of the primary government. The following is a brief review of each potential component unit addressed in defining the government's reporting entity.

### *CHESTER WATER AUTHORITY ("CWA") AND CHESTER-UPLAND SCHOOL DISTRICT ("CUSD")*

Based on the above criteria, CWA and CUSD were excluded from the reporting entity. CUSD has a separately elected governing board. Part of the CWA's governing board is appointed by City Council. CUSD and CWA provide services to residents within, as well as, outside the geographical boundaries of the City. These potential component units are excluded from the reporting entity because the City does not have the ability to exercise influence over their daily operations, approve spending plans, or provide funding.

### *CHESTER HOUSING AUTHORITY ("CHA")*

CHA is administered by a court appointed management company. Due to the City's lack of governing and oversight responsibilities over CHA, it is excluded from the reporting entity.

### *CHESTER ECONOMIC DEVELOPMENT AUTHORITY ("CEDA")*

The CEDA governing board is appointed by City Council. The City approves the CEDA annual plan and signs its contracts and grant performance reports as the contracting authority.

In accordance with GASB Statement No. 61, CEDA meets the criteria for its financial statements to be blended with the City's primary government financial statements. The key criteria for blending are (1) CEDA's debt will be funded primarily with funds from the City and (2) CEDA provides services entirely for the City's benefit. CEDA has a June 30 year-end, and the financial information presented is for the fiscal year ended June 30, 2020. Complete financial statements for this component unit may be obtained at CEDA's administrative offices: Chester Economic Development Authority, 1 Fourth Street, Chester, PA 19013.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *THE REDEVELOPMENT AUTHORITY OF THE CITY OF CHESTER ("CRA")*

The Redevelopment Authority of the City of Chester, incorporated in 2000, is organized to function within the territorial limits of the City of Chester under Urban Redevelopment Law. CRA's governing board is appointed by City Council. Any redevelopment proposal must be approved by the City. CRA's financial statements have been blended with the City's financial statements to emphasize that although it is legally separate from the City, CRA provides services almost entirely for the City's benefit. CRA has a December 31 year-end. The financial information presented is for the year ended December 31, 2021. Complete financial statements for this component unit may be obtained from the Redevelopment Authority of the City of Chester, 1 Fourth Street, Chester, PA 19013.

### *MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

The accounting and reporting treatment applied is determined by the applicable measurement focus and basis of accounting. Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

On the government-wide Statement of Net Position and Statement of Activities, transactions are presented using the economic resources measurement focus. The objective of the economic resources measurement focus is the determination of net position and changes in net position using the full accrual basis of accounting. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, whether current or non-current, are reported. Under the full accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental funds are accounted for on a current financial resources measurement focus. Only current assets and current liabilities are generally included on the balance sheet. Operating statements of such funds present increases, that is revenues and other financing sources and decreases as expenditures and other financing uses, in net current assets. These funds use "fund balance" as their measure of financial resources as the end of the period.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)*

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days of the year-end. Expenditures, including capital outlays, are recorded when the related fund liability is incurred, except for long term debt and liabilities principal and interest which are reported when due. Penalties and interest are recorded when received in cash because they are generally not measurable until they are actually received. Interest is accrued when its receipt occurs soon enough after the end of the accounting period so as to be both measurable and available.

Proprietary funds are accounted for using the economic resource focus and the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

The Pension Trust maintained by the City utilizes the accrual basis of accounting in which revenues are recognized when they are earned, and expenses are recognized when they are incurred. This means that all assets and liabilities (whether current or noncurrent) associated with their activities are included on their balance sheets. Operating statements of these funds present additions and deductions in net position.

### *USE OF ESTIMATES*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *CHANGE IN ACCOUNTING ESTIMATE – SPECIAL ITEMS*

During the current year, the City changed its accounting estimate to fully allow against pension contribution receivables due from the General Fund and reported in its pension fiduciary trust funds, in the amount of $36,608,193.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *CASH AND CASH EQUIVALENTS*

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

### *CAPITAL ASSETS*

Capital Assets are reported in the City-wide and Proprietary Fund statements of net position. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. In addition, capital assets purchased with long-term debt may be capitalized regardless of the threshold established. Such assets are reported at historical cost or estimated historical cost if purchased or constructed prior to June 1999. Donated capital assets, if any, are reported at estimated fair value at the date of donation.

All reported capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Estimated Useful Lives |
|---|---|
| Buildings and improvements | 20-40 years |
| Machinery and equipment | 3-20 years |
| Infrastructure and related improvements | 7-25 years |

CRA reports property acquired for resale at the acquisition cost. Consequently, there is no depreciation associated with these capital assets.

The City reviews the carrying value of its long-lived assets to ensure that any impairment issues are identified and appropriately reflected in the financial statements. Should the expected cash flows be less than the carrying value, an impairment loss would be recognized to reduce the carrying value. There were no impairments reported as of December 31, 2021.

### *LONG-TERM LIABILITIES*

All long-term liabilities to be repaid from governmental resources are reported on the government-wide statements. Long-term liabilities consists of notes payable, contribution agreements, accrued compensated absences, obligations under capital lease, pension, and other post-employment benefit liabilities.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *COMPENSATED ABSENCES*

Employees accumulate sick and vacation time in accordance with applicable union contracts or City policies. Non-uniformed employees are not compensated for unused vacation or sick leave upon termination. Upon termination for any reason, uniformed employees are entitled to 100% of their accumulated sick time as specified in the collective bargaining agreements. Unused vacation days are not paid upon termination and must be used prior to year-end. The compensated absences are accrued when incurred and are reported as a liability in the government-wide financial statements.

### *NET POSITION AND FUND BALANCE CLASSIFICATIONS*

*Government-Wide Financial Statements*

Net position is classified in three components:

a. *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation and are reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.
b. *Restricted net position* – consists of net position with constraints placed on its use either by outside partied such as grantors, or laws and regulations of other governments.
c. *Unrestricted net position* – includes all other components of net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *NET POSITION AND FUND BALANCE CLASSIFICATIONS (CONTINUED)*

*Fund Financial Statements*

In the fund financial statements, the governmental fund balance is presented in five possible categories:

a. *Nonspendable* – resources which cannot by spent because they are either a) not in spendable form; or b) legally or contractually required to be maintained intact.
b. *Restricted* – resources with constraints placed on its use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Restrictions on the City's fund balance primarily relate to specific purposes accounted for in the Sinking and Special Revenue Funds.
c. *Committed* – resources which are subject to limitations the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner. The stabilization arrangement described on page 37 and amounts held for debt service meet the definition of committed fund balances.
d. *Assigned* – resources neither restricted nor committed for which a government has stated intended use as established by the governing body or an official to which the governing body has delegated the authority to assign amounts for specific purposes. The City's assigned fund balance consists of amounts designated for future capital-related purposes, which are from the City's general revenue sources, but reported in the capital improvements fund.
e. *Unassigned* – resources which cannot be properly classified in one of the other four categories. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balances). It is the City's policy to consider the restricted fund balances to have been depleted before using any of the components of unrestricted fund balances. Further, when the components of unrestricted fund balance can be used for the same purpose, the committed fund balance is depleted first, followed by the assigned fund balance. The unassigned fund balance is applied last.

Fund balances of governmental funds are reported in the categories above based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *RECEIVABLES*

Property tax, and Rubbish tax receivables are recorded and deferred until they become available. In applying the "susceptible to accrual" concept under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property tax revenue to be available if collected within 60 days of the end of the fiscal period. Property tax receivables collected after 60 days from year end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Based on management's analysis of historical collection trends, the allowances for uncollectible real estate taxes and trash fees was $8,699,965 as of December 31, 2021.

### *PREPAIDS*

Certain payments to vendors, which reflect costs applicable to future accounting periods, are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. In the government fund balance sheet, the prepaid expenditure amount is recorded as an asset and nonspendable fund balance.

### *PROGRAM REVENUES*

Amounts reported as program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources, are reported as general revenues rather than as program revenues.

### *PROPERTY TAXES*

Property taxes, which attach as an enforceable lien on real property, are levied as of March 1 and payable by June 30. The billing is considered past due 30 days after the due date, at which time the applicable receivable is subject to a lien, and penalties and interest, which are assessed by the City Treasurer.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *DEFERRED OUTFLOWS/INFLOWS OF RESOURCES*

Under the modified accrual basis of accounting, financials resources should be recognized in the accounting period in which they become both measurable and available. The City reports items which arise under the modified accrual basis of accounting, that qualify for reporting in this category. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The governmental funds balance sheet reports unavailable revenues from property taxes, trash fees and other sources as deferred inflows of resources. These amounts are deferred and recognized as revenues in the period that the amounts become available.

The governmental-wide statement of net position reports pension-related deferred inflows and outflows. These amounts will be amortized, as applicable and recognized as pension expense as defined by GASB 68.

### *INTERFUND RECEIVABLES AND PAYABLES*

Interfund receivables and payables arise from interfund transactions. Principally, these amounts result from operating subsidies or loans. Interfund receivables and payables are eliminated within the government-wide financial statements but are shown on the governmental funds statements.

### *INTERFUND TRANSFERS*

The City reports interfund transfers among funds. Transfers are used to (1) move revenues from the fund that a statue or the budget requires to collect them or to expand them, (2) move receipts restricted to debt service from the fund collecting the receipts to the fund disbursing the receipts as debt service payments become due, and (3) use unrestricted revenues collected to finance various programs accounted for in other funds pursuant to authorizations.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *STABILIZATION ARRANGEMENT*

On April 25, 2007, the City Council adopted a resolution to establish and maintain a revenue stabilization reserve account ("rainy day fund").

The resolution provided that expenditure of amounts in the revenue stabilization reserve may occur only when specific circumstances exist such as unanticipated and non-recurring expenditures, unexpected revenue shortfalls or budget deficits, or to cover short-term cash flow deficiencies. These circumstances were not expected to occur routinely.

To allow for the withdrawal of the resources, there must be an approved resolution by City Council. If there is a General Fund surplus and the reserve account falls below 5% of the General Fund revenues, as a result of either approved expenditures or due to an increase in annual revenue, City Council will seek to restore this level as soon as possible in the following fiscal year.

During 2021, no additional money was set aside or released from the reserve account. The reserve account's balance at December 31, 2021, was $16,703, which is less that the balance required by the resolution.

## NOTE 2 – DISTRESSED MUNICIPALITY

In April 1995, the Secretary of the Pennsylvania Department of Community and Economic Development (DCED), designated the City of Chester as a "Distressed Municipality" under the Municipalities Financial Recovery Act (Act 47). The Secretary appointed a recovery coordinator who, in turn, appointed a recovery team to formulate a recovery plan for the City. In February 1996, a recovery plan was issued for approval by City Council. On April 8, 1996, City Council approved the recovery plan. In May 2013, the City issued an Amended Recovery Plan.

The Pennsylvania General Assembly enacted Act 199 of 2014, which amended Act 47 in various respects. One focus of Act 199 is to limit the period of time in which a municipality may remain in distress status under Act 47.

Under Act 199, a municipality's distress status must terminate within five years of the effective date of the most recent recovery plan or amendment enacted under Act 47, which was in effect at the time Act 199 of 2014 was enacted.

On August 16, 2016, the City adopted an amended recovery plan to address the enacted Act 199. The recovery plan also had a host of recommendations that would help to overcome the current financial burden.

## NOTE 2 – DISTRESSED MUNICIPALITY (CONTINUED)

On October 24, 2018, the City Council adopted the Act 47 Exit plan to address Act 199. The exit plan demonstrated that the City has made progress toward recovery and outlined carryover recommendations from the 2016 adopted amended recovery plan. Under Act 199, once a municipality has reached the point of "exit status" it has three years to aggressively implement the financial recommendations set forth. This progress established the City's willingness to work toward financial stability and reach the goals included.

In 2020, the City's financial condition declines substantially, primarily due to the impact of the Corona Virus Pandemic. The Pandemic resulted in the decline of other major revenues, including payroll tax and business tax revenues.

On April 13, 2020, the Governor of the Commonwealth of Pennsylvania declared a fiscal emergency for the City due to the ongoing fiscal challenges and enhanced fiscal distress cause by the Pandemic. On June 15, 2020, the Commonwealth filed a petition with the Commonwealth Court to appoint a legal Receiver for the City. The Receiver has many of the rights and authority to manage the City's operations that are normally reserved for elected officials. See Note 20, Subsequent Events.

## NOTE 3 – BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States for the General Fund and certain Special Revenue Funds. Capital Projects Funds adopt project-length budgets. All annual appropriations lapse at fiscal year-end. The City's legal level of budgetary control is at the fund level.

The Director of Accounts and Finance (representative from City Council who is over the Finance department) submits a preliminary budget to City Council for its review at least 45 days prior to the end of the fiscal year. On or before 30 days prior to the end of the fiscal year, Council completes its review and adopts a preliminary budget. No later than 10 days following the adoption of the preliminary budget, the City publishes a notice of date, time and place at which Council shall hold a public meeting on the proposed budget prior to its final adoption. Following advertising and a public meeting, Council adopts a final budget.

For the year-ended December 31, 2021, the General Fund's expenditures exceeded appropriations by $3,973,083. The budgetary schedule for the General Fund is located in the required supplementary information.

## NOTE 4 – DEPOSITS AND INVESTMENTS

### *DEPOSITS*

Custodial Credit Risk for Deposits is the risk that in the event of a bank failure, the government's deposits may not be returned or the government will not be able to recover collateral securities in the possession of an outside party. The City does not have a policy for custodial risk.

The City primarily maintains deposits with financial institutions which are partially insured by the Federal Deposit Insurance Corporation (FDIC). Pennsylvania Act No. 72, *Standardizing the Procedures for Pledges of Assets* requires that pooled assets be pledged to secure public deposits to collateralize the excess deposits not insured by the FDIC.

As of December 31, 2021, the City's aggregate bank balance of deposits (excluding component units) included in cash and cash equivalents was $23,540,270 of which $1,250,000 was insured by the FDIC. Assets have been pledged to cover $19,378,014 held by one institution leaving a balance of $2,912,256 uninsured at year end.

### *INVESTMENTS*

As of December 31, 2021, the City's Pension Trust Funds had the following investments:

| Investment Type | Fair Value | Investment Maturity (Years) | Quality |
|---|---|---|---|
| Exchange Traded Funds: | | | |
| Corporate Bonds | $ 24,801,793 | 6-10 | A,B, BB,BBB |
| Domestic Equity Funds | 11,120,532 | N/A | N/A |
| Total Fair Value | $ 35,922,325 | | |

Foreign currency risk is that the fair value of such securities will be adversely affected by changes in exchange rates. The City's pension plans held no investments that were exposed to foreign currency risk.

## NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

### *COMPONENT UNITS*

The aggregate bank balance of deposits included in cash and cash equivalents for CEDA, a blended component unit, was $831,732 as of June 30, 2021, of which $250,000 was insured by FDIC. The balance of total deposits was additionally fully collateralized with securities pledged and held by the financial institutions in accordance with Pennsylvania statutes.

CEDA has an investment in nonnegotiable certificate of deposit (CD), recorded at cost, which approximates fair value. A nonnegotiable CD is an example of a nonparticipating interest earning investment contract that is exempt from the fair value measurement and disclosure requirements of GASB 72.

The bank balance for the CRA, a blended component unit, was $250,849 as of December 31, 2021, of which $250,000 is fully insured by the FDIC.

## NOTE 5 – RECEIVABLES

### *PROPERTY TAXES*

Property taxes are levied on March 1 and payable by June 30. A 2% discount is available for payments made by April 30 of each year.

Subsequent to June 30 of each year, a 10% penalty is assessed. Taxes are billed and collected by the City Treasurer. Property taxes in arrears attach as an enforceable lien on the property as of February 28 of the subsequent year. The City levied taxes at the rate of $9.806 per $1,000 of assessed valuation.

An allowance for uncollectible amounts has been established on the balance of taxes owed as of December 31, 2021. In addition, a deferral of $1,620,551 has been established, shown on the General Fund financial statements as a part of "unearned revenues", representing that portion of net delinquent taxes not expected to be available and measurable as revenue in the current period. The government-wide financial statements do not show such a deferral, consistent with the accrual basis of accounting.

| | | |
|---|---|---|
| Gross property taxes receivable | $ | 5,816,943 |
| Less: allowance for uncollectible taxes | | (5,613,965) |
| Net total property taxes receivable (General Fund) | $ | 202,978 |

## NOTE 5 – RECEIVABLES (CONTINUED)

### *PROPERTY TAXES (CONTINUED)*

| | Assessed Valuation | Total Tax Levy |
|---|---|---|
| Tax rate in mills | | 9.806 |
| Net tax duplicate | $ 1,145,257,268 | $ 11,230,164 |
| Less: taxes collected (net of adjustments) | | 8,273,021 |
| 2021 Taxes receivable | | $ 2,957,143 |

| | Tax Rates | | |
|---|---|---|---|
| Fiscal Year | General Operation | Library | Total |
| 2021 | $ 9.404 | $ 0.402 | $ 9.806 |

The following schedule presents property taxes levied and collected through 2021 showing the relationship between amounts levied and actually collected.

| Fiscal Year | Net of Total Tax Levy | Amount of Current Taxes Collected | Percent of Current Taxes Collected |
|---|---|---|---|
| 2021 | $11,230,164 | $ 8,273,021 | 73.67% |

The following schedule presents trash receivables at December 31, 2021.

| | |
|---|---|
| Gross trash assessments receivable | $ 3,276,700 |
| Less: allowance for uncollectible accounts | (3,086,000) |
| | $ 190,700 |

## NOTE 5 – RECEIVABLES (CONTINUED)

The following represents other receivables at year end:

| | | |
|---|---|---|
| Commonwealth of Pennsylvania / gaming revenue | $ | 3,215,828 |
| Covanta host fees | | 1,214,996 |
| Other receivables | | 660,279 |
| | $ | 5,091,103 |

## NOTE 6 – INTERFUND RECEIVABLES/PAYABLES AND INTERFUND TRANSFERS

### *INTERFUND RECEIVABLES AND PAYABLES*

Interfund receivables and payables arise from interfund transactions. Principally, these amounts result from operating subsidies or loans. Interfund receivables and payables are eliminated within the government-wide financial statements but are shown on the governmental fund statements. Individual fund interfund receivable and payable balances as of December 31, 2021, are as follows:

| | Interfund Receivables | Interfund Payables |
|---|---|---|
| General Fund | $ 799,945 | $ -- |
| Other Nonmajor Funds | -- | 799,945 |
| | $ 799,945 | $ 799,945 |

## NOTE 6 – INTERFUND RECEIVABLES/PAYABLES AND INTERFUND TRANSFERS (CONTINUED)

### *INTERFUND TRANSFERS*

The City reports interfund transfers among funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statue or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the funds making the debt service payments as they become due, and (3) use unrestricted revenues collected to finance various programs accounted for in other funds pursuant to authorizations. Interfund transfers for the year ended December 31, 2021, are as follows:

| | Transfer In | Transfer Out |
|---|---|---|
| General Fund | $ 2,358,212 | $ 4,181,768 |
| Other Nonmajor Funds | 4,181,768 | 2,358,212 |
| | $ 6,539,980 | $ 6,539,980 |

Transfers from the general fund are primarily to fund debt service out of the nonmajor account and transfers from the nonmajor account are primarily related to revenue loss of ARPA funds.

## NOTE 7 – LOANS RECEIVABLE

CEDA, a blended component unit, makes funds available to qualifying individuals and businesses under various programs. Loan receivable balances, which are included in receivables on the statements of net position and in other receivables on the balance sheet, are as follows as of June 30, 2021:

| | |
|---|---|
| Regular rehabilitation | $ 41,659 |
| Homestead rehabilitation | 8,558 |
| Low income assistance | 1,928 |
| Commercial loans/small business | 1,247,736 |
| | 1,299,881 |
| Less: allowance for doubtful accounts | $ (134,558) |
| | $ 1,165,323 |

Additionally, CEDA has an outstanding loan with CRA in the amount of $200,000.

## NOTE 8 – CHANGES IN CAPITAL ASSETS

### *CITY OF CHESTER*

A summary of changes in the City of Chester's capital assets (excludes blended component units) follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land and land improvements | $ 2,172,213 | $ 63,384 | $ -- | $ 2,235,597 |
| Total capital assets, not being depreciated | 2,172,213 | 63,384 | -- | 2,235,597 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 20,563,980 | 122,246 | -- | 20,686,226 |
| Machinery and equipment | 18,521,154 | 44,715 | -- | 18,565,869 |
| Infrastructure | 16,746,080 | 1,316,753 | -- | 18,062,833 |
| Total capital assets, being depreciated | 55,831,214 | 1,483,714 | -- | 57,314,928 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 10,717,477 | 508,426 | -- | 11,225,903 |
| Machinery and equipment | 15,516,163 | 979,529 | -- | 16,495,692 |
| Infrastructure | 9,948,499 | 460,554 | -- | 10,409,053 |
| Total accumulated depreciation | 36,182,139 | 1,948,509 | -- | 38,130,648 |
| Total capital assets being depreciated, net | 19,649,075 | (464,795) | -- | 19,184,280 |
| Net capital asset value | $ 21,821,288 | $ (401,411) | $ -- | $ 21,419,877 |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|---|
| General government | $ 576,671 |
| Public safety | 428,888 |
| Highway and streets | 652,634 |
| Recreation | 290,316 |
| | $ 1,948,509 |

## NOTE 8 – CHANGES IN CAPITAL ASSETS (CONTINUED)

### *CEDA*

A summary of changes in capital assets of CEDA, a blended component unit, follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| Land | $ 332,932 | $ -- | $ -- | $ 332,932 |
| Furniture and equipment | 3,677 | -- | -- | 3,677 |
| Total | 336,609 | -- | -- | 336,609 |
| Less accumulated depreciation for: | | | | |
| Furniture and equipment | 3,677 | -- | -- | 3,677 |
| Total accumulated depreciation | 3,677 | -- | -- | 3,677 |
| Capital assets, net | $ 332,932 | $ -- | $ -- | $ 332,932 |

### *CRA*

A summary of changes in capital assets of CRA, a blended component unit, follows:

| | Beginning Balance | Additions | Deletions | Ending Balance | |
|---|---|---|---|---|---|
| Land | $ 1,192,874 | $ -- | $ (43,007) | $ 1,149,867 | ** |
| Equipment | -- | -- | -- | -- | |
| Leasehold improvements | 71,027 | -- | -- | 71,027 | |
| Total | 1,263,901 | -- | (43,007) | 1,220,894 | |
| Less accumulated depreciation | 44,985 | 2,368 | -- | 47,353 | |
| Capital assets, net | $ 1,218,916 | $ (2,368) | $ (43,007) | $ 1,173,541 | |

**These assets are shown as, "Property held for Resale" in the Statement of Net Position – Proprietary Fund.

## NOTE 9 – SHORT-TERM DEBT

In January 2021, the City of Chester issued a Tax and Revenue Anticipation Note under and pursuant to the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, to a financial institution in the amount of $6,000,000 with an annual interest rate of 4.50%. The note matured on November 30, 2021. The proceeds were used to finance restricted working capital expenditures within 13 months after the issue date of January 1, 2021.

Changes in the City's short-term debt during the year ended December 31, 2021 is as follows:

| Balance 1/1/2021 | Additions | Deletions | Balance 12/31/2021 |
|---|---|---|---|
| $ -- | $ 11,000,000 | $ 6,000,000 | $ 5,000,000 |

## NOTE 10 – LONG-TERM DEBT

The full faith, credit, and taxing power of the City are irrevocably pledged for the prompt and full payment of all general obligation notes payable. All long-term liabilities are expected to be repaid primarily from General Fund revenues.

The following is a summary of notes outstanding as of December 31, 2021 (excluding component units):

| Description | Date of Issue | Final Maturity Date | Interest Rate % | Original Amount | Notes Outstanding Beginning | Bond Issuance | Principal Paid | Notes Outstanding Ending | Amounts Due Within One Year |
|---|---|---|---|---|---|---|---|---|---|
| C | 11/29/2010 | 6/25/2025 | 2.605 | $ 3,985,000 | $ 1,514,000 | $ -- | $ 287,000 | $ 1,227,000 | $ 295,000 |
| A | 8/1/2017 | 8/15/2027 | 7.500 | 12,000,000 | 9,535,000 | -- | 1,060,000 | 8,475,000 | 1,120,000 |
| A | 8/1/2017 | 8/15/2027 | 7.500 | 7,210,000 | 6,525,000 | -- | 695,000 | 5,830,000 | 865,000 |
| B | 1/13/2017 | 6/1/2027 | 0.000 | 2,000,000 | 1,250,000 | -- | 200,000 | 1,050,000 | 200,000 |
| D | 8/25/2021 | 8/25/2028 | 1.073 | -- | -- | 585,000 | -- | 585,000 | 81,000 |
| D | 8/25/2021 | 8/25/2028 | 1.073 | -- | -- | 165,000 | -- | 165,000 | 23,000 |
| | | | | $ 25,195,000 | $ 18,824,000 | $ 750,000 | $ 2,242,000 | $ 17,332,000 | $ 2,584,000 |

A - Revenue Notes- Preston Hollow Capital

B - General Obligation Note-DCED

C – General Obligation Notes – Delaware Valley Regional Finance Authority

D – General Obligation Notes – Delaware County

**NOTE 10 – LONG-TERM DEBT (CONTINUED)**

Debt service requirements as of December 31, 2021 were as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 2,584,000 | $ 1,109,155 | $ 3,693,155 |
| 2023 | 2,698,000 | 951,264 | 3,649,264 |
| 2024 | 2,827,000 | 785,390 | 3,612,390 |
| 2025 | 2,996,000 | 610,310 | 3,606,310 |
| 2026 | 2,974,000 | 412,500 | 3,386,500 |
| 2027-2028 | 3,253,000 | 220,125 | 3,473,125 |
| | $ 17,332,000 | $ 4,088,744 | $ 21,420,744 |

In 2010, the City refunded its Series 2001 notes in the amount of $8,210,000, with Series 2010 notes in the amounts of $5,895,000 and $3,985,000. The 2010 issuance was intended for 1) the refunding of the 2001 notes resulting in an economic benefit of a savings in interest and cash flow for the City; and 2) the payment of the initial fee required for the Chester Upland School District to become a sponsor of the Delaware County Community College (DCCC).

The $5,895,000 note was paid off in 2019. The remaining 2010 general obligation note, is not in compliance with the covenant to submit timely annual financial statements to the Delaware Regional Finance Authority ("DelVal"). DelVal has not taken any action pursuant to this default. However, the balance is classified as current as of December 31, 2020.

In 2015, the City refunded both the 2004 note in the amount of $8,140,000 and the 2007 note in the amount of $1,445,530 with the Series 2015 note A series in the amount of $8,140,000 and the B series in the amount of $1,600,000. The 2015 Series issuance resulted in a reduction of payments of $196,438. A portion of the Series 2015A, $6,531,532, was redeemed with the issuance of the 2017B Guaranteed Revenues Bonds on August 31, 2017, as explained below.

In 2017, the City issued Guaranteed Revenue Bonds Series 2017A in the amount of $12,000,000 to finance certain accumulated unfunded debts of the city and fund any required reserve funds. In addition, the City issued Guaranteed Revenue Bonds Series 2017B in the amount of $7,210,000 to finance the acquisition of certain property currently leased by the City, "the Capital Project" and to fund required reserve funds. As mentioned above, a portion of 2017B series was used to redeem the 2015A series.

In 2017, the City initiated a loan with the Commonwealth of Pennsylvania, Department of community and Economic Development for $2,000,000, bearing 0% interest and due in June 2027.

## NOTE 10 – LONG-TERM DEBT (CONTINUED)

### *INTEREST RATE MANAGEMENT*

The remaining Series 2010 note (the "2010 B Note") was issued to the Delaware Valley Regional Finance Authority ("DVRFA") as described below. The DVRFA issued bonds (the "DVRFA Bonds") to provide funds to purchase the 2010 B Note and has entered into interest rate swap transactions with Bank of America, N.C. (the "Counterparty") to hedge the interest rate risks of the DVRFA Bonds and to provide a fixed interest rate on the 2010 B Note.

### *INTEREST RATE RISK*

The City had the option under the loan agreement of the 2010 B Note to pay a variable rate of interest or a fixed rate of interest. The City exercised its option to bear interest at a fixed rate in order to mitigate exposure to rising interest rates. DVRFA executed an interest rate swap transaction with the Counterparty to provide the fixed rate, to hedge its exposure to rising interest rates, and to match the tenor of its assets and liabilities.

### *BASIS RISK*

Neither the DVRFA Bonds nor the 2010 B Note are exposed to basis risk. The basis of the DVRFA Bonds, the 2010 B Note, and the related swap transactions are the same.

### *TERMINATION RISK*

The swap transactions related to the DVRFA Bonds and 2010 B Note may be terminated with the mutual consent of DVRFA and the Counterparty. The swap transaction may also be terminated under certain circumstances, principally the following:

(i) a payment default by the City; (ii) a payment default by DVRFA or the Counterparty under the swap transactions; (iii) the occurrence of events that may precipitate a payment default by DVRFA or the Counterparty; or (iv) the downgrading of the long-term, unsecured, senior debt ratings of the Counterparty or DVRFA.

In all instances of termination, except a payment default by the City, DVRFA would seek to replace the swap transactions with new interest rate swap transactions with similar terms and conditions. The amount of the termination payment or receipt should offset the cost or premium of the replacement swap transaction.

**NOTE 10 – LONG-TERM DEBT (CONTINUED)**

***TERMINATION RISK (CONTINUED)***

DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market due to credit concerns. If DVRFA were obligated to make a payment and sufficient funds were not available, DVRFA could assess each borrower its allocable share of the termination payment. The City would be obligated to pay its allocable share of the termination payment of the swap transaction related to the DVRFA Bonds and all of the termination payment of the swap transaction related to the 2010 B Note.

Terms: The significant terms of the interest rate swap are as follows:

| Description | Type | Average Rate | Loan Principal Outstanding | Maturity Date | Market Value of Related Swap for Fixed Rate Loans | Market Value of Related Swap for Del Val Bonds |
|---|---|---|---|---|---|---|
| 2010 B Note | Fixed | 2.605% | $ 1,227,000 | June 25, 2025 | $ (37,168) | $ 133,358 |

The estimated termination payments (i.e., the market value) for the swap transactions allocable to the City as of December 31, 2021, are shown in the table above. In the event of a termination payment, DVRFA would assess the net payment, if any, to the City. Any receipt from termination would be retained by DVRFA.

***CREDIT RISK***

The swap transaction related to the DVRFA Bonds and the 2010 B Note are subject to termination in the event of certain rating downgrades. The master swap agreement requires the Counterpart to post collateral equal to the market value of the swap transactions if its long term, unsecured, senior debt ratings are reduced below "A2" by Moody's Investors Service ("Moody's") or "A" by S&P Global Ratings ("S&P"). DVRFA is not obligated to post collateral. DVRFA may terminate the transaction if the Counterparty fails to post collateral. If the long-term, unsecured, senior debt ratings of the Counterparty or DVRFA are downgraded below "Baa2" by Moody's or "BBB" by S&P, the respective counterparty may terminate the transactions. As of December 31, 2020, the long-term unsecured, senior debt ratings of DVRFA were "A1" and "A+" by Moody's and S&P, respectively and the long-term unsecured, senior debt ratings of the Counterparty (Bank of America, N.A.) were "Aa3" and "A+" by Moody's and S&P, respectively.

## NOTE 10 – LONG-TERM DEBT (CONTINUED)

### *ROLLOVER RISK*

The termination dates of the swap transactions related to the DVRFA Bonds and the 2010 B Note match their respective maturity dates. The swap transactions are not subject to a rollover risk, the risk that a swap to the maturity date cannot by executed or cannot be executed on similar economic terms.

### *MARKET ACCESS RISK*

The DVRFA Bonds that funded the purchase of the 2010 B Note are set at a fixed rate to maturity. The DVRFA Bonds are not subject to remarketing risk or to the risk of extending or securing credit facilities.

### *CAPITAL LEASES*

The City has four lease agreements with three financial institutions to lease trucks and vehicles for periods of three to seven years. The leases qualify as capital leases and as a result, the assets are classified as capital leases of $398,550 (initial present value of payments) and the related obligation is recorded in the Statement of Net Position at December 31, 2021.

Minimum future lease payments required under the leases as of December 31, 2021 are as follows:

| | |
|---|---|
| 2022 | $ 189,119 |
| 2023 | 230,152 |
| | 419,271 |
| Less: interest | 20,721 |
| Present value of minimum lease payment | 398,550 |
| Less: current portion | 189,119 |
| Long-term portion | $ 209,431 |

### *CRA*

The City has entered into a management services agreement with CRA and CEDA for the receipt and management of funds relative to various improvements to the Barry Bridge Park Project in the City. This project consists of such items as construction of a road, parking lot, recreational pier, river walk, grading and curb work, lighting, landscaping, signage and a pedestrian bridge. The City pledged its Brownfield Economic Development Initiative (BEDI) grant, to provide security for the Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program and to meet debt service requirements.

## NOTE 10 – LONG-TERM DEBT (CONTINUED)

### *CRA (CONTINUED)*

The City has designated CRA as its Designated Public Agency to serve as the borrower for the Section 108 Loan guarantee in the amount of $3,000,000 for the Barry Bridge Park project, which funds have been received by CRA. In addition to the BEDI grant funds, the City will pay to CRA a dedicated portion of its Community Development Block Grant Funds to serve as debt service for the loan being guaranteed under the Section 108 program for this project.

In May 2016, CRA refinanced the balance of the note pursuant to and as a part of a public offering undertaken by the Department of Housing and Urban Development (HUD) with an interest rate ranging from 0.28% to 2.8% and a maturity date of August 2023. As of December 31, 2021, the balance of the loan was $375,000.

Interest and principal payments as of December 31, 2021 follow:

| Year | Interest | Principal |
|---|---|---|
| 2022 | $ 9,888 | $ 175,000 |
| 2023 | 5,600 | 200,000 |
| | $ 15,488 | $ 375,000 |

In addition to the $175,000 included in long-term liabilities due within one year, CRA borrowed $200,000 from CEDA in 2013 for the purpose of demolishing a specific property and to remove any environmental contaminants. A portion of the loan is expected to be repaid from grant proceeds received under the Industrial Sites Reuse Program (ISRP) of the Commonwealth of Pennsylvania. The remaining portion of the loan is to be repaid from the net sales proceeds when the property is ultimately sold to a redeveloper.

## NOTE 11 – PLEDGED REVENUES

### *2017 SERIES A & B*

The City has pledged the following future revenues, which is subordinate to previous outstanding debt of the City that pledged the same revenue sources. The pledge revenues are the Host Community Revenues, the Harrah's Revenues, the Harrah's Table Game Revenues, and additional City consideration.

## NOTE 11 – PLEDGED REVENUES (CONTINUED)

### *GENERAL OBLIGATIONS NOTE REFINANCED – 2010 SERIES*

The City has pledged the following future revenues, not otherwise required for payment of previously issued refinanced debt for obligations under the Contribution Agreement (see below), to repay its general obligation note – 2010 Series B originally issued in the amounts of $3,985,000:

a) Host Revenues,
b) Host Community Revenues, and
c) Revenues representing 2% of Harrah's gross table game revenue received from the Commonwealth of Pennsylvania pursuant to the Pennsylvania *Race Horse Development and Gaming Act* (Harrah's Table Game Revenues – see Note 15).

### *DELAWARE COUNTY COMMUNITY COLLEGE*

The Gaming Act provides that 50% of the local share assessment (2% of table game revenue) shall be used by the City for the purpose of ensuring the best possible educational opportunity for pupils of the school district. The City has pledged its local share assessment toward a Sponsorship Agreement with Delaware County Community College ("DCCC"), that covers the Chester Upland School Districts (the "District") sponsorship of DCCC. During 2021, the City paid DCCC on behalf of the District, $133,846.

### *CONTRIBUTION AGREEMENT*

The City has pledged 50% of Host Community Table Revenues, as defined above, to secure payments required under the Contribution Agreement dated February 15, 2009 with the County of Delaware (see Note 12) as part of the overall financing used to build a soccer stadium in the City. Payments are payable from the pledged revenues and general revenues, if the pledged revenues are insufficient, through 2039. Annual payments are expected to require approximately 36% of pledged revenues. Total principal remaining to be paid is $8,307,566. For the current year, principal payments were $439,633.

## NOTE 12 – CONTRIBUTION AGREEMENT

The County of Delaware contributed funds as part of the overall financing to build a soccer stadium in the City of Chester. The City is obligated to contribute its share of funds for the project annually, as summarized below through 2039. Amounts charged to General Fund expenditures under this agreement totaled $439,633for the year ended December 31, 2021.

The liability due to the County related to this agreement has been recorded in the City's governmental activities statement of net assets with current year payments serving to reduce the balance owed on the liability.

Future payments are as follows:

| Year Ending December 31, | |
|---|---|
| 2022 | $ 349,022 |
| 2023 | 349,096 |
| 2024 | 348,810 |
| 2025 | 348,913 |
| 2026 | 348,652 |
| 2027-2031 | 1,742,413 |
| 2032-2036 | 1,740,507 |
| 2037-2039 | 1,043,305 |
| | $ 6,270,718 |

## NOTE 13 – PENSION PLANS

### *PLAN DESCRIPTION*

The City administers three single employer defined benefit pension plans: Police Pension Fund, Paid Firemen's Pension Fund, and Officers & Employees Retirement System (collectively the "Plans"). These Plans cover substantially all full-time employees. All plans provide retirement and disability benefits to plan members and a death benefit for surviving spouses, provided the surviving spouse is not remarried, or to dependent children under the age of eighteen. City Council adopts City ordinances and plan provisions are established by City ordinance with the authority for City contributions required by Act 205 of the Commonwealth of Pennsylvania (the "Act"). Prior to February 1, 2017, new Police officers contributed 5% of their salary, increased by 1% every subsequent January 1st, until reaching 8%. If hired after February 1, 2017, new Police officers contribute 8% of their salary beginning immediately. Paid Firemen contribute 5% of their salary plus $1 per month. Officers and Employees, hired before January 1, 1988, pay 6% of their compensation, depending on their coverage status, 1% of compensation if hired after December 31, 1987, and 3.5% of compensation if hired after March 1, 2016.

As of December 31, 2021, participants in the plans were as follows:

| | Police Pension Fund | Paid Firemen's Pension Fund | Officers & Employees Retirement System |
|---|---|---|---|
| Participants | | | |
| Active Employees | 67 | 49 | 68 |
| Retirees, disabled and beneficiaries currently receiving benefits | 143 | 76 | 48 |
| | 210 | 125 | 116 |

**NOTE 13 – PENSION PLANS (CONTINUED)**

***PLAN DESCRIPTION (CONTINUED)***

*Police*

All full-time members of the police force join the Plan upon employment. Members are eligible for normal retirement after completion of 20 years of service, if hired before February 1, 2017. If hired after February 1, 2017, normal retirement is age 50, with 25 years of service. Prior to February 1, 2017, the normal retirement pension was payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, provided the surviving spouse is not remarried, or to dependent children under the age of 18 equal to 50% of the amount payable to the member at the time of the member's death. The amount of monthly pension is 50% of average monthly compensation earned in the last 52 weeks, plus a service increment of $1/40^{th}$ of such pension per year of service over 20 years but not occurring after age 65. The maximum service increment is $500 per month if hired before February 1, 2017, and $100 per month if hired after that date. There are early retirement and disability provisions in eligible circumstances.

*Firemen*

All full-time paid firemen join the Plan upon employment. Members are eligible for normal retirement after completion of 20 years of service, if hired before December 12,2011. If hired after December 12, 2011, normal retirement is age 50 and 25 years of service. Prior to February 1, 2017, the normal retirement pension was payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, provided the surviving spouse is not remarried, or to dependent children under the age of 18 equal to 50% of the amount payable to the member at the time of the member's death. The amount of monthly pension is 50% of average monthly compensation earned in the last 52 weeks, plus a service increment of $1/40^{th}$ of such pension per year of service over 20 years but not occurring after age 65. The maximum service increment is $500 per month if hired before February 1, 2017 and $100 per month if hired after that date. There are early retirement and disability provisions in eligible circumstances.

There also exists the opportunity to elect to participate in a deferred retirement option plan ("DROP") for active police and firemen members who have met the eligibility for normal retirement. Effective January 1, 2018, DROP was amended to be in compliance with Act 44.

## NOTE 13 – PENSION PLANS (CONTINUED)

### *PLAN DESCRIPTION (CONTINUED)*

*Officers and Employees*

All non-uniformed employees are covered by the Plan with the exception of per diem laborers, who are covered at their option. Members hired before January 1, 1988 are eligible for normal retirement after attaining the age of 60 to 20 years of service. For those hired subsequent to that date, members are eligible after attaining age 65 and the completion of 25 years of service. Normal retirement pension is payable in semi-monthly installments for life with payments continuing upon death to the surviving spouse, provided the spouse is not remarried, in an amount equal to 50% of the benefit the member was receiving at the time of death. For those hired before January 1, 1988, monthly pension is equal to 50% of the average monthly compensation. If joint coverage has been elected, the pension is reduced by 40% of primary social security. For those hired subsequent to that date, the amount of monthly pension is equal to 0.755 of average monthly compensation times full years of service. Disability retirement benefits are provided in eligible circumstances.

### *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

Financial information of the City's plans is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the individual plans.

Investments of the plans are reported at fair value. The City's pension plan assets are managed by PNC Financial Services Group, Inc. (PNC). Unrealized gains and/or losses due to fluctuations in fair value are recorded in the financial statements. Realized gains or losses are recorded at the time of sale. Net appreciation or depreciation in the fair value of plan investments includes both realized and unrealized gains and losses. For those funds managed by PNC, related fees are also included in the appreciated value and investment income portion of the financial statements.

## NOTE 13 – PENSION PLANS (CONTINUED)

### *CONTRIBUTIONS AND FUNDING POLICY*

The Act requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation ("MMO"). The MMO calculation is based upon the annual actuarial valuation. The Act does not require employees to contribute; such contributions resulted from collective bargaining. The Commonwealth allocates certain funds to assist the City in pension funding. Any financial requirement established by the MMO that exceeds the Commonwealth allocation must be funded by the City (and could include employee contributions).

In 2021, the Police and Paid Firemen were required to contribute based upon the financial requirements established by their respective collective bargaining agreements. Non-uniformed employees' contributions are based on the plan document. During this period, the Police contributed $503,789, the Paid Firemen contributed $224,084, and the Officers and Employees contributed $137,081.

Further, the City was required to contribute State aid along with City funds necessary to meet the 2021 MMO of each of the respective funds as follows:

| | | |
|---|---|---|
| Police Pension Fund | $ | 8,533,497 |
| Paid Firemen's Pension Fund | | 1,141,994 |
| Officers & Employees Retirement System | | 1,082,728 |

During 2021, the City received a total of $1,352,834 in its State allocation to the Police Pension Fund only. Funds were remitted to the Plan during 2021. As of December 31, 2021, the city did not remit required contributions and accrued interest for 2021 and past years totaling $36,607,970, which is accrued as a liability in the Statement of Net Position and a fully allowed for receivable in the Statement of Fiduciary Net Position-Pension Trust.

Administrative costs, including investment, custodial trustee, and actuarial services are charged to the respective plans and funded from investment earnings.

## NOTE 13 – PENSION PLANS (CONTINUED)

### *PENSION LIABILITY, PENSION EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO PENSION*

At December 31, 2021, the City reported a net pension liability of $222,198,285 for all Plans. The total pension liability was determined as a part of an actuarial valuation at January 1, 2021 rolled forward to December 31, 2021. The Plans total pension liability, fiduciary net position, and changes thereto are presented below:

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
|---|---|---|---|
| Beginning Balances | $ 257,869,453 | $ 72,093,654 | $ 185,775,799 |
| Changes for the year: | | | |
| Service cost | 7,236,364 | -- | 7,236,364 |
| Interest | 6,441,248 | -- | 6,441,248 |
| Changes in benefit terms | (1,527,208) | -- | (1,527,208) |
| Differences between expected and actual experience | (6,796,277) | -- | (6,796,277) |
| Changes in assumptions | 9,996,285 | -- | 9,996,285 |
| Contributions - employer | -- | 7,405,385 | (7,405,385) |
| Contributions - state aid | -- | 1,352,834 | (1,352,834) |
| Contributions - member | -- | 864,954 | (864,954) |
| Net investment income | -- | 5,964,706 | (5,964,706) |
| Benefit payments | (10,449,253) | (10,280,457) | (168,796) |
| Administrative expenses | -- | (220,556) | 220,556 |
| Special item | -- | (36,608,193) | 36,608,193 |
| Net changes | 4,901,159 | (31,521,327) | 36,422,486 |
| Ending Balances | $ 262,770,612 | $ 40,572,327 | $ 222,198,285 |

**NOTE 13 – PENSION PLANS (CONTINUED)**

***PENSION LIABILITY, PENSION EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO PENSION (CONTINUED)***

For the year ended December 31, 2021, the City recognized total pension expense for the Plans of $19,285,716. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the Plans as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 118,640 | $ 7,572,462 |
| Changes in assumptions | 43,978,961 | -- |
| Net differences between projected and actual earnings on pension plan investments | -- | 8,748,138 |
| | $ 44,097,601 | $ 16,320,600 |

Amounts reported as pension deferred outflows and deferred inflows of resources for all Plans will be recognized in pension expense as follows:

| Year ending December 31, | Amount |
|---|---|
| 2022 | $ 11,379,168 |
| 2023 | 9,997,298 |
| 2024 | 4,334,306 |
| 2025 | 308,024 |
| 2026 | 333,953 |
| Thereafter | 1,424,252 |
| | $ 27,777,001 |

## NOTE 13 – PENSION PLANS (CONTINUED)

### *ACTUARIAL ASSUMPTIONS*

The City's actuarial assumptions and methods and related information for each of the Plans are as follows:

| | Police Pension Fund | Paid Firemen's Pension Fund | Officers & Employees Retirement System |
|---|---|---|---|
| Actuarial valuation date | 1/1/2021 | 1/1/2021 | 1/1/2021 |
| Actuarial cost method | Entry Age | Entry Age | Entry Age |
| Amortization method | Level Dollar | Level Dollar | Level Dollar |
| Asset valuation method | Per section 210(a) of Act 44 | Per section 210(a) of Act 44 | Per section 210(a) of Act 44 |
| Remaining amortization period | 11 years | 17 years | 9 years |
| Actuarial assumptions: | | | |
| Inflation | 2.25% | 2.25% | 2.25% |
| Investment rate of return | 6.50% | 6.50% | 6.50% |
| Projected salary increase | 5.00% | 5.00% | 5.00% |
| Retirement age: | | | |
| Normal | 20 years of service, if hired after 2/1/17 age 50 and 25 years of service | 20 years of service, if hired after 2/1/17 age 50 and 25 years of service | Before 1/1/88 age 60 and 20 years of service; after 12/31/87, age 65 and 25 years of service |
| Early | Age 60 | None | Age 60 or 65 and 12 years of service. |

Monthly rates were based on the RP-2000 Table projected to 2017 using Scale AA.

The actuarial assumptions used were based upon a January 1, 2021 valuation date.

## NOTE 13 – PENSION PLANS (CONTINUED)

### *INVESTMENT POLICY SUMMARY*

The Plans' investment policy in regard to the allocation of invested assets is established and may be amended by the City Council and Pension Board. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due.

The Plans' formal Investment Policy Statement, which is revised periodically, provides more comprehensive details on investment strategy and authorized investments.

The Plan's investment policy establishes the following target allocation across asset classes:

| Asset Class | Target | Long-Term Expected Real Rate of Return |
|---|---|---|
| Domestic Equities | 52.50% | 5.20% |
| International Equity | 17.50% | 6.90% |
| Fixed Income | 27.00% | 0.70% |
| Cash | 3.00% | -1.30% |
| Net Blended Return | | 4.11% |
| Inflation | | 2.25% |
| Total Long-term Expected Rate of Return | | 6.36% |

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2019 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were 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 authentic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2021 are listed in the table above.

**NOTE 13 – PENSION PLANS (CONTINUED)**

***INVESTMENT POLICY SUMMARY (CONTINUED)***

*Discount Rate*

*Police Pension Plan* – The discount rate used to measure the total pension liability was 2.25%. This represents the 20-year AA municipal bond rate which is to be used when assets are projected not to cover benefit payments.

*Paid Firemen's Pension Plan* – The discount rate used to measure the total pension liability was 2.87%. This represents a blended rate of the long term expected return on assets 6.22% through 2040 where assets are sufficient to cover benefit payments and the 20-year AA municipal bond rate 2.87% after 2040, where assets are projected not to cover benefit payments.

*Officers & Employees Pension Plans* – The discount rate used to measure the total pension liability was 2.75%. This represents a blended rate of the long term expected return on assets 6.22% through 2031 where assets are sufficient to cover benefit payments and the 20-year AA municipal bond rate 2.75% after 2031, where assets are projected not to cover benefit payments.

Based upon all of the Plans' current target investment allocation and the associated long-term expected investment returns for its asset classes, the Plans' long-term returns may be less that its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability.

**NOTE 13 – PENSION PLANS (CONTINUED)**

***INVESTMENT POLICY SUMMARY (CONTINUED)***

*Net Pension Liability Sensitivity*

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| Police Pension Plan | 1.25% | 2.25% | 3.25% |
| Net Pension Liability | $ 194,570,384 | $ 166,162,893 | $ 143,639,305 |
| Paid Firemen's Pension Plan | 1.87% | 2.87% | 3.87% |
| Net Pension Liability | 59,389,857 | 45,409,415 | 34,354,570 |
| Officers & Employees Pension Plan | 1.75% | 2.75% | 3.75% |
| Net Pension Liability | 12,512,186 | 10,625,977 | 9,053,660 |
| Total | $ 266,472,427 | $ 222,198,285 | $ 187,047,535 |

At December 31, 2021 the City's general fund owed the pension trust fund $37,607,970 which is recorded on the general fund as an accrued liability and fully allowed against as a receivable in the pension trust fund.

***CEDA PENSION PLAN***

The Authority sponsors a defined contribution pension plan for the benefit of its employees. This Plan has its own Board and investments are participant directed. This plan has an amended effective date of July 2,1982, with additional amendments made to maintain compliance with requisite Internal Revenue Service requirements. This plan covers substantially all regular employees who are classified as a permanent employee and whose customary employment is for more than twenty house per week and for more than five months per year. An employee may become a participant on any anniversary date such employee has completed thirty days of continuous employment and is at least seventeen years old. A participating employee must contribute at least three percent buy may contribute up to 6%.

## NOTE 13 – PENSION PLANS (CONTINUED)

### *CEDA PENSION PLAN (CONTINUED)*

The Authority shall match the employee's contribution, up to a maximum of six percent. The employee is subject to a vesting schedule for Authority contributions as follows:

| Completed Years of Service | % Vested |
|---|---|
| Less than one year | 0% |
| One year but less than two years | 20% |
| Two years but less than three years | 40% |
| Three years but less than four years | 60% |
| Four years but less than five years | 80% |
| Five or more years | 100% |

The employee's contributions plus the earnings thereon are at all times fully vested. Full vesting shall not be later than the date on which HUD funding ceases.

Contributions are made to the Pension Fund each payroll period. Separate plan financial statements are available at the Authority.

Employee and CEDA contributions for the three most recent periods are as follows:

| | Year Ended June 30, | | | |
|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 |
| Employer Contribution | $ 14,940 | $ 14,940 | $ 14,923 | $ 14,505 |
| Employee Contribution | 27,776 | 26,152 | 26,123 | 23,458 |

## NOTE 14 – FAIR VALUE MEASUREMENTS

The City holds investments in their Pension Trust funds that are measured at fair value on a recurring basis. The City chose a tabular format for disclosing the levels within the fair value hierarchy.

The City categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The valuation inputs are separated in three levels:

Level 1 – observable inputs, represents assets with unadjusted quoted market prices in active markets for identical securities;

Level 2 – other significant observable inputs (including yield, quality, coupon rate, maturity, issue type, quoted prices for similar securities, prepayment speeds, trading characteristics, etc.); and

Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments.

The fair values of the investment securities classified by level held at December 31, 2021 are as follows (there were no Level 2 or 3 investments requiring inclusion in the following table):

| | Fair Value Measurement at Reporting Date Using |
|---|---|
| | Observable Inputs (Level 1) |
| Exchange traded funds: | |
| Fixed Income | $ 24,801,793 |
| Equities | 11,120,532 |
| Investments at fair value | $ 35,922,325 |

## NOTE 14 – FAIR VALUE MEASUREMENTS (CONTINUED)

There have been no changes in the valuation methodologies used as of December 31, 2021. The following is a description of the valuation methodologies used to measure assets at fair value:

*Exchange traded funds* – Stated at quoted prices based on an active market.

*Short-term investments* – The money market fund is valued using the NAV of units held by the Plan at year-end. The fund is managed to maintain a constant value of $1 per share.

## NOTE 15 – CHESTER CASINO AND RACETRACK

In 2007, Harrah's Casino and Racetrack opened in the City of Chester. The City receives revenue from its land lease agreement with Harrah's and a share of Harrah's gaming revenue paid to the Commonwealth of Pennsylvania. Harrah's Chester Casino and Racetrack pays the City 2.0% of gross terminal revenue generated by gaming and the Commonwealth remits 2.0% of gross table game revenue from the Chester site.

A total of 1.0% of table game revenue assessments (50% of the local share assessment) received from the Commonwealth of Pennsylvania is restricted for the DCCC sponsorship agreement (Note 10). The City received $11,653,695 in 2021 in total from its share of the gaming revenue and the land lease agreement with Harrah's.

## NOTE 16 – OTHER POST EMPLOYMENT BENEFITS

The City pays certain other post employment benefits (OPEB) for both uniform and non-uniform municipal employees under the three City of Chester Police, Firefighters, Officers and employees Health and Welfare Plans (collectively the OPEB Plans), a single employer defined benefit plan. Police are eligible to participate after 20 years of service, no minimum age requirement, if hired prior to December 31, 2016. If hired between December 31, 2016 and January 31, 2017, a minimum of 25 years of service and age 50 is required. If hired after February 1, 2017, no retiree health coverage is provided to police. Firefighters are eligible to participate after 20 years of service, no minimum age requirement, if hired prior to January 1, 2017. If hired on or after January 1, 2017, a minimum of 25 years of service and age 50 is required. For both police and firefighters, if they should be on permanent disability, the City will continue to pay medical coverage. Non-uniform employees are eligible if they retire at 60 years of age with 20 years of service, if hired prior to January 1, 1988. If hired on or after January 1, 1988, you must be 65 years of age and have 25 years of service.

In 2017, the City became self-funded for all medical and prescription drug costs. The OPEB Plans are authorized and under the control, maintenance, and operation of City Council and collectively bargained agreements/Memorandum of Understandings. The financial responsibility of the City is based on a pay-as-you-go financing requirement. City Council has the authority within contractual limitations to amend the OPEB Plans including changing the obligation of Plan members and the City. For all three OPEB Plans, beginning January 1, 2017, retirees contribute 5% of the cost of medical and prescription drug coverage in effect at the time of retirement based on marital status. The retiree will contribute until they become eligible for the Medicare Supplement plan. The City's OPEB Plan is not a Trust.

The OPEB participants consisted of the following at December 31, 2020:

| | Police Health & Welfare Plan | Firefighters Health & Welfare Plan | Officers & Employees Health & Welfare Plan |
|---|---|---|---|
| Participants | | | |
| Active Employees | -- | 2 | 4 |
| Other Active Employees not Fully Eligible | 72 | 55 | 113 |
| Retirees and beneficiaries currently receiving benefits | 134 | 61 | 31 |
| | 206 | 118 | 148 |

The participant numbers in the Valuation were not updated for the year ended December 31, 2021.

## NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

### *OPEB LIABILITY, OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB*

At December 31, 2021, the City reported an OPEB liability of $214,409,817 for all Plans. The total OPEB liability was determined as part of an actuarial valuation at January 1, 2020 rolled forward to December 31, 2020. Information for the City's OPEB plan to be rolled to 2021 was not available. The total net OPEB liability and changes thereto are presented below:

| | OPEB Liability |
|---|---|
| Balances, beginning | $ 210,112,432 |
| Changes for the year: | |
| Service cost | 4,111,456 |
| Interest | 6,853,892 |
| Benefit payments | (6,667,993) |
| Net changes | 4,297,355 |
| Balances, ending | $ 214,409,787 |

For the year ended December 31, 2021, the City recognized total expense (benefit) for the OPEB Plans $0.

## NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

### *OPEB LIABILITY, OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB (CONTINUED)*

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB Plans as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ -- | $ 21,017,000 |
| Changes in assumptions | 2,857,000 | -- |
| | $ 2,857,000 | $ 21,017,000 |

Amounts reported as pension deferred outflows and deferred inflows of resources for all OPEB Plans will be recognized in pension expense as follows:

| Year ending December 31, | Amount |
|---|---|
| 2021 | $ (3,633,000) |
| 2022 | (3,633,000) |
| 2023 | (3,633,000) |
| 2024 | (3,633,000) |
| 2025 | (3,628,000) |
| | $ (18,160,000) |

## NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

### *ACTUARIAL ASSUMPTIONS*

The City's actuarial assumptions and methods and related information for each of the OPEB Plans are as follows:

| | Police | Firefighters | Officers & Employees |
|---|---|---|---|
| Actuarial valuation date | 1/1/2020 | 1/1/2020 | 1/1/2020 |
| Actuarial cost method | Entry Age | Entry Age | Entry Age |
| Actuarial assumptions: | | | |
| Inflation | 3.25% | 3.25% | 3.25% |
| Projected salary increase | 5.00% | 5.00% | 5.00% |
| Retirement age: | | | |
| Assumed | Age 55, minimum of 23 years of service | Age 55, minimum of 23 years of service | Age 60, 20 years of service hired before 1/1/88 and age 65, 25 years of service |
| Initial medical trend rate | 7.75% | 7.75% | 7.75% |
| Ultimate medical trend rate | 5.00% | 5.00% | 5.00% |

Mortality rates were based on the RP-2000 Table projected 17 years using Scale AA.

The actuarial assumptions used were based upon a January 1, 2019 valuation date.

*Discount Rate*

For all OPEB Plans, the discount rate is 3.25% and is based on the S&P 20 year AA municipal bond rate. Since there are no invested assets, there is no long-term expected rate of return.

## NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

### *ACTUARIAL ASSUMPTIONS (CONTINUED)*

*Net OPEB Liability Sensitivity*

The following is a sensitivity analysis of the net OPEB liability to changes in the discount rate. The table below presents the net OPEB liability calculated using the current discount rate as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| | 2.25% | 3.25% | 4.25% |
| Police Pension Plan | | | |
| OPEB Liability | $ 142,560,910 | $ 123,906,031 | $ 108,827,287 |
| Paid Firemen's Pension Plan | | | |
| OPEB Liability | 74,754,171 | 61,043,700 | 52,494,422 |
| Officers & Employees Pension Plan | | | |
| OPEB Liability | 33,910,878 | 29,460,056 | 25,784,333 |
| Total | $ 251,225,959 | $ 214,409,787 | $ 187,106,042 |

## NOTE 16 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

### *ACTUARIAL ASSUMPTIONS (CONTINUED)*

*Net OPEB Liability Sensitivity – Healthcare Trend*

The following is a sensitivity analysis of the net OPEB liability to changes in the healthcare trend rate. The table below presents the net OPEB liability calculated using the current trend rate of 5% as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1 percentage point lower or 1 percentage point higher than expected.

| | 1% Decrease | Current Trend Rate | 1% Increase |
|---|---|---|---|
| Police Pension Plan Pension Liability | $ 106,393,522 | $ 123,906,031 | $ 145,809,931 |
| Paid Firemen's Pension Plan Pension Liability | 51,066,078 | 61,043,700 | 73,829,357 |
| Officers & Employees Pension Plan Pension Liability | 24,983,421 | 29,460,056 | 35,118,631 |
| Total | $ 182,443,021 | $ 214,409,787 | $ 254,757,919 |

## NOTE 17 – COMMITMENTS AND CONTINGENCIES

### *INTERGOVERNMENTAL GRANTS*

The City and CEDA received Federal and State grants for specific purposes that are subject to review and audit by the funding agencies or their representatives. If grant revenues are received for expenditures that are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements as of December 31, 2021.

### *TAX ASSESSMENT APPEALS*

Tax assessment appeals were filed by several taxpayers for various tax years. Although the outcome of these appeals is not presently determinable, management believes the resolution of these matters will not have a material adverse effect on the net position of the City.

## NOTE 17 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

### *CLAIMS AND OTHER LEGAL PROCEEDINGS*

The City and its component units are involved in various claims and lawsuits arising in the normal course of business, including claims for property damage, personal inquiry, and labor matters. In the opinion of management, the unrecorded potential claims against the City, not covered by insurance, resulting from such claims and lawsuits, would not have a material effect on the City's net position as of December 31, 2021.

### *SELF-INSURANCE MEDICAL COVERAGE*

The City is self-insured to provide group medical and prescription coverage to employees. The coverage is administered by a third party for the City.

The liability for unpaid claims is included in accrued expenditures in the Statement of Net Position. The claims liability for governmental activities as of December 31, 2021 is $13,083.

## NOTE 18 – PRIOR PERIOD ADJUSTMENT

The City's prior net position at December 31, 2020 has been restated for the following reasons:

| Governmental Activities | |
|---|---|
| Net Position as originally stated at December 31, 2020 | $ (414,096,710) |
| Restatement for medical claims recorded but not incurred in prior year | 397,307 |
| Restatement for unreconciled due to / due from balances | 3,646,584 |
| Net Position at December 31, 2020, as restated | $ (410,052,819) |

| General Fund | |
|---|---|
| Fund Balance as originally stated at December 31, 2020 | $ (32,691,392) |
| Restatement for medical claims recorded but not incurred in prior year | 397,307 |
| Restatement for unreconciled due to / due from balances | 3,646,584 |
| Fund Balance at December 31, 2020, as restated | $ (28,647,501) |

The impact to expenses during 2020 has not been determined.

## NOTE 19 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, natural disasters, and employees' workers compensation. The General Fund is used to account for the risks for all risk financing activities.

The City purchases commercial insurance for these risks of loss. There have been no significant changes in insurance coverage in the past three years and settled claims have not exceeded the commercial coverage in those years.

## NOTE 20 – SUBSEQUENT EVENTS

The City evaluated its December 31, 2021 financial statements for subsequent events through November 25, 2025, the date the financial statements were available to be issued.

In November 2022, the Receiver filed for Bankruptcy under Chapter 9 of the Bankruptcy code, and on March 14, 2023, the bankruptcy was approved by the Federal Court.

In December 2023, the City prepaid the remaining balance on its general obligation notes, 2010 B Series that were issued to the Delaware Valley Regional Finance Authority in the amount of $865,184.

Effective July 1, 2025, the Bankruptcy Court approved a new Receiver.

For the years ending 2022 through 2024 the City made all required MMO contributions to the three pension plans, in addition to contributing all funds received from the Distressed Earned Income Tax during these years.

The City has received substantial funding from grants for each of the years 2022 through 2024. Most notably, as part of the federal American Rescue Plan Act (ARPA) grant a total of $30.3 million was received. Consistent with rules, $10 million was used to replace lost revenues and offset increased expenses. The remainder has, and is, primarily being used to enhance infrastructure.

In 2025, dates related to the issuance, due dates, and effective delinquency date were changed from starting March 1 to February 1, accelerating the discount, face and late periods by one month. The effective date of delinquency accelerated from February 15 of the subsequent year to December 31 of the current year."

# REQUIRED SUPPLEMENTARY INFORMATION

# CITY OF CHESTER

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES BUDGET AND ACTUAL – GENERAL FUND

## FOR THE YEAR ENDED DECEMBER 31, 2021

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---|---|---|---|
| **Revenues** | | | | |
| Taxes and assessments: | | | | |
| Real estate | $ 9,617,460 | $ 9,617,460 | $ 10,934,913 | $ 1,317,453 |
| Rubbish fees | 1,595,422 | 1,595,422 | 2,137,868 | 542,446 |
| Local enabling act taxes | 17,721,759 | 17,721,759 | 18,500,955 | 779,196 |
| Licenses - permits | 1,146,100 | 1,146,100 | 1,132,535 | (13,565) |
| Cable television | 400,000 | 400,000 | 404,660 | 4,660 |
| Fines, forfeits | 160,000 | 160,000 | 220,550 | 60,550 |
| Rent | 144,603 | 144,603 | 61,648 | (82,955) |
| Investment earnings | 3,200 | 3,200 | 3,826 | 626 |
| Public utility realty tax | 19,500 | 19,500 | 27,647 | 8,147 |
| Grants intergovernmental revenue | 1,728,187 | 1,728,187 | 824,215 | (903,972) |
| Departmental earnings | 480,980 | 480,980 | 185,992 | (294,988) |
| Commonwealth of Pennsylvania pension aid | 1,500,000 | 1,500,000 | 1,355,721 | (144,279) |
| Waste facilities fees | 4,650,000 | 4,650,000 | 4,893,188 | 243,188 |
| Payments in lieu of taxes | 275,000 | 275,000 | 377,484 | 102,484 |
| Casino host community fees | 11,754,466 | 11,754,466 | 11,653,695 | (100,771) |
| Reimbursements | 977,632 | 977,632 | 1,224,324 | 246,692 |
| Other income | 580,000 | 580,000 | 1,045,700 | 465,700 |
| **Total Revenues** | 52,754,309 | 52,754,309 | 54,984,921 | 2,230,612 |
| **Expenditures** | | | | |
| General government | 18,272,788 | 18,272,788 | 21,359,428 | (3,086,640) |
| Public safety | 23,746,067 | 23,746,067 | 26,576,462 | (2,830,395) |
| Health and sanitation | 1,001,325 | 1,001,325 | 966,409 | 34,916 |
| Highways and streets | 3,129,671 | 3,129,671 | 3,735,658 | (605,987) |
| Recreation | 1,131,018 | 1,131,018 | 1,457,614 | (326,596) |
| Debt service | 4,157,480 | 4,157,480 | 3,634,069 | 523,411 |
| **Total Expenditures** | 51,438,349 | 51,438,349 | 57,729,640 | (6,291,291) |
| **Deficiency of Revenues Under Expenditures** | 1,315,960 | 1,315,960 | (2,744,719) | (4,060,679) |
| **Other Financing Sources (Uses)** | | | | |
| Operating transfer in | -- | -- | 2,358,212 | 2,358,212 |
| Operating transfer out | (1,152,304) | (1,152,304) | (1,863,560) | (711,256) |
| **Total Other Financing Sources (Uses) of Funds** | (1,152,304) | (1,152,304) | 494,652 | 1,646,956 |
| **Deficiency of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses** | $ 163,656 | $ 163,656 | $ (2,250,067) | $ (2,413,723) |
| | | **Net Change in Fund Balance** | $ (2,250,067) | |

***The notes to the required supplementary information are an integral part of this schedule.***

# CITY OF CHESTER

## SCHEDULE OF THE NET PENSION LIABILITY AND RELATED RATIOS – FIRE PLAN

## LAST EIGHT FISCAL YEARS

| **Measurement Date:** | Year Ended December 31, 2021 | Year Ended Decmber 31, 2020 | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 | Year Ended December 31, 2016 | Year Ended December 31, 2015 | Year Ended December 31, 2014 |
|---|---|---|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | | | | |
| Service cost | $ 2,426,827 | $ 2,180,683 | $ 1,475,898 | $ 940,962 | $ 896,154 | $ 587,516 | $ 559,539 | $ 567,153 |
| Interest | 2,265,345 | 1,976,892 | 2,404,480 | 2,683,196 | 2,593,715 | 2,571,703 | 2,527,069 | 2,268,377 |
| Changes of benefit terms | -- | -- | -- | -- | (44,070) | -- | 450,201 | -- |
| Differences between expected and actual experience | (263,585) | -- | 587,866 | -- | -- | 2,116,290 | 1,881,060 | -- |
| Changes of assumptions | 1,733,940 | 13,104,574 | 17,392,199 | (3,654,248) | 76,172 | 7,133,026 | 544,932 | -- |
| Benefit payments | (3,049,112) | (2,903,909) | (2,772,336) | (2,633,974) | (2,557,850) | (2,595,089) | (2,443,833) | (2,065,949) |
| Net change in total pension liability | 3,113,415 | 14,358,240 | 19,088,107 | (2,664,064) | 964,121 | 9,813,446 | 3,518,968 | 769,581 |
| **Total Pension Liability** - Beginning | 76,559,250 | 62,201,010 | 43,112,903 | 45,776,967 | 44,812,846 | 34,999,400 | 31,480,432 | 30,710,851 |
| **Total Pension Liability** - Ending | $ 79,672,665 | $ 76,559,250 | $ 62,201,010 | $ 43,112,903 | $ 45,776,967 | $ 44,812,846 | $ 34,999,400 | $ 31,480,432 |
| **Plan Fiduciary Net Position** | | | | | | | | |
| Contributions - employer | $ 1,141,944 | $ 953,107 | $ 953,353 | $ -- | $ -- | $ -- | $ -- | $ -- |
| Contributions - commonwealth aid | -- | -- | -- | 547,892 | 561,281 | 118,972 | 111,792 | 207,303 |
| Contributions - member | 224,084 | 204,254 | 215,354 | 207,541 | 197,739 | 198,032 | 199,437 | 189,464 |
| Net investment income | 4,044,435 | 3,300,760 | 6,203,732 | (1,919,533) | 4,823,744 | 2,368,926 | (314,337) | 2,116,299 |
| Benefit payments, including refunds of employee contributions | (3,049,112) | (2,903,909) | (2,772,336) | (2,633,974) | (2,557,850) | (2,595,089) | (2,443,833) | (2,065,949) |
| Administrative expenses | (11,000) | (11,000) | (21,450) | (11,000) | (21,000) | (10,500) | (18,900) | (9,500) |
| Special item | (2,134,220) | -- | -- | -- | -- | -- | -- | -- |
| Net change in plan fiduciary net position | 216,131 | 1,543,212 | 4,578,653 | (3,809,074) | 3,003,914 | 80,341 | (2,465,841) | 437,617 |
| **Plan Fiduciary Net Position** - Beginning | 34,047,119 | 32,503,907 | 27,925,254 | 31,734,328 | 28,730,414 | 28,650,073 | 31,115,914 | 30,678,297 |
| **Plan Fiduciary Net Position** - Ending | $ 34,263,250 | $ 34,047,119 | $ 32,503,907 | $ 27,925,254 | $ 31,734,328 | $ 28,730,414 | $ 28,650,073 | $ 31,115,914 |
| **Plan's Net Pension Liability** - Ending | $ 45,409,415 | $ 42,512,131 | $ 29,697,103 | $ 15,187,649 | $ 14,042,639 | $ 16,082,432 | $ 6,349,327 | $ 364,518 |
| **Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** | 43.01% | 44.47% | 52.26% | 64.77% | 69.32% | 64.11% | 68.80% | 98.84% |
| **Covered Payroll** | $ 4,200,000 | $ 4,200,000 | $ 4,202,254 | $ 4,072,364 | $ 4,200,000 | $ 3,878,908 | $ 3,800,000 | $ 4,871,554 |
| **Net Pension Liability as a Percentage of Covered Payroll** | 1081.18% | 1012.19% | 706.69% | 372.94% | 334.35% | 414.61% | 167.09% | 7.48% |

*The information in this schedule is intended to show 10 years - additional years will be displayed as they become available.*

***The notes to the required supplementary information are an integral part of this schedule.***

# CITY OF CHESTER

## SCHEDULE OF THE NET PENSION LIABILITY AND RELATED RATIOS – POLICE PLAN

## LAST EIGHT FISCAL YEARS

| **Measurement Date:** | Year Ended December 31, 2021 | Year Ended Decmber 31, 2020 | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 | Year Ended December 31, 2016 | Year Ended December 31, 2015 | Year Ended December 31, 2014 |
|---|---|---|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | | | | |
| Service cost | $ 4,344,349 | $ 5,106,258 | $ 3,512,482 | $ 3,609,100 | $ 2,991,121 | $ 1,297,942 | $ 1,236,135 | $ 1,243,265 |
| Interest | 3,807,923 | 3,218,158 | 4,411,636 | 4,438,963 | 4,762,744 | 5,620,818 | 5,549,595 | 4,481,692 |
| Changes of benefit terms | (1,527,208) | -- | -- | -- | 31,342 | -- | 1,150,972 | -- |
| Differences between expected and actual experience | (5,244,982) | -- | (4,527,623) | -- | -- | 5,105,198 | 11,188,833 | -- |
| Changes of assumptions | 8,260,153 | 28,214,791 | 6,668,234 | (8,665,342) | 10,607,054 | 44,651,542 | 1,623,158 | -- |
| Benefit payments | (6,612,288) | (6,494,425) | (6,135,632) | (6,126,014) | (6,228,465) | (6,002,620) | (5,793,191) | (5,090,966) |
| Net change in total pension liability | 3,027,947 | 30,044,782 | 3,929,097 | (6,743,293) | 12,163,796 | 50,672,880 | 14,955,502 | 633,991 |
| **Total Pension Liability** - Beginning | 166,714,865 | 136,670,083 | 132,740,986 | 139,484,279 | 127,320,483 | 76,647,603 | 61,692,101 | 61,058,110 |
| **Total Pension Liability** - Ending | $ 169,742,812 | $ 166,714,865 | $ 136,670,083 | $ 132,740,986 | $ 139,484,279 | $ 127,320,483 | $ 76,647,603 | $ 61,692,101 |
| **Plan Fiduciary Net Position** | | | | | | | | |
| Contributions - employer | $ 5,180,663 | $ 6,329,502 | $ 5,577,830 | $ 4,688,903 | $ 4,785,029 | $ 4,265,723 | $ 4,556,726 | $ 3,180,671 |
| Contributions - commonwealth aid | 1,352,834 | 1,890,752 | 1,976,513 | 626,813 | 450,340 | 476,149 | 375,273 | 644,271 |
| Contributions - member | 503,789 | 559,185 | 591,617 | 597,660 | 420,331 | 377,404 | 425,108 | 398,035 |
| Net investment income | 1,664,419 | 2,303,113 | 2,621,781 | 1,351,883 | 2,471,847 | 1,958,427 | 488,902 | 1,615,921 |
| Benefit payments, including refunds of employee contributions | (6,612,288) | (6,494,425) | (6,135,632) | (6,126,014) | (6,228,465) | (6,002,620) | (5,793,191) | (5,090,966) |
| Administrative expenses | (29,760) | (79,060) | (44,424) | (32,860) | (44,930) | (41,320) | (30,640) | (32,540) |
| Special item | (32,409,605) | -- | -- | -- | -- | -- | -- | -- |
| Net change in plan fiduciary net position | (30,349,948) | 4,509,067 | 4,587,685 | 1,106,385 | 1,854,152 | 1,033,763 | 22,178 | 715,392 |
| **Plan Fiduciary Net Position** - Beginning | 33,929,867 | 29,420,800 | 24,833,115 | 23,726,730 | 21,872,578 | 20,838,815 | 20,816,637 | 20,101,245 |
| **Plan Fiduciary Net Position** - Ending | $ 3,579,919 | $ 33,929,867 | $ 29,420,800 | $ 24,833,115 | $ 23,726,730 | $ 21,872,578 | $ 20,838,815 | $ 20,816,637 |
| **Plan's Net Pension Liability** - Ending | $ 166,162,893 | $ 132,784,998 | $ 107,249,283 | $ 107,907,871 | $ 115,757,549 | $ 105,447,905 | $ 55,808,788 | $ 40,875,464 |
| **Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** | 2.11% | 20.35% | 21.53% | 18.71% | 17.01% | 17.18% | 27.19% | 33.74% |
| **Covered Payroll** | $ 7,800,000 | $ 7,800,000 | $ 7,873,096 | $ 7,985,224 | $ 8,200,000 | $ 7,466,696 | $ 7,800,000 | $ 7,802,522 |
| **Net Pension Liability as a Percentage of Covered Payroll** | 2130.29% | 1702.37% | 1362.23% | 1351.34% | 1411.68% | 1412.24% | 715.50% | 523.88% |

*The information in this schedule is intended to show 10 years - additional years will be displayed as they become available.*

***The notes to the required supplementary information are an integral part of this schedule.***

# CITY OF CHESTER

## SCHEDULE OF THE NET PENSION LIABILITY AND RELATED RATIOS – OFFICERS AND EMPLOYEES PLAN

## LAST EIGHT FISCAL YEARS

| **Measurement Date:** | Year Ended December 31, 2021 | Year Ended Decmber 31, 2020 | Year Ended December 31, 2019 | Year Ended December 31, 2018 | Year Ended December 31, 2017 | Year Ended December 31, 2016 | Year Ended December 31, 2015 | Year Ended December 31, 2014 |
|---|---|---|---|---|---|---|---|---|
| **Total Pension Liability** | | | | | | | | |
| Service cost | $ 465,188 | $ 605,890 | $ 417,040 | $ 237,066 | $ 225,777 | $ 163,875 | $ 156,071 | $ 158,100 |
| Interest | 367,980 | 312,982 | 426,157 | 568,366 | 530,984 | 677,595 | 667,156 | 682,217 |
| Changes of benefit terms | -- | -- | -- | -- | -- | -- | -- | -- |
| Differences between expected and actual experience | (1,287,710) | -- | (527,405) | -- | -- | (1,100,695) | (580,791) | -- |
| Changes of assumptions | 2,192 | 2,159,375 | 3,367,425 | (657,553) | 30,724 | 1,346,297 | 258,129 | -- |
| Benefit payments | (787,853) | (685,936) | (659,719) | (696,620) | (675,613) | (682,804) | (700,880) | (731,987) |
| Net change in total pension liability | (1,240,203) | 2,392,311 | 3,023,498 | (548,741) | 111,872 | 404,268 | (200,315) | 108,330 |
| **Total Pension Liability** - Beginning | 14,595,338 | 12,203,027 | 9,179,529 | 9,728,270 | 9,616,398 | 9,212,130 | 9,412,445 | 9,304,115 |
| **Total Pension Liability** - Ending | $ 13,355,135 | $ 14,595,338 | $ 12,203,027 | $ 9,179,529 | $ 9,728,270 | $ 9,616,398 | $ 9,212,130 | $ 9,412,445 |
| **Plan Fiduciary Net Position** | | | | | | | | |
| Contributions - employer | $ 1,082,728 | $ 1,041,780 | $ 810,917 | $ -- | $ -- | $ -- | $ -- | $ -- |
| Contributions - commonwealth aid | -- | -- | -- | 638,153 | 754,857 | 1,027,873 | 1,010,694 | 709,116 |
| Contributions - member | 137,081 | 119,958 | 201,047 | 181,971 | 182,859 | 157,965 | 60,504 | 53,174 |
| Net investment income | 255,902 | 332,756 | 492,218 | (54,199) | 293,169 | 147,391 | 77,924 | 78,796 |
| Benefit payments, including refunds of employee contributions | (787,853) | (685,936) | (659,719) | (696,620) | (675,613) | (682,804) | (700,880) | (731,987) |
| Administrative expenses | (11,000) | (23,200) | (11,000) | (9,500) | (19,500) | (10,500) | (18,927) | (9,500) |
| Special item | (2,064,368) | -- | -- | -- | -- | -- | -- | -- |
| Net change in plan fiduciary net position | (1,387,510) | 785,358 | 833,463 | 59,805 | 535,772 | 639,925 | 429,315 | 99,599 |
| **Plan Fiduciary Net Position** - Beginning | 4,116,668 | 3,331,310 | 2,497,847 | 2,438,042 | 1,902,270 | 1,262,345 | 833,030 | 733,431 |
| **Plan Fiduciary Net Position** - Ending | $ 2,729,158 | $ 4,116,668 | $ 3,331,310 | $ 2,497,847 | $ 2,438,042 | $ 1,902,270 | $ 1,262,345 | $ 833,030 |
| **Plan's Net Pension Liability** - Ending | $ 10,625,977 | $ 10,478,670 | $ 8,871,717 | $ 6,681,682 | $ 7,290,228 | $ 7,714,128 | $ 7,949,785 | $ 8,579,415 |
| **Plan Fiduciary Net Position as a Percentage of the Total Pension Liability** | 20.44% | 28.21% | 27.30% | 27.21% | 25.06% | 19.78% | 13.70% | 8.85% |
| **Covered Payroll** | $ 3,200,000 | $ 5,200,000 | $ 4,974,178 | $ 5,206,666 | $ 4,920,000 | $ 4,836,136 | $ 4,800,000 | $ 4,493,142 |
| **Net Pension Liability as a Percentage of Covered Payroll** | 332.06% | 201.51% | 178.36% | 128.33% | 148.18% | 159.51% | 165.62% | 190.94% |

*The information in this schedule is intended to show 10 years - additional years will be displayed as they become available.*

***The notes to the required supplementary information are an integral part of this schedule.***

# CITY OF CHESTER

## SCHEDULE OF PENSION CONTRIBUTIONS

## LAST EIGHT FISCAL YEARS

| | Year Ended December 31 | Actuarially Determined Contribution | Actual Contribution | Contribution (Deficiency) Excess | Covered Payroll | Actual Contribution as a % of Covered Payroll | Annual Money Weighted Rate of Return |
|---|---|---|---|---|---|---|---|
| **Fire Employees Plan** | 2021 | $ 1,141,994 | $ (76,481) | $ (1,218,475) | $ 4,200,000 | -1.82% | 12.41% |
| | 2020 | $ 953,107 | $ (142,779) | $ (1,095,886) | $ 4,200,000 | -3.40% | 8.88% |
| | 2019 | $ 953,353 | $ 933,335 | $ (20,018) | $ 4,202,254 | 22.21% | 19.18% |
| | 2018 | $ 547,892 | $ 547,892 | $ -- | $ 4,072,364 | 13.45% | -5.30% |
| | 2017 | $ 561,281 | $ 561,281 | $ -- | $ 4,200,000 | 13.36% | 16.77% |
| | 2016 | $ 118,972 | $ 118,972 | $ -- | $ 3,878,908 | 3.07% | 7.79% |
| | 2015 | $ 111,792 | $ 111,792 | $ -- | $ 3,800,000 | 2.94% | -0.73% |
| | 2014 | $ 207,303 | $ 207,303 | $ -- | $ 4,871,544 | 4.26% | 7.30% |
| **Police Employees Plan** | 2021 | $ 8,533,497 | $ 871,931 | $ (7,661,566) | $ 7,800,000 | 11.18% | -0.34% |
| | 2020 | $ 8,220,254 | $ 942,569 | $ (7,277,685) | $ 7,800,000 | 12.08% | -3.71% |
| | 2019 | $ 7,554,343 | $ 576,969 | $ (6,977,374) | $ 7,985,224 | 7.23% | 15.78% |
| | 2018 | $ 5,315,716 | $ (945,178) | $ (6,260,894) | $ 7,985,224 | -11.84% | -4.05% |
| | 2017 | $ 5,235,369 | $ (1,649,893) | $ (6,885,262) | $ 5,680,410 | -29.05% | 14.36% |
| | 2016 | $ 4,741,872 | $ 4,656,908 | $ (84,964) | $ 7,466,696 | 62.37% | 6.28% |
| | 2015 | $ 4,931,999 | $ 4,931,999 | $ -- | $ 7,800,000 | 63.23% | -0.26% |
| | 2014 | $ 3,824,942 | $ 3,824,942 | $ -- | $ 7,802,522 | 49.02% | 7.58% |
| **Officers and Employees Plan** | 2021 | $ 1,082,728 | $ (72,512) | $ (1,155,240) | $ 3,200,000 | -2.27% | 10.66% |
| | 2020 | $ 1,041,780 | $ (42,045) | $ (1,083,825) | $ 5,200,000 | -0.81% | 8.88% |
| | 2019 | $ 810,817 | $ 810,917 | $ 100 | $ 4,974,178 | 16.30% | 18.07% |
| | 2018 | $ 638,153 | $ 638,153 | $ -- | $ 5,206,666 | 12.26% | -4.80% |
| | 2017 | $ 754,857 | $ 754,857 | $ -- | $ 4,920,000 | 15.34% | 15.41% |
| | 2016 | $ 1,027,873 | $ 1,027,873 | $ -- | $ 4,836,136 | 21.25% | 11.68% |
| | 2015 | $ 1,010,694 | $ 1,010,694 | $ -- | $ 4,800,000 | 21.06% | -5.02% |
| | 2014 | $ 709,116 | $ 709,116 | $ -- | $ 4,493,142 | 15.78% | 6.19% |

*This schedule is intended to display ten years of information. This information will be disclosed as it becomes available.*

***The notes to the required supplementary information are an integral part of this schedule.***

# CITY OF CHESTER

## NOTES TO PENSION SCHEULDES OF REQUIRED SUPPLEMENTARY INFORMATION

## FOR THE YEAR ENDED DECEMBER 31, 2021

*Changes in benefit terms:*

None

*Actuarial assumption changes:*

For Fire Pension Plan, the discount rate changed from 3.93% to 2.60% and for Officers & Employees' Pension Plan the discount rate changed from 3.52% to 2.14%. The Police Pension Plan discount rate changed from 3.26% to 1.93%.

*Method and assumptions used in calculations of actuarially determined contributions:*

The following actuarial methods and assumptions were used to determine contribution rates reported in the schedules"

| | |
|---|---|
| Inflation | 2.25% |
| Investment rate of return | 6.50% |
| Salary increases | 5.00% |
| Mortality | Mortality rates were based on the Blue Collar RP-2000 Mortality Table projected to 2017 using Scale AA. |

# CITY OF CHESTER

## SCHEDULE OF CHANGES IN CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS

## LAST FOUR FISCAL YEARS

| | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| **Total OPEB Liability** | | | | |
| Service cost | $ 4,111,456 | $ 3,915,672 | $ 4,415,406 | $ 4,205,177 |
| Interest | 6,853,892 | 6,717,255 | 8,546,831 | 8,365,825 |
| Differences between expected and actual experience | -- | (31,049,550) | -- | -- |
| Changes of assumptions | -- | 4,199,969 | -- | -- |
| Benefit payments | (6,667,993) | (6,579,101) | (7,108,241) | (8,800,615) |
| Net change in total OPEB liability | 4,297,355 | (22,795,755) | 5,853,996 | 3,770,387 |
| **Total OPEB Liability** - Beginning | 210,112,432 | 232,908,187 | 227,054,191 | 223,283,804 |
| **Total OPEB Liability** - Ending | $ 214,409,787 | $ 210,112,432 | $ 232,908,187 | $ 227,054,191 |

*This schedule is intended to display ten years of information. This information will be disclosed as it becomes available. Further, the information for 2021 was not available to be included in this report.*

CBIZ CPAs P.C.

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Suite 500
Providence, RI 02903

P: 401.600.4500

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the City Council,
City of Chester, Pennsylvania

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chester, Pennsylvania (City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise City's basic financial statements and have issued our report thereon dated November 25, 2025. We did not express an opinion on the governmental activities, general fund and aggregate remaining fund information for the reason described in the Basis for Disclaimers of Opinions section of the Independent Auditors' Report.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Chester, Pennsylvania's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures over the City's response to the finding identified in our audit and is described in the accompanying schedule of findings and questioned costs. City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CBIZ CPAs P.C.

Providence, RI
November 25, 2025

# CITY OF CHESTER, PENNSYLVANIA

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## FOR THE YEAR ENDED DECEMBER 31, 2021

### INTERNAL CONTROL OVER FINANCIAL REPORTING FINDING

#### Current Year Findings

***Material Weaknesses:***

#### 2021-001: Financial Reporting: Month-End and Year-End Closing Process

***Criteria:*** An effective internal control system over the financial reporting closing process provides reasonable assurance that reliable financial statements are prepared in accordance with the appropriate accounting standards and in compliance with applicable laws and regulations. Monthly and year-end closing procedures should be documented, communicated and monitored by the City.

***Condition:*** During our fiscal 2021 audit, we noted deficiencies in the City's internal controls over the financial reporting closing process:

- The City's financial records were not closed in a timely manner in order to produce monthly and year-end financial statements.
- The City's general fund required a $4 million entry to restate its beginning fund balance for activity that was identified as relating to prior years, primarily due to / from balances.

***Cause:*** The City's lack of following internal control policies and procedures to allow for an appropriate month-end and year-end closing process and related review and reconciliation of accounting data and financial information used to prepare financial statements that are fairly presented in accordance with accounting principles general accepted in the United States of America.

***Effect:*** Lack of an established and effective internal control system as well as ensuring management review/oversight over the financial reporting closing process increases the risk of potential misstatement of the City's financial information. Material adjustments were required to correct the items noted above.

***Prior Year Finding:*** Yes, finding #2021-001

## INTERNAL CONTROL OVER FINANCIAL REPORTING FINDING (CONTINUED)

### Current Year Finding (Continued):

*Material Weaknesses (Continued):*

**2021-001: Financial Reporting: Month-End and Year-End Closing Process (Continued)**

***Recommendation:*** We recommend that the City review its current financial reporting closing process and implement and follow adequate policies and procedures (including checklists and documented workflows) to document and ensure that ongoing review and management oversight over the month-end and year-end close takes place.

***Views of responsible officials and Planned Corrective Action:*** See management's corrective action plan.

**2021-002: Internal Controls Policies Over Financial Reporting**

***Criteria:*** An effective internal control system requires controls to be in place to prevent the potential for management override within an entity's financial reporting system.

***Condition:*** During our fiscal 2021 audit we noted various deficiencies in the City's internal control processes:

- The City did not retain support for certain journal entries and did not have processes in place for the review and approval of entries into its financial reporting system.
- The City did not maintain formal documentation of processes and procedures which lead to the potential for segregation of duties throughout its significant transaction cycles. Further the City did not always maintain audit support for transactions which prevented the ability to ensure the controls in place were appropriate to prevent and detect fraud.
- The City's controls over the payroll transaction cycle were not adequate to prevent and detect fraud leading to instances of ghost employees being paid and employees no longer working with the City to be paid. The extent of which this occurred was not determined.

***Cause:*** The City's internal control policies and related procedures are insufficient and should be enhanced to ensure to allow for appropriate review.

## INTERNAL CONTROL OVER FINANCIAL REPORTING FINDING (CONTINUED)

**Current Year Finding (Continued):**

***Material Weaknesses (Continued):***

**2021-002: Internal Controls Policies Over Financial Reporting (Continued)**

***Effect:*** Lack of an established and effective internal control system as well as ensuring adequate management review/oversight over financial reporting increases the risk of potential misstatement of the City's financial information or misappropriation of assets.

***Prior Year Finding:*** No

***Recommendation:*** We recommend that the City implement and follow formal internal control policies and procedures to rectify the conditions noted above.

***Views of responsible officials and Planned Corrective Action:*** See management's corrective action plan.

# CITY OF CHESTER, PENNSYLVANIA

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

## FOR THE YEAR ENDED DECEMBER 31, 2021

### INTERNAL CONTROL OVER FINANCIAL REPORTING FINDING

**Prior Year Findings:**

**2020-001: Timely Closing of Accounting Records**

***Condition:*** The City's financial records are not closed in a timely manger in order to produce monthly and year-end financial statements in accordance with generally accepted accounting principles (GAAP). The City's management and Council do not periodically receive adequate and updated financial information to facilitate operational decisions.

***Current Status:*** Modified and repeated as finding 2021-001.

# CITY OF CHESTER, PENNSYLVANIA
## 1 FOURTH STREET, CHESTER, PA 19013

## CORRECTIVE ACTION PLAN

**Corrective Action Plan:**

**2021-001: Financial Reporting: Month-End and Year-End Closing Process**

The City agrees with the findings for the two items in total. Starting in the summer of 2024, procedures were implemented to begin monthly financial statements leading to being prepared for more timely year-end closings. These procedures included expenditure and revenue reports being prepared and reviewed, as well as checklists and reconciliations being prepared and reviewed. Retroactive review processes are underway regarding 2022 and 2023 years to be audited.

**Individuals Responsible for Corrective Action Plan: City Finance Director**

**2021-002: Internal Controls Policies Over Financial Reporting**

The City agrees with the findings and recommended corrective action. Consistent with following processes and procedures as part of Finding 001 recommended actions, procedures to document support for journal entries and transactions are being reviewed for future audits. Specifically, controls involving the payroll transaction cycle were reviewed and strengthened.

**Individuals Responsible for Corrective Action Plan: City Finance Director**