



# Annual Financial Report

County of: Chester  
for the year 2006



**Return to:**

PA Department of Community and Economic Development  
Governor's Center for Local Government Services  
400 North Street, 4th Floor  
Commonwealth Keystone Building  
Harrisburg, PA 17120-0225

Commonwealth of Pennsylvania  
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**pennsylvania**

DEPARTMENT OF COMMUNITY  
& ECONOMIC DEVELOPMENT



**COUNTY OF CHESTER, PENNSYLVANIA**  
**Government-Wide Statement of Net Assets**  
**December 31, 2006**

| CURRENT ASSETS                                     | <b>Primary Government</b> |                      |               |
|--|---------------------------|----------------------|---------------|
|  | <b>Governmental</b>       | <b>Business-Type</b> |               |
|  | <b>Activities</b>         | <b>Activities</b>    | <b>Total</b>  |
| <b>CURRENT ASSETS:</b>                             |                           |                      |               |
| Cash and cash equivalents                          | \$ 68,585,300             | \$ 132,827           | \$ 68,718,127 |
| Investments  | 7,859,770                 | -                    | 7,859,770     |
| Receivables (net of allowances for uncollectibles) | 12,169,024                | 4,182,895            | 16,351,919    |
| Due from other governments                         | 17,291,094                | 605,236              | 17,896,330    |
| Internal balances                                  | 2,084,274                 | (2,084,274)          | -             |
| Inventories  | 89,748                    | 105,417              | 195,165       |
| Prepays  | 1,752,044                 | 17,613               | 1,769,657     |
| Deferred charges                                   | 3,537,663                 | 6,843                | 3,544,506     |
| Restricted assets:                                 |                           |                      |               |
| Cash and cash equivalents                          | 8,819,440                 | 368,558              | 9,187,998     |
| Investments  | -                         | -                    | -             |

| NON-CURRENT ASSETS                     |                            |           |             |
|--|----------------------------|-----------|-------------|
|  | <b>NON-CURRENT ASSETS:</b> |           |             |
|  | Other assets               | 1,839,953 | -           |
| Restricted cash and cash equivalents   | 32,508,213                 | -         | 32,508,213  |
| Restricted investments                 | 21,967,723                 | -         | 21,967,723  |
| Due from component units               | 56,170                     | -         | 56,170      |
| Capital assets, not being depreciated: |                            |           |             |
| Land and improvements                  | 21,107,153                 | 34,728    | 21,141,881  |
| Land development rights                | 57,176,169                 | -         | 57,176,169  |
| Construction in process                | 108,070,843                | 704,867   | 108,775,710 |
| Capital assets, being depreciated, net |                            |           |             |
| Buildings and improvements             | 52,687,915                 | 2,804,224 | 55,492,139  |
| Infrastructure                         | 8,789,739                  | -         | 8,789,739   |
| Land improvements                      | 1,346,823                  | -         | 1,346,823   |
| Machinery and equipment                | 14,945,488                 | 397,678   | 15,343,166  |
| Machinery and equipment capital lease  | 1,017,935                  | -         | 1,017,935   |

**TOTAL ASSETS**

|                |              |                |
|----------------|--------------|----------------|
| \$ 443,702,481 | \$ 7,276,612 | \$ 450,979,093 |
|----------------|--------------|----------------|

| LIABILITIES                            | Primary Government         |                             |                    |
|--|----------------------------|-----------------------------|--------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total              |
|  | <b>LIABILITIES:</b>        |                             |                    |
| Current liabilities:                   |                            |                             |                    |
| Vouchers and accounts payable          | \$ 36,732,745              | \$ 729,234                  | \$ 37,461,979      |
| Due to other governments               | 45,989                     | -                           | 45,989             |
| Unearned revenue                       | 16,981,297                 | -                           | 16,981,297         |
| Funds held as fiduciary                | 1,369,627                  | 303,401                     | 1,673,028          |
| Other liabilities                      | 1,886,723                  | -                           | 1,886,723          |
| Compensated absences                   | 3,464,960                  | 420,022                     | 3,884,982          |
| Workers' compensation claims           | 399,593                    | -                           | 399,593            |
| Health and long-term disability claims | 1,586,900                  | -                           | 1,586,900          |
| Capital leases payable                 | 672,376                    | -                           | 672,376            |
| Notes and bonds payable                | 19,650,177                 | 51,261                      | 19,701,438         |
| Noncurrent liabilities:                |                            |                             |                    |
| Unearned revenue                       | -                          | -                           | -                  |
| Compensated absences                   | 3,760,090                  | 350,057                     | 4,110,147          |
| Workers' compensation claims           | 1,970,677                  | -                           | 1,970,677          |
| Health and long-term disability claims | 570,468                    | -                           | 570,468            |
| Capital leases payable                 | 345,560                    | -                           | 345,560            |
| Notes and bonds payable                | 359,600,390                | 750,282                     | 360,350,672        |
| <b>TOTAL LIABILITIES</b>               | <b>449,037,572</b>         | <b>2,604,257</b>            | <b>451,641,829</b> |

| NET ASSETS  | <b>NET ASSETS:</b>    |                     |                     |
|---|-----------------------|---------------------|---------------------|
|   | 1,075,397             | 3,139,954           | 4,215,351           |
| Investment in capital assets, net of related debt | 7,070,657             | 65,157              | 7,135,814           |
| Restricted  | (13,481,145)          | 1,467,244           | (12,013,901)        |
| Unrestricted                                      | <b>\$ (5,335,091)</b> | <b>\$ 4,672,355</b> | <b>\$ (662,736)</b> |
| <b>TOTAL NET ASSETS</b>                           |                       |                     |                     |

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Government-Wide Statement of Activities**  
**For the Year Ended December 31, 2006**

| GOVERNMENTAL ACTIVITIES | Functions/Programs                   | Program Revenues   |                      |                                    |                                  |
|-------------------------|--------------------------------------|--------------------|----------------------|------------------------------------|----------------------------------|
|                         |                                      | Expenses           | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
|                         | <b>Primary government</b>            |                    |                      |                                    |                                  |
|                         | Governmental activities:             |                    |                      |                                    |                                  |
|                         | General government                   | \$ 32,488,547      | \$ 15,340,622        | \$ 381,775                         | \$ 2,295,190                     |
|                         | Judicial government                  | 37,537,257         | 8,024,519            | 5,491,731                          | -                                |
|                         | Public safety                        | 16,438,544         | 8,407,371            | 646,062                            | -                                |
|                         | Corrections                          | 31,876,487         | 2,758,515            | 1,409,557                          | 435,650                          |
|                         | Public works                         | 1,347,222          | 108,614              | 621,995                            | 147,119                          |
|                         | Human services                       | 193,374,187        | 4,331,403            | 174,415,031                        | -                                |
|                         | Culture and recreation               | 15,740,917         | 236,573              | 133,259                            | 1,182                            |
|                         | Conservation and development         | 8,000,414          | 1,195,758            | 1,206,096                          | -                                |
|                         | Interest on long-term debt           | 22,656,810         | -                    | -                                  | -                                |
|                         | <b>Total governmental activities</b> | <b>359,460,385</b> | <b>40,403,375</b>    | <b>184,305,506</b>                 | <b>2,879,141</b>                 |

| BUSINESS-TYPE ACTIVITIES | Business-type activities:             |                   |                   |          |                |
|--------------------------|---------------------------------------|-------------------|-------------------|----------|----------------|
|                          | Pocopson Geriatric center             | \$ 23,048,456     | \$ 20,425,579     | \$ -     | \$ 630,784     |
|                          | <b>Total business type activities</b> | <b>23,048,456</b> | <b>20,425,579</b> | <b>-</b> | <b>630,784</b> |

|                                 |                       |                      |                       |                     |
|---------------------------------|-----------------------|----------------------|-----------------------|---------------------|
| <b>Total primary government</b> | <b>\$ 382,508,841</b> | <b>\$ 60,828,954</b> | <b>\$ 184,305,506</b> | <b>\$ 3,509,925</b> |
|---------------------------------|-----------------------|----------------------|-----------------------|---------------------|

GOVERNMENTAL ACTIVITIES

| Net (Expense) Revenue and Changes in Net Assets |                      |               |                      |
|---|----------------------|---------------|----------------------|
| Primary Government                              |                      |               |                      |
| Functions/Programs                              | Governmental         | Business-Type |                      |
| Primary government                              | Activities           | Activities    | Total                |
| Governmental activities:                        |                      |               |                      |
| General government                              | \$ (14,470,960)      |               | \$ (14,470,960)      |
| Judicial government                             | (24,021,007)         |               | (24,021,007)         |
| Public safety                                   | (7,385,111)          |               | (7,385,111)          |
| Corrections                                     | (27,272,765)         |               | (27,272,765)         |
| Public works                                    | (469,494)            |               | (469,494)            |
| Human services                                  | (14,627,753)         |               | (14,627,753)         |
| Culture and recreation                          | (15,369,903)         |               | (15,369,903)         |
| Conservation and development                    | (5,598,560)          |               | (5,598,560)          |
| Interest on long-term debt                      | (22,656,810)         |               | (22,656,810)         |
| <b>Total governmental activities</b>            | <b>(131,872,363)</b> | <b>-</b>      | <b>(131,872,363)</b> |

BUSINESS-TYPE ACTIVITIES

|                                       |          |                    |                    |
|---------------------------------------|----------|--------------------|--------------------|
| <b>Business-type activities:</b>      |          |                    |                    |
| Pocopson Geriatric center             |          | (1,992,093)        | (1,992,093)        |
| <b>Total business type activities</b> | <b>-</b> | <b>(1,992,093)</b> | <b>(1,992,093)</b> |

|                                 |                         |                       |                         |
|---------------------------------|-------------------------|-----------------------|-------------------------|
| <b>Total primary government</b> | <b>\$ (131,872,363)</b> | <b>\$ (1,992,093)</b> | <b>\$ (133,864,456)</b> |
|---------------------------------|-------------------------|-----------------------|-------------------------|

GENERAL REVENUES AND TRANSFERS

|   |                    |                  |                    |
|---|--------------------|------------------|--------------------|
| <b>General revenues:</b>                        |                    |                  |                    |
| <b>Taxes:</b>                                   |                    |                  |                    |
| Property taxes, levied for general purposes     | 96,565,542         | -                | 96,565,542         |
| Property taxes, levied for debt service         | 20,681,870         | -                | 20,681,870         |
| Property taxes, levied for parks and recreation | 5,496,747          | -                | 5,496,747          |
| Property taxes, levied for library              | 6,721,135          | -                | 6,721,135          |
| Personal property taxes                         | 30,760             | -                | 30,760             |
| Investment earnings                             | 8,185,997          | 48,324           | 8,234,321          |
| Miscellaneous                                   | 6,356,148          | -                | 6,356,148          |
| Transfers                                       | (2,964,828)        | 2,964,828        | -                  |
| <b>Total general revenues and transfers</b>     | <b>141,073,371</b> | <b>3,013,152</b> | <b>144,086,523</b> |

|                                |                       |                     |                     |
|--------------------------------|-----------------------|---------------------|---------------------|
| <b>Change in net assets</b>    | 9,201,008             | 1,021,059           | 10,222,067          |
| <b>Net assets - beginning</b>  | (15,806,833)          | 4,134,525           | (11,672,308)        |
| <b>Prior period adjustment</b> | 1,270,734             | (483,229)           | 787,505             |
| <b>Net assets - ending</b>     | <b>\$ (5,335,091)</b> | <b>\$ 4,672,355</b> | <b>\$ (662,736)</b> |

## COUNTY OF CHESTER, PENNSYLVANIA

## Balance Sheet - Governmental Funds

(Including the Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Units)

December 31, 2006

|                                   | General           | Managed Behavioral Healthcare | Mental Health Mental Retardation | Children, Youth and Families |
|-----------------------------------|-------------------|-------------------------------|----------------------------------|------------------------------|
| <b>Assets:</b>                    |                   |                               |                                  |                              |
| Cash and cash equivalents         | \$ 20,838,423     | \$ 1,625,745                  | \$ 11,515,805                    | \$ 16,095                    |
| Investments                       | 2,855,778         | -                             | 1,355,125                        | -                            |
| Taxes receivable                  | 4,281,003         | -                             | -                                | -                            |
| Grants receivable                 | 3,296,300         | -                             | 386,466                          | 6,630,973                    |
| Interest and dividends receivable | 145,824           | -                             | -                                | -                            |
| Other receivables                 | 2,424,405         | -                             | -                                | 22,993                       |
| Due from other funds              | 9,912,721         | -                             | -                                | -                            |
| Inventories                       | 89,748            | -                             | -                                | -                            |
| Prepays                           | 1,013,875         | -                             | -                                | 3,074                        |
| Other assets                      | 7,372             | -                             | -                                | -                            |
| Advances to subcontractors        | -                 | -                             | 3,276,140                        | -                            |
| Due from component units          | 56,170            | -                             | -                                | -                            |
| Restricted assets:                |                   |                               |                                  |                              |
| Temporarily restricted:           |                   |                               |                                  |                              |
| Cash and cash equivalents         | 328,592           | 8,490,848                     | -                                | -                            |
| Investments                       | 293,298           | -                             | -                                | -                            |
| <b>Total Assets</b>               | <b>45,543,509</b> | <b>10,116,593</b>             | <b>16,533,536</b>                | <b>6,673,135</b>             |

|                               | General           | Managed Behavioral Healthcare | Mental Health Mental Retardation | Children, Youth and Families |
|-------------------------------|-------------------|-------------------------------|----------------------------------|------------------------------|
| <b>Liabilities:</b>           |                   |                               |                                  |                              |
| Vouchers and accounts payable | 2,652,819         | 51,479                        | 11,603,770                       | 1,905,628                    |
| Accrued liabilities           | 1,607,227         | 6,906                         | 69,733                           | 148,842                      |
| Funds held in escrow          | 1,045,778         | -                             | -                                | -                            |
| Due to other funds            | -                 | 292,638                       | -                                | 4,279,962                    |
| Due to other governments      | 736               | -                             | 18,270                           | -                            |
| Deferred revenues             | 4,917,171         | 8,490,848                     | 4,841,763                        | 338,703                      |
| Other liabilities             | 1,916,835         | -                             | -                                | -                            |
| <b>Total liabilities</b>      | <b>12,140,566</b> | <b>8,841,871</b>              | <b>16,533,536</b>                | <b>6,673,135</b>             |

|                           | General           | Managed Behavioral Healthcare | Mental Health Mental Retardation | Children, Youth and Families |
|---------------------------|-------------------|-------------------------------|----------------------------------|------------------------------|
| <b>Fund balance:</b>      |                   |                               |                                  |                              |
| Fund balance, reserved    | 1,103,623         | -                             | -                                | -                            |
| Fund balance, unreserved  | 32,299,320        | 1,274,722                     | -                                | -                            |
| <b>Total fund balance</b> | <b>33,402,943</b> | <b>1,274,722</b>              | <b>-</b>                         | <b>-</b>                     |

|   |                      |                      |                      |                     |
|---|----------------------|----------------------|----------------------|---------------------|
| <b>Total liabilities and fund balance</b> | <b>\$ 45,543,509</b> | <b>\$ 10,116,593</b> | <b>\$ 16,533,536</b> | <b>\$ 6,673,135</b> |
|---|----------------------|----------------------|----------------------|---------------------|

|                                   | Other Governmental Funds |                   |                   | Total Governmental Funds |
|-----------------------------------|--------------------------|-------------------|-------------------|--------------------------|
|                                   | Capital Improvement      | Debt Service      |                   |                          |
| <b>Assets:</b>                    |                          |                   |                   |                          |
| Cash and cash equivalents         | \$ 3,277,652             | \$ 14,151,963     | \$ 7,654,045      | \$ 59,079,728            |
| Investments                       | -                        | 1,665,335         | 876,085           | 6,752,323                |
| Taxes receivable                  | -                        | 681,197           | 434,405           | 5,396,605                |
| Grants receivable                 | 255,840                  | -                 | 6,721,515         | 17,291,094               |
| Interest and dividends receivable | 149,715                  | -                 | 1,804             | 297,343                  |
| Other receivables                 | 255,802                  | -                 | 1,959,267         | 4,662,467                |
| Due from other funds              | -                        | -                 | -                 | 9,912,721                |
| Inventories                       | -                        | -                 | -                 | 89,748                   |
| Prepays                           | 46,441                   | -                 | 8,653             | 1,072,043                |
| Other assets                      | -                        | -                 | 500               | 7,872                    |
| Advances to subcontractors        | -                        | -                 | 156,394           | 3,432,534                |
| Due from component units          | -                        | -                 | -                 | 56,170                   |
| Restricted assets:                |                          |                   |                   |                          |
| Temporarily restricted:           |                          |                   |                   |                          |
| Cash and cash equivalents         | 32,094,662               | -                 | 413,551           | 41,327,653               |
| Investments                       | 21,674,425               | -                 | -                 | 21,967,723               |
| <b>Total Assets</b>               | <b>57,754,537</b>        | <b>16,498,495</b> | <b>18,226,219</b> | <b>171,346,024</b>       |

|                               |                   |                |                  |                   |
|-------------------------------|-------------------|----------------|------------------|-------------------|
| <b>LIABILITIES:</b>           |                   |                |                  |                   |
| Vouchers and accounts payable | 13,199,664        | 5,202          | 4,309,930        | 33,728,492        |
| Accrued liabilities           | 13,359            | 307            | 445,854          | 2,292,228         |
| Funds held in escrow          | -                 | -              | 15,058           | 1,060,836         |
| Due to other funds            | 110,519           | -              | 1,666,314        | 6,349,433         |
| Due to other governments      | -                 | -              | 26,984           | 45,990            |
| Deferred revenues             | 500               | 519,155        | 1,318,321        | 20,426,461        |
| Other liabilities             | -                 | -              | -                | 1,916,835         |
| <b>Total liabilities</b>      | <b>13,324,042</b> | <b>524,664</b> | <b>7,782,461</b> | <b>65,820,275</b> |

|                           |                   |                   |                   |                    |
|---------------------------|-------------------|-------------------|-------------------|--------------------|
| <b>FUND BALANCE:</b>      |                   |                   |                   |                    |
| Fund balance, reserved    | 327,200           | -                 | 6,143,903         | 7,574,726          |
| Fund balance, unreserved  | 44,103,295        | 15,973,831        | 4,299,855         | 97,951,023         |
| <b>Total fund balance</b> | <b>44,430,495</b> | <b>15,973,831</b> | <b>10,443,758</b> | <b>105,525,749</b> |

|   |                      |                      |                      |
|---|----------------------|----------------------|----------------------|
| <b>Total liabilities and fund balance</b> | <b>\$ 57,754,537</b> | <b>\$ 16,498,495</b> | <b>\$ 18,226,219</b> |
|---|----------------------|----------------------|----------------------|

|  |                       |
|--|-----------------------|
| <b>Amounts reported for governmental activities in the statement of net assets are different because:</b>  |                       |
| Internal service funds are used by management to charge the costs of certain activities such as workers compensation, flexible benefits and computer replacement. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | 6,108,273             |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as a fund liability.  | (387,392,723)         |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.   | 6,299,480             |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  | 264,124,130           |
| <b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>   | <b>\$ (5,335,091)</b> |

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2006**

|                       | General       | Managed Behavioral Healthcare | Mental Health Mental Retardation | Children, Youth and Families |
|-----------------------|---------------|-------------------------------|----------------------------------|------------------------------|
| <b>Revenues:</b>      |               |                               |                                  |                              |
| Taxes:                |               |                               |                                  |                              |
| Real estate           | \$ 96,444,175 | \$ -                          | \$ -                             | \$ -                         |
| Personal property     | 30,760        | -                             | -                                | -                            |
| Licenses and permits  | 1,267,008     | -                             | -                                | -                            |
| Federal grants        | 2,775,518     | -                             | 22,151,888                       | 4,937,440                    |
| State grants          | 8,848,378     | 48,424,943                    | 41,353,428                       | 16,423,900                   |
| Local grants          | 159,184       | 663,379                       | -                                | 68,862                       |
| Departmental earnings | 12,710,156    | -                             | 3                                | 691,888                      |
| Court costs and fines | 4,788,152     | -                             | -                                | -                            |
| Interest earnings     | 3,253,492     | 188,022                       | 424,984                          | 896                          |
| Rents                 | 201,427       | -                             | -                                | -                            |
| Other                 | 3,278,006     | -                             | 78,005                           | 79,492                       |
| Total revenues        | 133,756,255   | 49,276,344                    | 64,008,308                       | 22,202,477                   |

|                              |             |            |            |            |
|------------------------------|-------------|------------|------------|------------|
| <b>Expenditures:</b>         |             |            |            |            |
| Current:                     |             |            |            |            |
| General government           | 25,111,960  | -          | -          | -          |
| Judicial                     | 32,639,498  | -          | -          | -          |
| Public safety                | 2,448,442   | -          | -          | -          |
| Corrections                  | 32,049,434  | -          | -          | -          |
| Public works                 | -           | -          | -          | -          |
| Human services               | 10,704,744  | 48,950,576 | 65,323,091 | 27,988,971 |
| Culture and recreation       | -           | -          | -          | -          |
| Conservation and development | 4,675,171   | -          | -          | -          |
| Debt service:                |             |            |            |            |
| Principal                    | -           | -          | -          | -          |
| Interest                     | -           | -          | -          | -          |
| Debt issuance costs          | -           | -          | -          | -          |
| Capital outlay:              |             |            |            |            |
| Bridges                      | -           | -          | -          | -          |
| Other                        | 70,909      | -          | -          | -          |
| Total expenditures           | 107,700,158 | 48,950,576 | 65,323,091 | 27,988,971 |

|  |              |           |           |           |
|--|--------------|-----------|-----------|-----------|
| <b>Other financing sources (uses):</b> |              |           |           |           |
| Bond issuance                          | -            | -         | -         | -         |
| Premium on bond issue                  | -            | -         | -         | -         |
| Note issuance                          | -            | -         | -         | -         |
| Payment to refunded bond escrow agent  | -            | -         | -         | -         |
| Bond refunding                         | -            | -         | -         | -         |
| Note refunding                         | -            | -         | -         | -         |
| Transfers in                           | 65,167       | 14,555    | 1,452,338 | 6,616,059 |
| Transfers out                          | (20,935,925) | (229,787) | (137,555) | (829,565) |
| Sale of capital assets                 | 48,625       | -         | -         | -         |
| Total other financing sources (uses)   | (20,822,133) | (215,232) | 1,314,783 | 5,786,494 |

|   |               |              |      |      |
|---|---------------|--------------|------|------|
| <b>Change in fund balance</b>           | 5,233,964     | 110,536      | -    | -    |
| <b>Fund balance - beginning of year</b> | 28,168,979    | 1,164,186    | -    | -    |
| <b>Prior period adjustment</b>          |               |              |      | -    |
| <b>Fund balance - end of year</b>       | \$ 33,402,943 | \$ 1,274,722 | \$ - | \$ - |

|                       | Capital<br>Improvement | Debt<br>Service | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-----------------------|------------------------|-----------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>      |                        |                 |                                |                                |
| Taxes:                |                        |                 |                                |                                |
| Real estate           | \$ -                   | \$ 20,602,167   | \$ 12,208,076                  | \$ 129,254,418                 |
| Personal property     | -                      | -               | -                              | 30,760                         |
| Licenses and permits  | -                      | -               | -                              | 1,267,008                      |
| Federal grants        | 2,362,564              | -               | 22,684,712                     | 54,912,121                     |
| State grants          | 582,769                | -               | 12,882,762                     | 128,516,178                    |
| Local grants          | 901,183                | -               | 38,860                         | 1,831,468                      |
| Departmental earnings | -                      | 3,040,812       | 11,422,095                     | 27,864,954                     |
| Court costs and fines | -                      | -               | 361,252                        | 5,149,404                      |
| Interest earnings     | 1,735,188              | 2,501,317       | 552,607                        | 8,656,506                      |
| Rents                 | -                      | -               | 257,951                        | 459,378                        |
| Other                 | -                      | 1,230           | 962,506                        | 4,399,239                      |
| Total revenues        | 5,581,703              | 26,145,526      | 61,370,821                     | 362,341,434                    |

|                              |            |            |            |             |
|------------------------------|------------|------------|------------|-------------|
| <b>Expenditures:</b>         |            |            |            |             |
| Current:                     |            |            |            |             |
| General government           | 1,833,050  | 41,088     | 109,964    | 27,096,062  |
| Judicial                     | -          | -          | 5,424,605  | 38,064,103  |
| Public safety                | 89,367     | -          | 12,093,677 | 14,631,486  |
| Corrections                  | 679,181    | -          | -          | 32,728,615  |
| Public works                 | 207,101    | -          | 913,427    | 1,120,528   |
| Human services               | 5,312,273  | -          | 35,097,888 | 193,377,543 |
| Culture and recreation       | 3,664,373  | -          | 12,375,546 | 16,039,919  |
| Conservation and development | 3,499,076  | -          | -          | 8,174,247   |
| Debt service:                |            |            |            |             |
| Principal                    | -          | 11,363,508 | -          | 11,363,508  |
| Interest                     | -          | 14,713,602 | -          | 14,713,602  |
| Debt issuance costs          | 289,299    | 295,099    | -          | 584,398     |
| Capital outlay:              |            |            |            |             |
| Bridges                      | 46,200     | -          | -          | 46,200      |
| Other                        | 65,552,502 | -          | 1,756,865  | 67,380,276  |
| Total expenditures           | 81,172,422 | 26,413,297 | 67,771,972 | 425,320,487 |

|  |            |              |           |              |
|--|------------|--------------|-----------|--------------|
| <b>Other financing sources (uses):</b> |            |              |           |              |
| Bond issuance                          | -          | -            | -         | -            |
| Premium on bond issue                  | -          | 1,037,616    | -         | 1,037,616    |
| Note issuance                          | 68,500,000 | -            | -         | 68,500,000   |
| Payment to refunded bond escrow agent  | -          | (87,498,600) | -         | (87,498,600) |
| Bond refunding                         | -          | 86,725,000   | -         | 86,725,000   |
| Note refunding                         | -          | -            | -         | -            |
| Transfers in                           | -          | 3,839,549    | 7,920,398 | 19,908,066   |
| Transfers out                          | -          | -            | (740,062) | (22,872,894) |
| Sale of capital assets                 | -          | -            | 6,406     | 55,031       |
| Total other financing sources (uses)   | 68,500,000 | 4,103,565    | 7,186,742 | 65,854,219   |

|   |               |               |               |                |
|---|---------------|---------------|---------------|----------------|
| <b>Change in fund balance</b>           | (7,090,719)   | 3,835,794     | 785,591       | 2,875,166      |
| <b>Fund balance - beginning of year</b> | 48,876,365    | 12,138,037    | 9,449,267     | 99,796,834     |
| <b>Prior period adjustment</b>          | 2,644,849     |               |               | 2,644,849      |
| <b>Fund balance - end of year</b>       | \$ 44,430,495 | \$ 15,973,831 | \$ 10,234,858 | \$ 105,316,849 |

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**COUNTY OF CHESTER, PENNSYLVANIA  
Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2006**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds (from page 8)

\$ 2,887,840

The net revenue of certain activities of the internal services fund is reported with governmental activities

3,702,932

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Additionally, various other long-term liabilities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. This amount is the net effect of the differences in the treatment of long-term liabilities on the statement of activities.

(59,444,152)

The difference in the change in net assets between full accrual accounting and modified accrual accounting due to differing revenue recognition criteria between the two accounting methods.

(328,089)

The net effect of various transactions involving capital assets, (i.e. purchases, disposals, etc.) is to increase net assets.

62,382,477

**Change in Net Assets of Governmental Activities**

\$ 9,201,008

**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2006**

| CURRENT ASSETS         |  | <b>Business-type<br/>Activities</b>             | <b>Governmental<br/>Activities</b> |           |
|------------------------|--|---|------------------------------------|-----------|
|                        |  | <b>Enterprise Fund</b>                          | <b>Internal Service</b>            |           |
|                        |  | <b>Pocopson</b>                                 | <b>Funds</b>                       |           |
| <b>Assets:</b>         |  |   |                                    |           |
| <b>Current assets:</b> |  |   |                                    |           |
|                        | Cash and cash equivalents                          | \$ 132,827                                      | \$ 9,505,572                       |           |
|                        | Investments  | -   | 1,107,445                          |           |
|                        | Receivables (net of allowances for uncollectibles) | 4,788,131                                       | 1,784,215                          |           |
|                        | Inventories  | 105,417   | -                                  |           |
|                        | Prepays  | 17,613  | 680,000                            |           |
|                        | Deferred charges                                   | 6,843   | -                                  |           |
|                        | <b>Restricted assets:</b>                          |   |                                    |           |
|                        | Restricted cash and cash equivalents               | 368,558   | -                                  |           |
|                        | <b>Total current assets</b>                        | <b>5,419,389</b>                                | <b>13,077,232</b>                  |           |
| NON-CURRENT ASSETS     | <b>Noncurrent assets:</b>                          |   |                                    |           |
|                        |  | Capital assets net of accumulated depreciation: |                                    |           |
|                        |  | Land improvements                               | 34,728                             | -         |
|                        |  | Buildings                                       | 746,170                            | -         |
|                        |  | Building improvements                           | 2,058,054                          | -         |
|                        |  | Construction in process                         | 704,867                            | -         |
|                        |  | Machinery and equipment                         | 397,678                            | 1,017,936 |
|                        | <b>Total noncurrent assets</b>                     | <b>3,941,497</b>                                | <b>1,017,936</b>                   |           |
| <b>Total assets</b>    |  | <b>\$ 9,360,886</b>                             | <b>\$ 14,095,168</b>               |           |

|  | <b>Business-type<br/>Activities</b> | <b>Governmental<br/>Activities</b> |
|--|-------------------------------------|------------------------------------|
|  | <b>Enterprise Fund<br/>Pocopson</b> | <b>Internal Service<br/>Funds</b>  |
|  |                                     |                                    |
| <b>Liabilities:</b>  |                                     |                                    |
| <b>Current liabilities:</b>  |                                     |                                    |
| Vouchers and accounts payable  | \$ 428,850                          | \$ 808,457                         |
| Accrued liabilities  | 300,384                             | 11,752                             |
| Funds held as fiduciary  | 303,401                             | -                                  |
| Due to other funds   | 3,534,897                           | -                                  |
| Other liabilities  | -                                   | 168,547                            |
| Compensated absences   | 420,022                             | -                                  |
| Workers' compensation claims   | -                                   | 399,593                            |
| Health and long-term disability claims   | -                                   | 1,586,900                          |
| Notes and bonds payable  | 51,261                              | -                                  |
| Capital leases payable   | -                                   | 672,376                            |
| <b>Total current liabilities</b>   | <b>5,038,815</b>                    | <b>3,647,625</b>                   |
|  |                                     |                                    |
| <b>Noncurrent liabilities:</b>   |                                     |                                    |
| Compensated absences   | 350,057                             | -                                  |
| Workers' compensation claims   | -                                   | 1,970,677                          |
| Health and long-term disability claims   | -                                   | 570,468                            |
| Notes and bonds payable  | 750,282                             | -                                  |
| Capital leases payable   | -                                   | 345,560                            |
| <b>Total noncurrent liabilities</b>  | <b>1,100,339</b>                    | <b>2,886,705</b>                   |
|  |                                     |                                    |
| <b>Total liabilities</b>   | <b>6,139,154</b>                    | <b>6,534,330</b>                   |
|  |                                     |                                    |
| <b>Net assets:</b>   |                                     |                                    |
| Invested in capital assets, net of related debt  | 3,139,954                           | -                                  |
| Restricted   | 65,157                              | -                                  |
| Unrestricted   | 16,621                              | 7,560,838                          |
| <b>Total net assets</b>  | <b>3,221,732</b>                    | <b>7,560,838</b>                   |
|  |                                     |                                    |
| <b>TOTAL NET ASSETS</b>  | <b>3,221,732</b>                    | <b>\$ 7,560,838</b>                |
|  |                                     |                                    |
| Adjustments to reflect the consolidation of internal service<br>fund activities related to enterprise funds. | 1,450,623                           |                                    |
|  |                                     |                                    |
| <b>Net assets of business-type activities</b>  | <b>\$ 4,672,355</b>                 |                                    |

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**COUNTY OF CHESTER, PENNSYLVANIA**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended December 31, 2006**

| OPERATING REVENUES                  |  | <b>Business-type<br/>Activities</b> | <b>Governmental<br/>Activities</b> |
|-------------------------------------|--|-------------------------------------|------------------------------------|
|                                     |  | <b>Enterprise Fund<br/>Pocopson</b> | <b>Internal Service<br/>Funds</b>  |
|                                     | <b>Operating revenues:</b>   |                                     |                                    |
|                                     | Net patient service revenues   | \$ 20,345,907                       | \$ -                               |
|                                     | Self insurance premiums - employer   | -                                   | 31,081,613                         |
|                                     | Self insurance premiums - employee   | -                                   | 3,176,699                          |
|                                     | Computer usage fees  | -                                   | 1,435,696                          |
|                                     | Other  | 79,672                              | 263,341                            |
|                                     | <b>Total operating revenues</b>  | <b>20,425,579</b>                   | <b>35,957,349</b>                  |
| OPERATING EXPENSES                  | <b>Operating expenses:</b>   |                                     |                                    |
|                                     | Personal services  | 18,111,469                          | 553,460                            |
|                                     | Other services and charges   | 3,607,201                           | 9,102,531                          |
|                                     | Self insurance claims  | 165,537                             | 21,654,162                         |
|                                     | Depreciation   | 456,179                             | 952,339                            |
|                                     | Amortization   | 595                                 | -                                  |
|                                     | Indirect costs   | 1,191,066                           | 58,760                             |
|                                     | <b>Total operating expenses</b>  | <b>23,532,047</b>                   | <b>32,321,252</b>                  |
|                                     | <b>Operating loss</b>  | <b>(3,106,468)</b>                  | <b>3,636,097</b>                   |
| NONOPERATING<br>REVENUES/(EXPENSES) | <b>Nonoperating revenues (expenses):</b>   |                                     |                                    |
|                                     | Interest income  | 48,324                              | 603,913                            |
|                                     | Interest expense   | (51,208)                            | (2,279)                            |
|                                     | <b>Total nonoperating revenues (expenses)</b>  | <b>(2,884)</b>                      | <b>601,634</b>                     |
|                                     | <b>Contributions and transfers in</b>  | <b>3,595,612</b>                    | <b>-</b>                           |
|                                     | <b>Change in net assets</b>  | <b>486,260</b>                      | <b>4,237,731</b>                   |
|                                     | <b>Net assets - beginning of year</b>  | <b>3,218,701</b>                    | <b>3,323,107</b>                   |
|                                     | <b>Prior period adjustment</b>   | <b>(483,229)</b>                    | <b>-</b>                           |
|                                     | <b>Net assets - end of year</b>  | <b>\$ 3,221,732</b>                 | <b>\$ 7,560,838</b>                |
|                                     | Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds | 534,799                             |                                    |
|                                     | <b>Change in net assets of business-type activities</b>  | <b>\$ 1,021,059</b>                 |                                    |

**COUNTY OF CHESTER, PENNSYLVANIA  
 STATEMENT OF FIDUCIARY NET ASSETS  
 Fiduciary Funds  
 December 31, 2006**

| ASSETS                           | Employee Retirement Trust Fund | Tax Claim Agency Fund | Row Office Agency Fund | Hotel Tax Agency Fund | Total Fiduciary    |
|----------------------------------|--------------------------------|-----------------------|------------------------|-----------------------|--------------------|
| <b>Assets:</b>                   |                                |                       |                        |                       |                    |
| Cash and cash equivalents        | \$ 9,950,730                   | \$ 1,031,277          | \$ 12,876,212          | \$ 91,400             | \$ 23,949,619      |
| Investments, at fair value:      |                                |                       |                        |                       |                    |
| US government obligations        | 42,463,719                     | 121,355               | -                      | 10,755                | 42,595,829         |
| Domestic corporate bonds         | 23,746,298                     | -                     | -                      | -                     | 23,746,298         |
| Municipal bonds                  | 1,545,069                      | -                     | -                      | -                     | 1,545,069          |
| Miscellaneous fixed income       | -                              | -                     | -                      | -                     | -                  |
| Equities                         | 81,568,022                     | -                     | -                      | -                     | 81,568,022         |
| Mutual funds                     | 86,372,411                     | -                     | -                      | -                     | 86,372,411         |
| Accrued interest and dividends   | 884,925                        | -                     | -                      | -                     | 884,925            |
| Agency tax / interest receivable | -                              | 12,296,820            | -                      | -                     | 12,296,820         |
| Hotel tax receivable             | -                              | -                     | -                      | 148,057               | 148,057            |
|                                  |                                |                       |                        |                       |                    |
| <b>Total assets</b>              | <b>246,531,174</b>             | <b>13,449,452</b>     | <b>12,876,212</b>      | <b>250,212</b>        | <b>273,107,050</b> |

| LIABILITIES               | Employee Retirement Trust Fund | Tax Claim Agency Fund | Row Office Agency Fund | Hotel Tax Agency Fund | Total Fiduciary      |
|---------------------------|--------------------------------|-----------------------|------------------------|-----------------------|----------------------|
| <b>Liabilities:</b>       |                                |                       |                        |                       |                      |
| Accounts payable          | 298,202                        | -                     | -                      | -                     | 298,202              |
| Accrued liabilities       | 55,903                         | -                     | -                      | -                     | 55,903               |
| Due to other funds        | 28,391                         | -                     | -                      | -                     | 28,391               |
| Due to other governments  | -                              | -                     | 672,868                | -                     | 672,868              |
| Other liabilities         | -                              | -                     | 12,203,344             | -                     | 12,203,344           |
| Due to taxing authorities | -                              | 13,449,452            | -                      | -                     | 13,449,452           |
| Hotel tax payable         | -                              | -                     | -                      | 250,212               | 250,212              |
|                           |                                |                       |                        |                       |                      |
| <b>Total liabilities</b>  | <b>382,496</b>                 | <b>\$ 13,449,452</b>  | <b>\$ 12,876,212</b>   | <b>\$ 250,212</b>     | <b>\$ 26,958,372</b> |

| NET ASSETS  | Employee Retirement Trust Fund | Tax Claim Agency Fund | Row Office Agency Fund | Hotel Tax Agency Fund | Total Fiduciary       |
|---|--------------------------------|-----------------------|------------------------|-----------------------|-----------------------|
| <b>Net assets:</b>                                    |                                |                       |                        |                       |                       |
| Held in trust for pension benefits and other purposes | 246,148,678                    | -                     | -                      | -                     | 246,148,678           |
| <b>Total net assets</b>                               | <b>\$ 246,148,678</b>          | <b>-</b>              | <b>-</b>               | <b>-</b>              | <b>\$ 246,148,678</b> |

**COUNTY OF CHESTER, PENNSYLVANIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Fiduciary Funds**  
**Year ended December 31, 2006**

|                                       |   |                                       |
|---------------------------------------|---|---------------------------------------|
| <b>ADDITIONS</b>                      | <b>Additions:</b>                             | <b>Employee Retirement Trust Fund</b> |
|                                       | Contributions:                                |                                       |
|                                       | Employer                                      | \$ 8,375,142                          |
|                                       | Employee                                      | 5,921,416                             |
|                                       | Other   | -                                     |
|                                       | <b>Total contributions</b>                    | <b>14,296,558</b>                     |
|                                       | Investment earnings:                          |                                       |
|                                       | Interest                                      | 3,251,185                             |
|                                       | Net increase in fair value of investments     | 20,988,133                            |
|                                       | Dividends                                     | 1,413,198                             |
| Total investment earnings             | <b>25,652,516</b>                             |                                       |
| Less investment expense               | <b>1,077,416</b>                              |                                       |
| <b>Net investment earnings</b>        | <b>24,575,100</b>                             |                                       |
| <b>Total additions</b>                | <b>38,871,658</b>                             |                                       |
| <b>DEDUCTIONS</b>                     | <b>Deductions:</b>                            |                                       |
|                                       | Benefit payments                              | 8,610,687                             |
|                                       | Refund of employee contributions              | 1,161,128                             |
|                                       | Interest on refunds of employee contributions | 229,090                               |
| <b>Total deductions</b>               | <b>10,000,905</b>                             |                                       |
| <b>Change in net assets</b>           | <b>28,870,753</b>                             |                                       |
| <b>Net assets - beginning of year</b> | <b>217,277,925</b>                            |                                       |
| <b>Prior period adjustment</b>        | <b>-</b>                                      |                                       |
| <b>Net assets - end of year</b>       | <b>\$ 246,148,678</b>                         |                                       |

**STATEMENT OF CAPITAL EXPENDITURES**

| GOVERNMENTAL-TYPE/BUSINESS-TYPE ACTIVITY | <b>GOVERNMENTAL-TYPE ACTIVITY:</b> |                      |                      |
|--|------------------------------------|----------------------|----------------------|
|  | Capital Purchases                  | Capital Construction | Total                |
| General government                       | \$ 5,683,638                       | \$ 12,987,373        | \$ 18,671,011        |
| Judicial government                      | 304,157                            |                      | 304,157              |
| Public safety                            | 1,119,336                          |                      | 1,119,336            |
| Corrections                              | 53,678                             |                      | 53,678               |
| Public works                             | 26,017                             |                      | 26,017               |
| Human services                           | 1,636,619                          | 12,428,777           | 14,065,396           |
| Culture and recreation                   | 1,090,340                          |                      | 1,090,340            |
| Conservation and development             | 7,383,634                          |                      | 7,383,634            |
| <b>BUSINESS-TYPE ACTIVITY:</b>           |                                    |                      |                      |
| Enterprise fund - Pocopson Home          | 72,617                             | 674,415              | 747,032              |
| <b>TOTAL CAPITAL EXPENDITURES</b>        | <b>\$ 17,370,036</b>               | <b>\$ 26,090,565</b> | <b>\$ 43,460,601</b> |

| TAX RATES & EMPLOYEE COMPENSATION   | <b>TAX RATES &amp; EMPLOYEE COMPENSATION</b> |  |
|---|--|--|
|   | <b>TAX RATES:</b>                            |  |
| General purposes  | 2.759 mills                                  |  |
| Debt purposes   | .591 mills                                   |  |
| All other purposes  | .349 mills                                   |  |
| <b>Total</b>  | <b>3.699 mills</b>                           |  |
| <b>EMPLOYEE COMPENSATION:</b>   |  |  |
| Total salaries, wages, commissions, etc. paid this year (including all employees and elected officials) | <b>\$ 106,485,072</b>                        |  |



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# COUNTY OF CHESTER OFFICE OF THE CONTROLLER

2 N. HIGH STREET, SUITE 540, P.O. BOX 2748, WEST CHESTER, PA 19380-0991  
TELEPHONE: (610) 344-6155 FAX: (610) 344-6750

VALENTINO F. DIGIORGIO, III  
Controller

June 29, 2007

### ELECTED CONTROLLER'S CERTIFIED OPINION

To the: Board of County Commissioners  
President Judge of the Court of Common Pleas  
Secretary of the Department of Community and Economic Development


I, the undersigned, the duly elected and acting Controller of the County of Chester, have audited, adjusted and settled the accounts of the County of Chester for the year ended December 31, 2006. My audit, adjustment, and settlement was made in accordance with Act 103 of 2002 rather than with U.S. generally accepted auditing standards.

The County has prepared these financial statements on the basis of accounting consistent with U.S. generally accepted accounting principles; consisting of the accrual basis for the government-wide, proprietary fund and fiduciary fund financial statements and the modified accrual basis for the governmental fund financial statements.

Due to the absence of notes and other disclosures required by U.S. generally accepted accounting principles, these financial statements are not intended to be a complete presentation in accordance with U.S. generally accepted accounting principles.

In my opinion, these financial statements accurately reflect the results of operations and the financial position of the County of Chester for the year ended December 31, 2006.

Signed:

  
Valentino F. DiGiorgio III, Esq.  
Controller

Commonwealth of Pennsylvania )  
County of Chester ) SS:  
)

Subscribed and sworn to before me  
this 29<sup>th</sup> day of June, 2007. (Seal)

Signed: Cathryn W. Baker  
Notary Public

COMMONWEALTH OF PENNSYLVANIA  
Notarial Seal  
Cathryn W. Baker, Notary Public  
West Chester Boro, Chester County  
My Commission Expires Mar. 1, 2010

Member, Pennsylvania Association of Notaries

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