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**The City of Chester’s Cash Crisis is Caused By Years Long Oversight Failures by the Pennsylvania Department of Community and Economic Development**

**Chester’s Cash Crisis is Not New**

On April 13, 2020, Governor Wolf issued a “Declaration of Fiscal Emergency” for the City of Chester. The City and the Pennsylvania Department of Community and Economic Development (“DCED”) claimed that the City’s current financial distress is related to the COVID-19 pandemic, which “is now threatening all of the progress that the City has made.”<sup>1</sup> This is not true and is a story concocted by the DCED to cover up the DCED’s long standing lack of transparency and fiscal mismanagement of Chester going back at least 8 years. Indeed, it appears that none of the \$3.9 billion in discretionary federal stimulus funds that Pennsylvania received due to the pandemic have gone to the City of Chester.

The DCED's hand-picked Receiver for Chester has admitted this COVID-19 centric version of events is not accurate and that Chester's cash struggles have been building for the last several years. Indeed, in a recent receivership filing the Receiver admits:

The impact of COVID-19 is new and unexpected, but the City's struggle to finish the year without running out of cash is not. In recent years the City has dealt with this problem by defaulting on its Tax Revenue Anticipation Note (TRAN) repayment (2016); falling behind on its payments for employee health insurance (2016); issuing new debt to cover current year obligations (2017); or pushing a portion of its current year obligations into the next year (2018 and 2019).<sup>2</sup>

The reason the DCED is playing up the inaccurate COVID-19 cover story is because, behind the scenes of the recent Declaration of Fiscal Emergency, the DCED has been working with the City of Chester and for-profit water companies to attempt to circumvent pending litigation, and to attempt to improperly seize and sell to the DCED's private water company friends assets that neither the DCED nor the City own, as a way to cover-up the DCED's lack of oversight that has resulted in the City's cash crisis and economic collapse.

### **The Improper Attempts to Seize the Water System And Resulting Harm to the People**

The Chester Water Authority ("CWA") was established in 1939 as a public, non-profit corporation for the purpose of providing potable water, and now serves customers in Western Delaware County, Southern Chester County and the City of Chester. The CWA Board is comprised of nine members appointed by the City of Chester Council, Delaware County Council, and the Chester County Commissioners.

The City of Chester has never contributed any money into the operations of the CWA.<sup>3</sup> Sometime in 2016 or early 2017 Aqua and the DCED began discussing the sale of the CWA to

Aqua. Incredibly, it appears that those plans were discussed by the DCED and Aqua in secret and did not involve anyone from the City of Chester or the CWA.<sup>4</sup> In 2017, Aqua America made a written offer to the CWA to purchase its assets, which the CWA rejected, in part, because its analysis showed that ratepayers would have seen significant rate increases over time by Aqua.<sup>5</sup> Unhappy with the CWA's rejection of Aqua's offer, attempts to simply seize the CWA and force the deal began, with more secret meetings taking place with Aqua and the City of Chester, lawsuits and political pressure. It is worth noting that once these plans to seize and sell the CWA became known, more than 30 townships and boroughs, 10 state senators and state representatives, and at least 10 local interested organizations have written letters opposing any sale of the CWA.<sup>6</sup> To date it does not appear that the DCED has provided a response to any of these letters of support.

If the DCED and its hand-picked Receiver for the City of Chester are permitted to seize CWA assets to cover up the shortfalls they created in Chester, it will be to the detriment of the residents of Chester, as well as the 79% of CWA ratepayers who reside throughout Chester County and Delaware County in dozens of other townships and boroughs. All CWA ratepayers, regardless of where they live, will pay significantly higher water rates if the City, DCED and for-profit water companies are successful in seizing and selling CWA's assets.<sup>7</sup> This attempted seizure is especially troubling because the City's financial statements have always stated that the CWA is not an asset of the City, and it is not included in the City's financial reporting.<sup>8</sup> The Secretary of the DCED, Dennis M. Davin, confirmed this a few months ago in a private letter, stating "the water system is owned by the Chester Water Authority."<sup>9</sup> Despite this, the DCED's handpicked Receiver in control of Chester has stated that given "the City's dire financial

condition”, the City should nonetheless treat the CWA as a “business-type asset”, seize it, and sell it to for-profit water companies to raise money.<sup>10</sup> In doing so during the City’s cash crisis, the Receiver is using cash the City does not have in order to fund the City’s ongoing litigation efforts to seize the CWA, including paying two high-priced national law firms, Greenberg Traurig and Ballard Spahr, to represent them.<sup>11,12</sup>

**The DCED’s 25-Year Oversight of Chester’s Finances Has Seen Chester Go From a Balanced Budget to Insolvency in the Last 8 Years.**

While it is now widely known that Chester has become so cash-strapped that a declaration of fiscal emergency has been issued and a Receiver appointed, the true extent of Chester’s financial troubles are not currently known because the City has not released audited financial statements since those for the fiscal year ending December 31, 2017.<sup>13</sup> It is unclear what the DCED and the Receiver controlled City do not want the world to see, but the failure of the City to produce audited financial statements, and the failure of the DCED in its Act 47 oversight capacity, are causes for great concern.

The DCED’s Act 47 Recovery Team has been involved in the City’s day-to-day strategic financial planning for decades. Before the new Recovery Coordinator took over, the City operated within budget for several years including establishing a revenue fund with excess revenues.<sup>14</sup>

That all changed eight years ago when John Linder became Mayor. From 2013 through 2017, the City ran operating deficits, began delaying payments to vendors, and failed to fund required pension and other obligations.<sup>15</sup> The Receiver has disclosed that “[t]he City has not made its full minimal municipal obligation (MMO) to the three pension plans since 2013, leading to a severely underfunded pension situation, particularly with the Police and Officers &

Employees (non-uniform) plans.”<sup>16</sup> In 2014, credit rating agency S&P suspended the “A” rating it previously provided in August of 2011 regarding Chester’s general obligation debt because in 2014 “the city failed to supply needed documentation.”<sup>17</sup> At the end of 2016, the City defaulted on its 2016 Tax and Revenue Anticipation Note<sup>18</sup>, and underpaid for its healthcare costs, accumulating an outstanding balance to its health insurance provider of almost \$8 million.<sup>19</sup> The DCED picked Receiver has stated that due to the lack of fiscal oversight “[t]he City faced a severe situation in 2017 with \$28 million in unpaid obligations, including past due pension minimum municipal obligations (MMOs), health insurance premium payments, vendor payments, and workers compensation premiums.”<sup>20</sup> The only way the City made it through 2017 was because the DCED issued an emergency \$2 million loan in January 2017 to meet the City’s immediate cash flow needs, and in August 2017, the City issued \$12,000,000 Series 2017A Bonds to pay certain unfunded General Fund liabilities and to fund required reserve funds.<sup>21</sup> Mayor Linder and the DCED were forewarned in January of 2012 of the looming pension issues as a result of an adverse arbitration award and had the opportunity to appeal that decision based on a powerful dissent that laid out the legal and factual basis to do so. Mayor Linder, and the Act 47 Oversight team, chose not to appeal that decision, and then ignored the impact it had on the City by simply letting the unpaid benefits pile up year after year for the present day residents of Chester to now deal with.<sup>22</sup>

In 2018, the DCED Recovery Team recognized that “[a]t the beginning of 2017, the City had accumulated approximately \$28 million of unpaid obligations including over \$14 million in past due pension MMOs, \$6.9 million of health insurance premium payments, \$1.1 million of workers compensation premiums, and \$2.3 million of other vendor payments.”<sup>23</sup>

While it has been long thought that the City was shoving bills in drawers without paying them, it has now been confirmed by the Receiver that millions of dollars of unpaid bills were carried over from year to year, such that the “[t]he pattern of pushing a portion of each fiscal year’s obligations into the next one has made it difficult to accurately analyze the [City’s] financial performance on an annual basis.”<sup>24</sup>

In addition, the City has admitted publicly that its failure to issue and produce audited financial statements is a violation of mandated Securities and Exchange Commission continuing disclosure obligations.<sup>25</sup>

The City of Chester’s auditors have for several years identified issues with, among other things, the City’s manipulation of accounts payables and lack of financial management, which the auditors deemed so material they modified their audit opinions, including stating in 2014, 2015, 2016 and 2017 that the auditors had substantial doubts about the City’s ability to continue as a going concern.<sup>26</sup> The issues identified by the City’s auditors included:

- In 2013, the auditors “were unable to obtain sufficient appropriate audit evidence about various classifications of certain revenues and expenditures contained in the financial statements of the opinion units” and “we were unable to sufficiently audit the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.”<sup>27</sup>
- In 2014, the auditors “were unable to obtain sufficient appropriate audit evidence about various classifications of certain revenues and expenditures contained in the financial statements of the opinion units...” and “were also unable to obtain sufficient audit evidence to assess the reasonableness of the estimated allowances for uncollectible receivables and escrow account and for certain interfund balances.”<sup>28</sup>
- In 2015, the auditors “were unable to obtain sufficient appropriate audit evidence about classifications of certain revenues and expenditures and sufficient detail for an escrow account contained in the financial statements of the opinion units...”<sup>29</sup>
- In 2016, the auditors “were unable to obtain sufficient appropriate audit evidence about classifications of certain revenues and expenditures and sufficient detail for an escrow account included in cash and cash equivalents and a payroll tax liability included in

accrued payroll and related cost, contained in the financial statements of the opinion units listed above.”<sup>30</sup>

- In 2017, the auditors “were unable to obtain sufficient appropriate evidence for an escrow account included in cash and cash equivalents, unused sick leave, and for revenue related to gaming.”<sup>31</sup>

The City’s financial statements between 2013 and 2017 reveal alarming trends, as well as complete disregard for accounting rules and proper fiscal management. The City consistently produced unrealistic budgets that it could not meet and used improper data and assumptions to overstate expected revenues. When the budgets are compared to actual results for each year, the financial mismanagement of the City and lack of oversight by the DCED are shocking. Indeed, even The DCED picked Receiver concedes that there has been “a pattern” of “either failing to adopt a realistic budget, failing to follow that budget or both which results in consistent, large deficits.”<sup>32</sup>

This poor budgeting meant that the City took in significantly less revenue each year than it was projecting, and the DCED should have known these projections were unrealistic. The budget to actual variances to Total Revenue for the General Fund were as high as 19% during the period 2013-2017.<sup>33</sup> At the same time, the City spent more and more money with its expenses far outpacing revenue. Total Actual Expenditures for the General Fund increased from \$40 million to over \$47 million from 2011-2017 and Total Liabilities for the City’s basic services went from \$4 million to almost \$25 million during the same timeframe.<sup>34</sup> This mismatch between revenue and expenditures, largely occurring during Mayor Linder’s administration, resulted in the positive year-end fund balances for the General & Reserve Funds to go from a beginning fund balance surplus of \$10.4 million to start 2011, to negative fund balance deficit of

-\$15.3 million at the end of 2017 – a swing in the wrong direction of more than \$25 million dollars.<sup>35</sup>

Moreover, the 2016 and 2018 Amended Recovery and Exit Plans issued by the Act 47 Recovery Coordinator noted serious financial management infrastructure deficiencies, including that the City had fallen years behind on its annual independent financial audits.<sup>36</sup> The Recovery Coordinator also warned of significant breakdowns in basic accounting functions at the City, stating that “[t]he Finance Department has had significant delays in completing its trial balances and struggled to deliver clean, accurate internal financial information to its auditor.”<sup>37</sup>

### **The DCED Failed to Do Its Job**

The City’s finances have fallen apart since 2013 under the watch of the DCED and Act 47 Recovery Team, because the DCED refused to adhere to the recommendations it made in the Recovery or Exit plans, and because the City had no financial controls or financial management, failed to capture revenue to which it was entitled, failed to match expenses to its actual revenues, and failed to pay bills as they were due, instead opting to shove them in a drawer for another day. This is hardly progress to be touted by the City or the DCED. And yet, we do not now know the full extent of Chester’s cash problems because the DCED led City has not released audited financial statements since those for the year ending December 31, 2017. What we do know is that the current fiscal problems are not new. These problems are long-term structural problems that will not be fixed by a one-time infusion of cash resulting from the improper seizure and sale of CWA assets. The Receiver has admitted as such, stating in several places in his proposed Recovery Plan that a one-time infusion of cash will not solve the City’s financial issues.<sup>38</sup>

Despite the current position of the DCED and its handpicked Receiver to attempt to seize the CWA, the City’s own audited financial statements admit that the CWA is not an asset of the

City. The Secretary of the DCED has also written privately that the CWA owns the water system. The contradictory claims now made by the DCED and its Receiver in control of the City are without basis and are only meant as a diversion because they hope that in the midst of a pandemic people will be so distracted by their health and job security that they will not focus on the DCED's long-term oversight failures, and thus allow this seizure of CWA assets to slip through.

**Chester Resident's and other Ratepayers' Affordable Drinking Water Should  
Not Be Used to Bailout the DCED**

If this seizure is successful, any ill-gotten cash raised through the wrongful seizure and sale of an authority and assets not owned by the City of Chester will have been funded not only on the backs of the residents of the City of Chester (thus putting in jeopardy their ability to have the most affordable safe drinking water), but also on the backs of the 79% of Chester Water Authority customers who are residents of Aston Township, Bethel Township, Birmingham Township, Brookhaven Borough, Chadds Ford Township, Chester Heights Township, Concord Township, E. Marlborough Township, E. Nottingham Township, Franklin Township, Kennett Square Borough, Kennett Township, Little Britain Township, Londonderry Township, London Grove Township, Lower Chichester Township, Lower Oxford Township, Marcus Hook Borough, Middletown Township, Nether Providence Township, New Garden Township, New London Township, Oxford Borough, Parkside Borough, Penn Township, Thornbury Township (Chester County), Thornbury Township (Delaware County), Trainer Borough, Upland Borough, Upper Chichester Township, and Upper Oxford Township.<sup>39</sup>



The DCED and Receiver controlled City of Chester's attempts to use the cover of COVID-19 to push through a plan that puts affordable safe drinking water at risk, done at the expense of the residents of the City of Chester and other unrepresented constituents of Chester and Delaware Counties, must be opposed.

## **Endnotes and Factual Support**

<sup>1</sup> Chester Mayor, Thaddeus Kirkland Statement on Fiscal Emergency Declaration:

[https://www.chestercity.com/mayor-thaddeus-kirkland-issues-statement-on-gov-tom-wolfs-fiscal-emergency-declaration-for-chester-2/?fbclid=IwAR2CvZJcS3gVXDBw243o9t87bXXvzceo6vK5sWzPaQnIG\\_B9ImW5c0004wU](https://www.chestercity.com/mayor-thaddeus-kirkland-issues-statement-on-gov-tom-wolfs-fiscal-emergency-declaration-for-chester-2/?fbclid=IwAR2CvZJcS3gVXDBw243o9t87bXXvzceo6vK5sWzPaQnIG_B9ImW5c0004wU) and DCED Newsroom website posting, Wolf Administration Issues Declaration of Fiscal Emergency for the City of Chester: <https://dced.pa.gov/newsroom/wolf-administration-issues-declaration-of-fiscal-emergency-for-the-city-of-chester/>

<sup>2</sup> Receiver's Recovery Plan for City of Chester, Pg. 40: <https://dced.pa.gov/download/chester-city-receiver-recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469>

<sup>3</sup> While the City of Chester has purchased water from the CWA, it has done so as a customer, and not as a source of capital contributions. As a customer, the City of Chester owes the CWA significant amounts of money going back several years for water and fire hydrant service.

<sup>4</sup> The secret meetings between the DCED and Aqua were discovered through right-to-know-requests served on the DCED. See [https://www.delcotimes.com/business/chester-water-authority-sale-discussed-for-months-emails-show/article\\_de6b8034-027f-525c-82af-6d28963d7508.html](https://www.delcotimes.com/business/chester-water-authority-sale-discussed-for-months-emails-show/article_de6b8034-027f-525c-82af-6d28963d7508.html), <http://chesterspirit.com/2017/11/collusion-catania-docs-show-state-aqua-plotted-a-cwa-takeover/>, and <https://chesterwater.com/wp-content/uploads/2020/08/Email-Update-No-8.pdf> (pg. 21 of PDF is an April 24, 2017 Email from Dan Schuller from Aqua to Dan Connelly, Act 47 Coordinator, regarding a meeting held with Aqua, for which other documents show Schuller billed 2 hours for).

<sup>5</sup> Information about Aqua's offer and other information about the fight for the CWA can be found at: <https://chesterwater.com/about-cwa/cwa-sale/> and <http://chesterwater.com/savecwa/>.

<sup>6</sup> Collections of links to Resolutions and Letters of Support at <http://chesterwater.com/savecwa/>.

<sup>7</sup> Ticker showing that CWA ratepayers have saved over \$130 million (as of 9/15/2020) by not paying Aqua rates since May of 2017, <https://chesterwater.com/>

<sup>8</sup> City of Chester Financial Statements for the Year Ended December 31, 2011 Financial Statements at pg. 27, <https://emma.msrb.org/EP1027421-ES810387-ES1211793.pdf>; City of Chester Financial Statements and Independent Auditor's Report ("Audited Financial Statements") for the Year Ended December 31, 2012 at pg. 27, <https://emma.msrb.org/ES1036212-ES810053-ES1211462.pdf>; 2013 Audited Financial Statements at pg. 26, <https://emma.msrb.org/ES1036164-ES810049-ES1211458.pdf>; 2014 Audited Financial Statements at pg. 26, <https://emma.msrb.org/ES1036214-ES810036-ES1211441.pdf>; 2015 Audited Financial Statements at pg. 25, <https://emma.msrb.org/ES1152642-ES901384-ES1302598.pdf>; 2016 Audited Financial Statements at pg. 24, <https://emma.msrb.org/ES1152642-ES901384-ES1302598.pdf>; 2017 Audited Financial Statements at pg. 24, <https://emma.msrb.org/RE1363055-RE1059360-RE1468872.pdf>.

<sup>9</sup> 2020 Letter of Dennis M. Davin responding to questions raised by Chester County Commissioners. [https://drive.google.com/file/d/1SMgxNkXwuvPKEJ\\_dTrITd6NnXJteE7xK/view](https://drive.google.com/file/d/1SMgxNkXwuvPKEJ_dTrITd6NnXJteE7xK/view).

<sup>10</sup> Receiver's Recovery Plan for City of Chester, Pg. 8: <https://dced.pa.gov/download/chester-city-receiver-recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469>

<sup>11</sup> While the Receiver contends that the City could potentially receive between \$60 million and \$410 million if it sells the CWA (*id.* at 8), he fails to account for the fact that if a sale were to occur, the proceeds from any sale

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would need to be split between the City of Chester, Chester County, Delaware County, and the PA Department of Conservation and Natural Resources. See January 16, 2020 Transcript of Hearing in CWA v. City of Chester, Del. Cty. C.C.P., No. 19-000217, Testimony of City of Chester CFO, Nafis J. Nichols, at pgs. 158-159.

<sup>12</sup> In response to Right to Know Requests to the City of Chester requesting documents showing the invoices received and amounts paid to its law firms, the City of Chester has stated that no such documents exist. If the City is not paying these high-priced national law firms, who is?

<sup>13</sup> Electronic Municipal Market Access, Chester PA, <https://emma.msrb.org/IssuerHomePage/Issuer?id=18C5BE201522BBA347A13823C1B94941>, with last posted audited financial statements as of December 31, 2017, which were posted 2 ½ years later on July 6, 2020.

<sup>14</sup> City of Chester, Act 47 Exit Plan, Adopted (2018-10-10) at pg. 7, Sec 2.2 (“For several years, Chester achieved significant improvement in its operating results and fund balance position due in large part to new income associated with gaming activity at Harrah’s Racetrack and Casino. However, from 2013 through 2016, Chester ran operating deficits. In 2014, the City began delaying health insurance premium payments and substantial portions of its minimum municipal obligation (MMO) in order to meet payroll. To accurately portray the General Fund condition, all health care and MMO obligations are included in the expenditures, regardless of whether these expenses were actually funded in the year the expense was incurred. By the end of 2013, as the City’s fund balance had dropped to \$1.9 million and accelerated to over -\$23.0 million by 2016, primarily as a result of outstanding pension MMO and health insurance expenses. At the end of 2016, the City defaulted on its 2016 Tax and Revenue Anticipation Note.”) <https://dced.pa.gov/download/chester-city-act-47-exit-plan-adopted-2018-10-10/?wpdmdl=88894>

<sup>15</sup> Receiver’s Recovery Plan for City of Chester, Pg. 11: <https://dced.pa.gov/download/chester-city-receiver-recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469>.

<sup>16</sup> Receiver’s Recovery Plan for City of Chester, Pg. 11: <https://dced.pa.gov/download/chester-city-receiver-recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469>.

<sup>17</sup> Chester Credit Rating Suspended, February 21, 2014, Delco Times, [https://www.delcotimes.com/business/chester-credit-rating-suspended/article\\_27195d6a-813c-55a2-a5cd-b446156454e9.html](https://www.delcotimes.com/business/chester-credit-rating-suspended/article_27195d6a-813c-55a2-a5cd-b446156454e9.html).

<sup>18</sup> City of Chester’s 2016 Audited Financial Statements at pg. 40, <https://emma.msrb.org/ES1152642-ES901384-ES1302598.pdf>; 2017 Audited Financial Statements at pg. 40, <https://emma.msrb.org/RE1363055-RE1059360-RE1468872.pdf>.

<sup>19</sup> Receiver’s Recovery Plan for City of Chester, Pg. 11: <https://dced.pa.gov/download/chester-city-receiver-recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469>

<sup>20</sup> Receiver’s Recovery Plan for City of Chester, Pg. 17: <https://dced.pa.gov/download/chester-city-receiver-recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469>

<sup>21</sup> Receiver’s Recovery Plan for City of Chester, Pg. 17: <https://dced.pa.gov/download/chester-city-receiver-recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469>

<sup>22</sup> January 19, 2012 Dissenting Opinion of Arbitrator for City of Chester in American Arbitration Association Case No. 14-360-L-01-351-11-02-ALVA-C.

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- <sup>23</sup> City of Chester, Act 47 Exit Plan, Adopted (2018-10-10) at pg. 13, Sec. 3.1., <https://dced.pa.gov/download/chester-city-act-47-exit-plan-adopted-2018-10-10/?wpdmdl=88894>
- <sup>24</sup> Receiver’s Recovery Plan for City of Chester, Pg. 15: <https://dced.pa.gov/download/chester-city-receiver-recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469>; see also *id.* at pg. 37, n.11 to Figure 4.6: General Fund Expenses by Category, 2019-2024 (“Though categorized as ‘debt reduction,’ the obligations here are not debt in the traditional sense. These are obligations carried over from prior years, like unpaid vendor bills or past due federal tax withholdings.”), and pg. 40 (“Figure 4.6 shows \$1.95 million in “debt reduction” expenditures in 2019 and another \$4.0 million in 2020. That is not repaying debt in the traditional sense – that is paying obligations carried over from prior years, like unpaid vendor bills or past due federal tax withholdings.”)
- <sup>25</sup> Rule 15c2-12 Disclosure, dated 07/24/2017, Failure to Provide Notice That Financial Statements Would Be Delayed, <https://emma.msrb.org/EP1027431-EP789684-EP1191336.pdf>
- <sup>26</sup> City of Chester’s 2014 Audited Financial Statements at pg. 4, <https://emma.msrb.org/ES1036214-ES810036-ES1211441.pdf>; 2015 Audited Financial Statements at pg. 4, <https://emma.msrb.org/ES1152642-ES901384-ES1302598.pdf>; 2016 Audited Financial Statements at pg. 4, <https://emma.msrb.org/ES1152642-ES901384-ES1302598.pdf>; 2017 Audited Financial Statements at pg. 4, <https://emma.msrb.org/RE1363055-RE1059360-RE1468872.pdf>.
- <sup>27</sup> City of Chester’s 2013 Audited Financial Statements at pg. 2 (Summary of Opinion Units): <https://emma.msrb.org/ES1036164-ES810049-ES1211458.pdf>
- <sup>28</sup> City of Chester’s 2014 Audited Financial Statements at pg. 2 (Basis for Modified Opinion) and (Emphasis of Matter Regarding Going Concern – Component Units): <https://emma.msrb.org/ES1036214-ES810036-ES1211441.pdf>
- <sup>29</sup> City of Chester’s 2015 Audited Financial Statements at pg. 2 (Basis for Modified Opinion) and (Emphasis of Matter Regarding Going Concern): <https://emma.msrb.org/ES1152642-ES901384-ES1302598.pdf>
- <sup>30</sup> City of Chester’s 2016 Audited Financial Statements at pg. 2 (Basis for Modified Opinion) and (Emphasis of Matters - Regarding Going Concern), and, at pg. 3 (Emphasis of Matters - Prior Period Restatement): <https://emma.msrb.org/ES1152642-ES901384-ES1302598.pdf>
- <sup>31</sup> City of Chester’s 2017 Audited Financial Statements at pg. 2 (Basis for Qualified Opinions) and (Emphasis of Matters – Regarding Going Concern), and, at pg. 3 (Emphasis of Matters – Restatement): <https://emma.msrb.org/RE1363055-RE1059360-RE1468872.pdf>
- <sup>32</sup> Receiver’s Recovery Plan for City of Chester, Pgs. 9, 80: <https://dced.pa.gov/download/chester-city-receiver-recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469>
- <sup>33</sup> City of Chester’s 2013 Audited Financial Statements at pg. 60 (-7.38%), <https://emma.msrb.org/ES1036164-ES810049-ES1211458.pdf>; 2014 Audited Financial Statements at pg. 61 (-18.84%), <https://emma.msrb.org/ES1036214-ES810036-ES1211441.pdf>; 2015 Audited Financial Statements at pg. 64 (-9.35%), <https://emma.msrb.org/ES1152642-ES901384-ES1302598.pdf>; 2016 Audited Financial Statements at pg. 61 (-12.05%), <https://emma.msrb.org/ES1152642-ES901384-ES1302598.pdf>; 2017 Audited Financial Statements at pg. 62 (-7.2%), <https://emma.msrb.org/RE1363055-RE1059360-RE1468872.pdf>.
- <sup>34</sup> City of Chester’s 2011 Financial Statements at pg. 15 (Total Liabilities Government Funds \$4,010,105) and pg. 62 (Total Expenditures of \$40,379,0006), <https://emma.msrb.org/EP1027421-ES810387-ES1211793.pdf>, compared to

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2017 Audited Financial Statements at pg. 13 (Total Liabilities Government Funds \$25,045,803) and pg. 62 (Total Expenditures of \$47,690,111), <https://emma.msrb.org/RE1363055-RE1059360-RE1468872.pdf>.

<sup>35</sup> *Compare* City of Chester 2011 Financial Statements at pg. 62 (Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund for the Year Ended December 31, 2011)(Fund Balance Beginning listed as \$10,418,538): <https://emma.msrb.org/EP1027421-ES810387-ES1211793.pdf>, with, City of Chester 2017 Audited Financial Statements at pg. 62 (Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund for the Year Ended December 31, 2017)(Fund Balance Ending listed as \$(15,344,588)): <https://emma.msrb.org/RE1363055-RE1059360-RE1468872.pdf>

<sup>36</sup> City of Chester, Act 47 Exit Plan, Adopted (2018-10-10) at pg. 48, Sec. 7.0, <https://dced.pa.gov/download/chester-city-act-47-exit-plan-adopted-2018-10-10/?wpdmdl=88894>.

<sup>37</sup> City of Chester, Act 47 Exit Plan, Adopted (2018-10-10) at pg. 48, Sec. 7.0, <https://dced.pa.gov/download/chester-city-act-47-exit-plan-adopted-2018-10-10/?wpdmdl=88894>.

<sup>38</sup> Receiver’s Recovery Plan for City of Chester: <https://dced.pa.gov/download/chester-city-receiver-recovery-plan-2020-08-20/?wpdmdl=103816&ind=1597957980469>, at pg. 9 (“As noted earlier, the potential use of asset sale proceeds to address the pension problem depends on contemporaneous changes to the benefit levels and actions taken to stop abuse of provisions like the disability pensions. Otherwise we will just bail water on a sinking ship without fixing the hole in the bottom of it.”), and pg. 24 (“Other cities in Pennsylvania have sold assets without addressing the underlying structural issues, which only provided temporary relief and are now facing the same fiscal shortfalls that existed before the sale of the asset. This does not serve the taxpayers or other stakeholders. The underlying structural issues must be addressed, and it is the Receiver’s intent to do so by working with all stakeholders and taking all necessary and difficult actions to make the City fiscally viable once again.”)

<sup>39</sup> Townships and Municipalities Served by the CWA: <http://www.chesterwater.com/resources.html>