

BOROUGH OF PHOENIXVILLE
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2015



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INTRODUCTORY SECTION

BOROUGH OF PHOENIXVILLE
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2015

	Page
Introductory Section	
Table of Contents	1
Financial Section	
Independent Auditors' Report	4
Management's Discussion and Analysis (Unaudited)	7
Basic Financial Statements	
<i>Government-Wide Financial Statements</i>	
Statement of Net Position	18
Statement of Activities	19
<i>Fund Financial Statements</i>	
<i>Governmental Funds</i>	
Balance Sheet	20
Reconciliation of Total Governmental Funds Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	23

BOROUGH OF PHOENIXVILLE

TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2015

	Page
<i>Proprietary Funds</i>	
Statement of Net Position	24
Statement of Revenues, Expenses and Changes in Net Position	25
Statement of Cash Flows	26
<i>Fiduciary Funds</i>	
Statement of Fiduciary Net Position	28
Statement of Changes in Fiduciary Net Position	29
Notes to the Basic Financial Statements	30
Required Supplementary Information	
Budgetary Comparison Schedule	59
<i>Police Pension Plan</i>	
Schedule of Changes in the Net Police Pension Plan Liability and Related Ratios	60
Schedule of Police Pension Plan Contributions	61
Schedule of Police Pension Plan Investment Returns	62

BOROUGH OF PHOENIXVILLE

TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2015

	Page
<i>Municipal Employees' Pension Plan</i>	
Schedule of Changes in the Net Municipal Employees' Pension Plan Liability and Related Ratios	63
Schedule of Municipal Employees' Pension Plan Contributions	64
Schedule of Municipal Employees' Pension Plan Investment Returns	65
Postemployment Benefits Other Than Pension Funding Progress	66
Supplementary Information Section	
<i>Other Governmental Funds</i>	
Combining Balance Sheet	67
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	68
<i>Fiduciary Funds (Pension Funds)</i>	
Combining Schedule of Fiduciary Net Position	69
Combining Schedule of Changes in Fiduciary Net Position	70

FINANCIAL SECTION

Independent Auditors' Report

To the Members of Council
Borough of Phoenixville
Phoenixville, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Phoenixville as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough of Phoenixville's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Members of Council
Borough of Phoenixville
Phoenixville, Pennsylvania

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Phoenixville as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Emphasis of Matter

For the year ended December 31, 2015, the Borough of Phoenixville adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 17, budgetary comparison information on page 59, pension plan information on pages 60 through 65 and postemployment benefits other than pension funding progress on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Phoenixville's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Members of Council
Borough of Phoenixville
Phoenixville, Pennsylvania

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

Maillie LLP

Oaks, Pennsylvania
May 3, 2016

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

This discussion and analysis of the Borough of Phoenixville's financial performance provides an overview of the Borough's financial activities for the fiscal year ended December 31, 2015. The intent of this discussion and analysis is to look at the Borough's financial performance as a whole. Please read it in conjunction with the Borough's basic financial statements, which begin on page 18.

FINANCIAL HIGHLIGHTS

- The assets of the Borough of Phoenixville exceeded its liabilities at the close of the most recent fiscal year by \$51,174,828 (representing its net position). Of this amount, \$19,489,606 (or its unrestricted net position) may be used to meet the government's ongoing obligations to its citizens and creditors.
- The Borough's total net position increased by \$4,423,003.
- As of December 31, 2015, the Borough's Governmental Funds reported combined ending fund balances of \$11,213,140, an increase of \$858,668 as compared to the prior year.
- The Borough's total Lease and Long-Term debt decreased by \$1,012,302 (as seen on pages 42 through 44).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 18 and 19) provide information about the activities of the Borough as a whole and present a longer-term view of the Borough's finances. Fund financial statements start on page 20. For governmental activities, these statements explain how services were financed in the short term as well as what remains for future spending. The Governmental and Proprietary Funds financial statements also report the Borough's operations in more detail than the entity-wide statements by providing information about the Borough's most significant funds. The remaining statements provide financial information about activities for which the Borough acts solely as a trustee or agent for the benefit of those outside of the government.

OVERVIEW OF THE FINANCIAL STATEMENTS

The accompanying financial statements have been prepared in accordance with GASB Statement No. 34 and represent both entity-wide and fund level financial statements using both the accrual and modified accrual basis of accounting, respectively.

Entity-Wide Financial Statements

The first two statements are entity-wide financial statements, the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the Borough's overall financial status.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

The entity-wide statements report information about the Borough as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two entity-wide statements report the Borough's net position and how it has changed. Net position, the difference between the Borough's assets and liabilities, is one way to measure the Borough's financial health or position. In the long run, increases or decreases in the Borough's net position are an indication of whether its financial health is improving or deteriorating. To assess the overall health of the Borough, consideration must be made to additional nonfinancial factors, such as changes in the Borough's property tax base and the adequacy of Borough services.

Regarding the Borough's tax base, the Borough continues to experience targeted areas of new development and redevelopment of properties. Such development of a well-established Pennsylvania Borough is quite unusual and bodes well for the economic and fiscal base of the Borough. Due to improving local economic conditions, several developers are moving forward with their projects.

The entity-wide financial statements of the Borough are divided into two categories:

- **Governmental Activities** - All of the Borough's basic services are included here, such as public safety, public works and administration. Property taxes and state grants and charges for services finance most of these activities.
- **Business-Type Activities** - The Borough runs a Waste Water Operation Fund and a Water Operation Fund and charges fees to the customers of these utilities for operational expenses and tapping fees from new construction for capital related costs.

Fund Level Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the Borough's operations in more detail than the entity-wide statements. The Governmental Funds statements tell how the Borough's general services were financed in the short term as well as what remains for future spending. Proprietary Funds statements offer short term and long term information about the activities that the Borough operates like a business. Fiduciary Funds financial statements provide information about financial relationships where the Borough acts solely as a trustee or agent for the benefit of others.

- **Governmental Funds** - Most of the Borough's activities are reported in Governmental Funds, which focus on the determination of financial position and change in financial position, not on income determination. Governmental Funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Funds statements provide a detailed short term view of the Borough's operations and the services it provides.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Governmental Funds information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental Funds is reconciled in the financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The Borough's Governmental Funds include the General Fund, the Highway Turnback Fund, the Debt Service Fund, the Pension Fund, the Recreation Fund, the Solid Waste Fund, the Fire Fund and the Liquid Fuels Fund.

- **Proprietary Funds** - These funds are used to account for Borough activities that are similar to business operations in the private sector or where the reporting is on determining net income, financial position, changes in financial position and a significant portion of funding through user charges. When the Borough charges customers for services it provides, whether to outside customers or to other units in the Borough, these services generally are reported in the Proprietary Funds. The Borough's Proprietary Funds include the Water Fund and the Sewer Fund.
- **Fiduciary Funds** - The Borough is the trustee, or fiduciary, for the Uniform (a.k.a. Police) and Non-Uniform Pension Plans and escrow funds. All of the Borough's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the Borough's other financial statements because the Borough cannot use these assets to finance its operations.

BUDGETING METHOD

The Borough continued budgeting as it did for the last couple of years; modified zero based budgeting and line item budgeting. Each department was required to justify any increases to the line items by listing specific new items or showing expected increases of cost of existing items. The Borough continued to allocate expenses to the sanitation, water, water distribution and waste water departments. The remaining administrative costs are reported in the General Fund in each of the respective administrative departments.

In addition, instead of using arbitrary percentages for allocating some expenses, mostly salaries and facility costs, the Borough did a time study of individuals who split their time between business-type activities and governmental activities. In doing so, the Borough allocated all administrative costs (legislative, executive, finance, information technology and main facility) to each department or business activity.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

ENTITY-WIDE FINANCIAL ANALYSIS OF THE BOROUGH

The Borough's total net position was \$51,174,828 and \$44,650,065 at December 31, 2015 and 2014, respectively. This is an increase of \$6,524,763 from the previous year. Of this increase, \$2,101,760 is the result of the implementation of GASB Statement No. 68 (see page 58). There was a \$1,061,101 increase in the Governmental Funds. The remaining \$3,361,902 of the increase is in the Proprietary Funds. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Borough's governmental and business-type activities.

**Table 1 - Statements of Net Position
December 31, 2015 and 2014**

	2015			2014		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
ASSETS						
Current and other assets	\$ 13,400,468	\$ 10,913,666	\$ 24,314,134	\$ 11,715,880	\$ 8,070,655	\$ 19,786,535
Capital assets	23,289,808	23,225,800	46,515,608	22,977,607	23,721,339	46,698,946
TOTAL ASSETS	36,690,276	34,139,466	70,829,742	34,693,487	31,791,994	66,485,481
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	1,635,603	185,248	1,820,851	-	-	-
LIABILITIES						
Long-term liabilities	10,107,854	8,558,232	18,666,086	10,294,787	9,446,054	19,740,841
Other liabilities	1,306,679	1,160,010	2,466,689	789,438	1,305,137	2,094,575
TOTAL LIABILITIES	11,414,533	9,718,242	21,132,775	11,084,225	10,751,191	21,835,416
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	342,990	-	342,990	-	-	-
NET POSITION						
Net investment in capital assets	13,843,713	13,992,759	27,836,472	13,163,384	13,622,984	26,786,368
Restricted	3,848,750	-	3,848,750	1,013,415	-	1,013,415
Unrestricted	8,875,893	10,613,713	19,489,606	9,432,463	7,417,819	16,850,282
TOTAL NET POSITION	\$ 26,568,356	\$ 24,606,472	\$ 51,174,828	\$ 23,609,262	\$ 21,040,803	\$ 44,650,065

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Table 2 - Changes in Net Position
Years Ended December 31, 2015 and 2014

	2015			2014		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
REVENUES						
Program revenues						
Charges for services	\$ 3,603,191	\$ 8,520,640	\$ 12,123,831	\$ 3,674,210	\$ 6,295,420	\$ 9,969,630
Operating grants and contributions	1,178,961	-	1,178,961	1,345,813	-	1,345,813
Capital grants and contributions	369,863	-	369,863	335,869	843,265	1,179,134
General revenues						
Real estate taxes	3,935,742	-	3,935,742	3,895,230	-	3,895,230
Real estate transfer taxes	448,280	-	448,280	423,186	-	423,186
Earned income tax	2,640,136	-	2,640,136	2,639,309	-	2,639,309
LST tax	258,948	-	258,948	244,562	-	244,562
Per capita tax	57,247	-	57,247	31,589	-	31,589
Franchise fees	357,395	-	357,395	358,057	-	358,057
Fines and forfeits	165,046	-	165,046	158,301	-	158,301
Investment earnings	59,902	42,216	102,118	58,790	62,120	120,910
Grants not restricted to a specific program	15,232	-	15,232	31,944	-	31,944
Other	16,859	-	16,859	105,216	-	105,216
TOTAL REVENUES	13,106,802	8,562,856	21,669,658	13,302,076	7,200,805	20,502,881
EXPENSES						
General government	1,616,331	-	1,616,331	1,295,517	-	1,295,517
Public safety	6,023,631	-	6,023,631	5,703,855	-	5,703,855
Highways/streets	1,823,546	-	1,823,546	1,713,503	-	1,713,503
Sanitation	1,801,143	-	1,801,143	1,756,416	-	1,756,416
Culture and recreation	518,923	-	518,923	518,154	-	518,154
Interest on bonds	262,127	-	262,127	223,515	-	223,515
Water operations	-	3,176,704	3,176,704	-	3,115,074	3,115,074
Waste water operations	-	2,024,250	2,024,250	-	1,980,487	1,980,487
TOTAL EXPENSES	12,045,701	5,200,954	17,246,655	11,210,960	5,095,561	16,306,521
CHANGE IN NET POSITION	1,061,101	3,361,902	4,423,003	2,091,116	2,105,244	4,196,360
NET POSITION, BEGINNING, restated	25,507,255	21,244,570	46,751,825	21,518,146	18,935,559	40,453,705
Restatement	-	-	-	1,897,993	203,767	2,101,760
NET POSITION, ENDING, restated	\$ 26,568,356	\$ 24,606,472	\$ 51,174,828	\$ 25,507,255	\$ 21,244,570	\$ 46,751,825

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

GOVERNMENTAL ACTIVITIES

The net increase from the Borough's governmental activities of \$1,061,101 accounts for 24% of the total increase in net position of the Borough. The increase of \$1,061,101 in net position is \$1,030,015 less than the previous year increase of \$2,091,116 and is explained on page 11. Table 2 shows the changes in net position for the years ended December 31, 2015 and 2014.

The cost of all governmental activities this year was \$12,045,701. As shown in the Statement of Activities on page 19, the amount that the Borough's taxpayers ultimately financed for these activities through Borough taxes was \$7,340,353. Other costs were paid by those who directly benefited from the programs in the amount of \$4,705,348 or by other governments and organizations that subsidized certain programs with intergovernmental aid and contributions in the amount of \$1,564,056. Other income including investment earnings, franchise taxes and fines and fees was in the amount of \$599,202.

Charges for services, earned income taxes, real estate taxes, grants and contributions provide the major revenue sources for governmental activities. As identified on the previous page, property taxes and income taxes account for 30% and 20% of total revenues, respectively. Charges for services and grants and contributions provide approximately 28% and 13%, respectively, of total revenues. Other income such as fines, franchise taxes, investment earnings, per capita tax, etc., is 9% of total revenue.

Major revenue factors included:

- The Borough received \$254,039 more in tax revenue than budgeted. Real estate tax millage remained the same as it was in 2014. The Borough received \$68,280 more than expected in real estate transfer taxes. Earned income tax continued its upward trend with the Borough collecting \$65,136 more than budgeted. Some earned income tax increase may also be due to change in the state law reducing the time which collectors have to remit the taxes to other collectors and the municipality.
- The Borough experienced many areas of increased revenue during 2015 as well as a few decreases. Most of this was made up in the following areas:
 - Areas that were down from prior year:
 - Grants Income was down by \$149,570
 - Charges for services was down by \$71,019

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

- Areas that were up from prior year:
 - Local Service taxes were up by \$14,386
 - Real Estate taxes were up by \$40,512
 - Real Estate Transfer taxes were up by \$25,094
 - Fines and Forfeitures were up by \$6,745

BUSINESS-TYPE ACTIVITIES

The net increase from the Borough's business-type activities was \$3,361,902 compared to \$2,105,244 the previous year as referenced in Table 2. As with the other Borough funds, the Borough continued the budgeting method for business-type activities as a modified zero based and line item budgeting.

The cost of all business-type activities was \$5,200,954 (compared to \$5,095,561 in 2014). As shown in Table 2, **Changes in Net Position**, the amount the Borough customers financed through fees was \$8,520,640. Part of the fees charged to the Borough customers are infrastructure fees, totaling \$170,548 in the Water Fund and \$169,793 in the Waste Water Fund. In addition, there were main attachment fees totaling \$1,999,429. Both the infrastructure fees and the main attachment fees are intended to fund needed infrastructure replacements (year-end revenue report). Additional revenues included investment earnings of \$42,216 (Table 2).

FINANCIAL ANALYSIS OF THE BOROUGH'S FUNDS

Most of the Borough's activities are reported in Governmental Funds. Governmental Funds are reported using the modified accrual accounting method which measures cash and all other financial assets that can readily be converted to cash. Governmental Funds include the General Fund, Debt Service Fund, Pension/Retirement Fund, Recreation Fund, Solid Waste Fund, Fire Fund, Highway Turn Back Fund and Liquid Fuels Fund. By far, the most prominent fund is the General Fund.

As of December 31, 2015, the Borough's Governmental Funds reported combined ending balances of \$11,213,140, an increase of \$858,668 as compared to the prior year. Approximately 28% or \$3,185,574 constitutes unassigned fund balance, which is available for spending at the Borough's discretion.

Government Finance Officer Associations Best Practices recommends that Government agencies should maintain in their unrestricted fund balance no less than two months of regular General Fund operation revenues or regular General Fund operating expenses. With a surplus of 20% of unrestricted general fund balance, the Borough more than surpasses that requirement.

The remainder of the fund balance is broken down into four categories: Nonspendable, restricted for, committed to and assigned to. The chart on page 20 shows items under each category.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

GENERAL FUND

The General Fund is the chief operating fund of the Borough of Phoenixville. As of December 31, 2015, the total fund balance of the General Fund was \$9,333,629 (compared to \$8,360,841 for the prior year). The fund balance of the General Fund increased by \$972,788 in fiscal year 2015.

SOLID WASTE FUND

The Solid Waste Fund accounts for the resources necessary for the funding of trash pickup services in the Borough. The major revenue source for the Solid Waste Fund is charges for services, which remained consistent with the prior year. The total fund balance as of December 31, 2015, was \$943,790.

SPECIAL REVENUE FUNDS

Special Revenue Funds are maintained to account for the proceeds of specific revenue sources that are restricted. The Borough maintains several other Governmental Funds for the purpose of tracking revenue and expenditures that relate to specific areas. These funds include Debt Service Fund, Retirement/Pension Fund, Liquid Fuels Fund, Highway Turn-Back Fund, Recreation Fund and Fire Fund. Major revenue sources for these funds include grants from the Commonwealth of Pennsylvania and local services taxes restricted to fire protection. In the case of the Parks and Recreation Fund, there is revenue generated by fee income. Each of these funds has additional revenue transferred from the General Fund to cover any shortfall.

Debt Service Fund

The Borough transfers a specific portion of the property taxes to be set aside for the elimination of debt. The fund balance, which was assigned to debt, at the end of 2015 was \$17,343. In 2012, the Borough refinanced its remaining debt and took out additional debt of \$8,000,000 for a new Borough Hall, \$2,000,000 for Water Plant upgrades and \$500,000 for Waste Water Plant repairs.

Retirement/Pension Fund

The Borough received \$450,896 (compared to \$433,740 in the prior year) from the Commonwealth of Pennsylvania for Uniform and Non-Uniform pension plans. In addition, in order to meet the minimum municipal obligation of the Borough to the Uniform pension plan, the Borough needed to contribute \$181,808 (compared to \$71,137 in the prior year) to the plan. The Borough contributed \$6,653 to the Non-Uniform pension plan (as compared to \$0 in the prior year).

Liquid Fuels Fund

The Borough received \$369,863 (compared to \$335,869 in the prior year) from the Commonwealth of Pennsylvania to pay for various expenses including roadway resurfacing, snow removal and capital purchases for the Public Works Department.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Recreation Fund

The Borough may also transfer a portion of the property taxes from the General Fund to provide programs and keep the Borough's parks maintained. From time to time, additional dollars will be received from the County and the State to maintain and improve our parks. During 2015, the majority of the \$187,272 in revenue came from charges for services, \$186,648. The ending fund balance was \$267,715.

Fire Fund

The Borough received \$113,659 (compared to \$117,522 in the prior year) from the Commonwealth of Pennsylvania for volunteer firefighting. The operating expenditures from this fund for fire protection were \$598,190. The Borough purchased a new ladder truck in 2008. Two thirds of the ladder truck is leased for \$63,837 a year over ten years. The Borough is also assisting the volunteer fire stations with repayment of loans on one additional fire truck. Total assistance in 2015 was \$20,159.

Special Revenue Funds General

The total Special Revenue Funds balance as of December 31, 2015, was \$935,721 (compared to \$1,081,554 in the prior year), all of which is reserved as previously explained.

The financial statements for the Governmental Funds can be found on pages 20 to 23 of this report. There is more detail on pages 66 and 67 as well.

PROPRIETARY FUNDS

The Borough's *Proprietary Funds* provide the same type of information found in the entity-wide financial statements, but in more detail.

Unrestricted net position of the Waste Water and Water Funds at the end of the year is \$8,303,003 as compared to \$7,417,819 in the prior year, representing an increase in unrestricted net position of \$885,184. Factors contributing to the finances of these funds have already been addressed in the discussion of the Borough's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the Borough's budget and actual results can be found on page 59.

Revenue

The Borough balanced its original General Fund budget with funds from several types of sources.

- Real estate taxes, earned income taxes, real estate transfer taxes, and other taxes provided approximately 71% of General Fund revenues.
- Approximately 16% of the funds were generated by charges for services including building permits, fees and other charges.
- 6% of the funds came from other local governments and the State of Pennsylvania.
- 7% of the funds came from miscellaneous sources including interest earnings, business licenses and fines.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

Expenditures

The Borough maintained a conservative budget in 2015. The following statements are representative of the final 2015 budget.

- 11% of the General Fund budget is for General Government expenditures.
- 69% was for Public Safety including Police and Crossing Guards.
- 19% was budgeted for Public Works programs. The Public Works programs included new curbs and sidewalks for about one mile of one of the Borough's main streets.
- 1% was budgeted for Cultural and Recreation in the General Fund. This was used to cover the cost of Borough shade trees.

The tax millage rate was at 5.25 mills for the taxpayers in 2015.

Revenues ended the year above budget and expectations, as the Borough had revenues of \$1,406,206 above budget. Most of the increase was in intergovernmental.

Expenditures were over budget by \$920,871 mostly due to public works projects.

DEBT ADMINISTRATION

As of December 31, 2015, the Borough had total outstanding long-term bond debt of \$17,940,000 which represents a decrease in debt of \$1,150,000.

Other obligations included accrued vacation pay and severance for specific employees of the Borough. The Borough also has one capital appropriation lease. More detailed information about our long-term liabilities is included in the Notes to the Basic Financial Statements.

THE BOROUGH'S FUTURE

Future budgets should consider a number of important issues that include:

- Continued multi-year budgeting and/or projections (started in 2010);
- Future capital projects funding (Capital Fund reestablished in 2010);
- Focus on the aging infrastructure and new regulation with storm water;

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2015

FINANCIAL MANAGEMENT

The Borough of Phoenixville's financial report is designed to provide a general overview of the Borough's financial position and to show the Board's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Borough Manager at 351 Bridge Street, Phoenixville, PA 19460.

BOROUGH OF PHOENIXVILLE

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 10,003,376	\$ 8,592,622	\$ 18,595,998
Investments	960,798	819,269	1,780,067
Accounts receivable, net	2,030,441	1,491,931	3,522,372
Net pension asset	402,441	-	402,441
Inventories	-	9,844	9,844
Prepaid items	3,412	-	3,412
Capital assets			
Land	3,704,730	154,462	3,859,192
Construction in progress	1,645,841	129,616	1,775,457
Capital assets, net	<u>17,939,237</u>	<u>22,941,722</u>	<u>40,880,959</u>
TOTAL ASSETS	<u>36,690,276</u>	<u>34,139,466</u>	<u>70,829,742</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension activity	<u>1,635,603</u>	<u>185,248</u>	<u>1,820,851</u>
LIABILITIES			
Accounts payable and accrued expenses	831,696	229,016	1,060,712
Unearned revenues	10,260	-	10,260
Accrued interest	37,890	28,473	66,363
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	305,000	880,000	1,185,000
Capital lease	63,837	-	63,837
Compensated absences	57,996	22,521	80,517
Portion due or payable after one year			
Bonds payable	8,525,000	8,230,000	16,755,000
Bond premiums	441,563	123,041	564,604
Capital lease	110,695	-	110,695
Compensated absences	521,963	190,734	712,697
Net pension liability	-	14,457	14,457
Other postemployment benefits	508,633	-	508,633
TOTAL LIABILITIES	<u>11,414,533</u>	<u>9,718,242</u>	<u>21,132,775</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension activity	<u>342,990</u>	<u>-</u>	<u>342,990</u>
NET POSITION			
Net investment in capital assets	13,843,713	13,992,759	27,836,472
Restricted	3,848,750	-	3,848,750
Unrestricted	<u>8,875,893</u>	<u>10,613,713</u>	<u>19,489,606</u>
TOTAL NET POSITION	<u>\$ 26,568,356</u>	<u>\$ 24,606,472</u>	<u>\$ 51,174,828</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,616,331	\$ 231,939	\$ 463,144	\$ -
Public safety	6,023,631	1,169,330	113,659	-
Public works	1,823,546	387,603	599,988	369,863
Public works, sanitation	1,801,143	1,627,671	2,170	-
Culture and recreation	518,923	186,648	-	-
Interest on long-term debt	262,127	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	12,045,701	3,603,191	1,178,961	369,863
BUSINESS-TYPE ACTIVITIES				
Water Fund	3,176,704	4,521,637	-	-
Sewer Fund	2,024,250	3,999,003	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	5,200,954	8,520,640	-	-
TOTAL BOROUGH ACTIVITIES	\$ 17,246,655	\$ 12,123,831	\$ 1,178,961	\$ 369,863

GENERAL REVENUES

Taxes

Property taxes, levied for general purposes

Franchise taxes

Public service taxes

Fees and fines

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of asset

TOTAL GENERAL REVENUES**CHANGE IN NET POSITION**

NET POSITION AT BEGINNING OF YEAR, restated

NET POSITION AT END OF YEAR

See accompanying notes to the basic financial statements.

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
\$ (921,248)	\$ -	\$ (921,248)
(4,740,642)	-	(4,740,642)
(466,092)	-	(466,092)
(171,302)	-	(171,302)
(332,275)	-	(332,275)
(262,127)	-	(262,127)
<u>(6,893,686)</u>	<u>-</u>	<u>(6,893,686)</u>
-	1,344,933	1,344,933
<u>-</u>	<u>1,974,753</u>	<u>1,974,753</u>
<u>-</u>	<u>3,319,686</u>	<u>3,319,686</u>
<u>(6,893,686)</u>	<u>3,319,686</u>	<u>(3,574,000)</u>
3,935,742	-	3,935,742
357,395	-	357,395
3,404,611	-	3,404,611
165,046	-	165,046
15,232	-	15,232
59,902	42,216	102,118
16,859	-	16,859
<u>7,954,787</u>	<u>42,216</u>	<u>7,997,003</u>
1,061,101	3,361,902	4,423,003
<u>25,507,255</u>	<u>21,244,570</u>	<u>46,751,825</u>
<u>\$ 26,568,356</u>	<u>\$ 24,606,472</u>	<u>\$ 51,174,828</u>

BOROUGH OF PHOENIXVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General Fund	Solid Waste Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,998,346	\$ 1,014,407	\$ 990,623	\$ 10,003,376
Investments	960,798	-	-	960,798
Taxes receivable, net	192,931	-	-	192,931
Due from escrow	200,000	-	-	200,000
Other receivables	780,420	44,959	62,131	887,510
Prepaid expenses	3,412	-	-	3,412
	<u>10,135,907</u>	<u>1,059,366</u>	<u>1,052,754</u>	<u>12,248,027</u>
TOTAL ASSETS	\$ 10,135,907	\$ 1,059,366	\$ 1,052,754	\$ 12,248,027
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and other current liabilities	\$ 599,087	\$ 115,576	\$ 117,033	\$ 831,696
Unearned revenues	10,260	-	-	10,260
	<u>609,347</u>	<u>115,576</u>	<u>117,033</u>	<u>841,956</u>
TOTAL LIABILITIES	609,347	115,576	117,033	841,956
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	192,931	-	-	192,931
	<u>192,931</u>	<u>-</u>	<u>-</u>	<u>192,931</u>
DEFERRED INFLOWS OF RESOURCES	192,931	-	-	192,931
FUND BALANCES				
Nonspendable, prepaid expenses	3,412	-	-	3,412
Restricted for				
Traffic improvements	98,750	-	-	98,750
OPEB funding	250,000	-	-	250,000
Capital reserve	1,000,000	-	-	1,000,000
Operating reserve	2,500,000	-	-	2,500,000
Road and street improvements	-	-	478,071	478,071
Committed to				
Vehicle replacement	271,500	-	-	271,500
Recreation fund (PHUN)	70,000	-	-	70,000
Trash truck replacement	70,000	-	-	70,000
Civic Center	105,000	-	-	105,000
Grant SALDO	2,047	-	-	2,047
Grant Wayfinding	64,000	-	-	64,000
Phoenixville First	4,240	-	-	4,240
Grant CRP water main replacement	120,000	-	-	120,000
Recreation center design and engineerings	200,000	-	-	200,000
Public works building	910,106	-	-	910,106
Reeves park lights	19,000	-	-	19,000
Easement agreements	10,000	-	-	10,000
Friendship acquisition	450,000	-	-	450,000
Assigned to				
Solid waste	-	943,790	-	943,790
Fire protection	-	-	148,909	148,909
Debt service	-	-	17,343	17,343
Recreation activities	-	-	267,715	267,715
Pension	-	-	23,683	23,683
Unassigned	3,185,574	-	-	3,185,574
	<u>9,333,629</u>	<u>943,790</u>	<u>935,721</u>	<u>11,213,140</u>
TOTAL FUND BALANCES	9,333,629	943,790	935,721	11,213,140
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,135,907	\$ 1,059,366	\$ 1,052,754	\$ 12,248,027

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE

RECONCILIATION OF TOTAL GOVERNMENTAL FUNDS BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2015

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 11,213,140
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consist of:</p>	
Land	3,704,730
Construction in progress	1,645,841
Depreciable capital assets, net	17,939,237
<p>Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in the fund financial statements but are reported in the statement of net position of the governmental activities. This is the amount of long-term grants receivable.</p>	
	750,000
<p>Deferred inflows and outflows of resources related to pension activities are not financial resources and, therefore, are not reported in the Governmental Funds.</p>	
	1,292,613
<p>Some of the Borough's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.</p>	
	192,931
<p>Net pension asset is not recorded as an asset in the Governmental Funds; however, this item is reported as an asset in the government-wide financial statements.</p>	
	402,441
<p>Bond premiums are not recorded as liabilities in the Governmental Funds, however, these items are recorded as a liability and amortized in the government-wide statements.</p>	
	(441,563)
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:</p>	
Accrued interest	(37,890)
Bonds payable in future years	(8,830,000)
Capital lease	(174,532)
Compensated absences	(579,959)
Other postemployment benefits	(508,633)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 26,568,356</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	General Fund	Solid Waste Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,275,789	\$ -	\$ 65,777	\$ 7,341,566
Fees and fines	165,046	-	-	165,046
Licenses and permits	357,395	-	-	357,395
Intergovernmental	648,545	2,170	934,418	1,585,133
Charges for services	1,644,813	1,627,671	186,648	3,459,132
Investment earnings	21,389	36,769	1,744	59,902
Miscellaneous	158,759	-	2,159	160,918
	<u>10,271,736</u>	<u>1,666,610</u>	<u>1,190,746</u>	<u>13,129,092</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	982,364	-	639,380	1,621,744
Public safety	4,866,678	-	598,190	5,464,868
Public works	1,848,106	1,634,897	526,626	4,009,629
Culture and recreation	169,842	-	430,339	600,181
Debt service				
Principal	-	-	295,000	295,000
Interest and other charges	-	-	279,002	279,002
	<u>7,866,990</u>	<u>1,634,897</u>	<u>2,768,537</u>	<u>12,270,424</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>2,404,746</u>	<u>31,713</u>	<u>(1,577,791)</u>	<u>858,668</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	1,431,958	1,431,958
Interfund transfers out	(1,431,958)	-	-	(1,431,958)
	<u>(1,431,958)</u>	<u>-</u>	<u>1,431,958</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES				
	972,788	31,713	(145,833)	858,668
FUND BALANCES AT BEGINNING OF YEAR				
	<u>8,360,841</u>	<u>912,077</u>	<u>1,081,554</u>	<u>10,354,472</u>
FUND BALANCES AT END OF YEAR				
	<u>\$ 9,333,629</u>	<u>\$ 943,790</u>	<u>\$ 935,721</u>	<u>\$ 11,213,140</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 858,668

Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,224,732) exceed depreciation (\$912,531) in the current period. 312,201

Bond premiums provide current financial resources to Governmental Funds. In the statement of net position, bond premiums are deferred and amortized. 20,187

Because some property taxes will not be collected for several months after the Borough's fiscal year ends, they are not considered as "available" revenues in the Governmental Funds. Deferred tax revenues increased by this amount this year. (22,290)

Capital lease payments are recorded as debt service in the Governmental Funds. However, in the statement of activities, the amount of the lease is recorded as a liability with the principal portion of the lease payments applied against the liability. 52,941

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. 295,000

Interest on long-term debt in the statement of activities differs from the amount reported in the Governmental Funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (3,312)

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in Governmental Funds:

Net pension asset	61,610
Other postemployment benefits	(88,501)
Pension expense	(311,299)
Compensated absences	<u>(114,104)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,061,101

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,502,059	\$ 4,090,563	\$ 8,592,622
Investments	588,126	231,143	819,269
Accounts receivable, net	887,908	599,203	1,487,111
Accrued interest	2,400	2,420	4,820
Inventories	<u>9,844</u>	<u>-</u>	<u>9,844</u>
TOTAL CURRENT ASSETS	<u>5,990,337</u>	<u>4,923,329</u>	<u>10,913,666</u>
CAPITAL ASSETS			
Land	9,502	144,960	154,462
Infrastructure	9,862,414	-	9,862,414
Construction in progress	87,523	42,093	129,616
Buildings	11,009,804	18,564,274	29,574,078
Equipment and furniture	1,047,946	1,276,630	2,324,576
Accumulated depreciation	<u>(10,900,350)</u>	<u>(7,918,996)</u>	<u>(18,819,346)</u>
TOTAL CAPITAL ASSETS	<u>11,116,839</u>	<u>12,108,961</u>	<u>23,225,800</u>
TOTAL ASSETS	17,107,176	17,032,290	34,139,466
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension activity	<u>128,303</u>	<u>56,945</u>	<u>185,248</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 17,235,479</u>	<u>\$ 17,089,235</u>	<u>\$ 34,324,714</u>

See accompanying notes to the basic financial statements.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other liabilities	\$ 157,774	\$ 71,242	\$ 229,016
Accrued interest	7,327	21,146	28,473
Current portion of long-term debt	390,000	490,000	880,000
Current portion of compensated absences	13,391	7,934	21,325
TOTAL CURRENT LIABILITIES	<u>568,492</u>	<u>590,322</u>	<u>1,158,814</u>
NONCURRENT LIABILITIES			
Bonds payable	2,085,000	6,145,000	8,230,000
Bond premium, net	98,433	24,608	123,041
Compensated absences	120,518	71,412	191,930
Net pension liability	10,013	4,444	14,457
TOTAL NONCURRENT LIABILITIES	<u>2,313,964</u>	<u>6,245,464</u>	<u>8,559,428</u>
TOTAL LIABILITIES	<u>2,882,456</u>	<u>6,835,786</u>	<u>9,718,242</u>
NET POSITION			
Net investment in capital assets	8,543,406	5,449,353	13,992,759
Committed to			
Digester roof replacement	-	1,000,000	1,000,000
Ashland St. Pump overhaul	-	20,000	20,000
Roof replacement on lab/office building	-	21,000	21,000
Centrifuge polymer feed equipment	-	10,000	10,000
Flare stack ignition system	-	8,725	8,725
SCADA alarm integration	-	5,000	5,000
Truck replacement	20,000	326,985	346,985
Richards Lane transformer and switch	50,000	-	50,000
Flax mix chamber	85,000	-	85,000
Filter building roof	55,000	-	55,000
Lower lift pump conversion	66,000	-	66,000
Bowl assembly back up	32,000	-	32,000
Intake structure	100,000	-	100,000
Sludge collection pits	40,000	-	40,000
Lower lift pump VFD replacement	15,000	-	15,000
Swing check valves	100,000	-	100,000
Grant match - Floodwall	225,000	-	225,000
Replace hand held devices	45,000	-	45,000
Leak detection equipment	6,000	-	6,000
Grant match - Water main Starr and Second	80,000	-	80,000
Unrestricted	4,890,617	3,412,386	8,303,003
TOTAL NET POSITION	<u>14,353,023</u>	<u>10,253,449</u>	<u>24,606,472</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 17,235,479</u>	<u>\$ 17,089,235</u>	<u>\$ 34,324,714</u>

BOROUGH OF PHOENIXVILLE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Charges for services	\$ 4,521,637	\$ 3,999,003	\$ 8,520,640
OPERATING EXPENSES			
Administration	1,418,876	719,004	2,137,880
Salaries and wages	391,855	186,848	578,703
Fuel and light	226,994	183,905	410,899
Contracted services	166,661	63,627	230,288
Insurance claims and expenses	267,173	236,980	504,153
Materials and supplies	121,639	110,076	231,715
Miscellaneous	-	854	854
Depreciation	523,191	343,947	867,138
TOTAL OPERATING EXPENSES	<u>3,116,389</u>	<u>1,845,241</u>	<u>4,961,630</u>
OPERATING INCOME	<u>1,405,248</u>	<u>2,153,762</u>	<u>3,559,010</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	26,604	15,612	42,216
Interest expense	<u>(60,315)</u>	<u>(179,009)</u>	<u>(239,324)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(33,711)</u>	<u>(163,397)</u>	<u>(197,108)</u>
CHANGE IN NET POSITION	1,371,537	1,990,365	3,361,902
NET POSITION AT BEGINNING OF YEAR, restated	<u>12,981,486</u>	<u>8,263,084</u>	<u>21,244,570</u>
NET POSITION AT END OF YEAR	<u>\$ 14,353,023</u>	<u>\$ 10,253,449</u>	<u>\$ 24,606,472</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,419,860	\$ 4,003,343	\$ 8,423,203
Payments to employees	(1,805,957)	(889,615)	(2,695,572)
Payments to suppliers	(945,172)	(608,913)	(1,554,085)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,668,731</u>	<u>2,504,815</u>	<u>4,173,546</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition, construction and improvements of capital assets	(186,581)	(185,018)	(371,599)
Principal paid on capital debt	(380,000)	(475,000)	(855,000)
Interest paid on capital debt	(61,772)	(180,863)	(242,635)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(628,353)</u>	<u>(840,881)</u>	<u>(1,469,234)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) sale of investments	(144,734)	137	(144,597)
Earnings on investments	25,734	13,826	39,560
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(119,000)</u>	<u>13,963</u>	<u>(105,037)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	921,378	1,677,897	2,599,275
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,580,681</u>	<u>2,412,666</u>	<u>5,993,347</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,502,059</u>	<u>\$ 4,090,563</u>	<u>\$ 8,592,622</u>

BOROUGH OF PHOENIXVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	\$ 1,405,248	\$ 2,153,762	\$ 3,559,010
Proceeds from grant	-	-	-
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	523,191	343,947	867,138
Pension expense	22,839	10,137	32,976
(Increase) decrease in			
Accounts receivable	(101,777)	4,340	(97,437)
Inventories	(983)	-	(983)
Prepaid expenses	1,292	645	1,937
Increase (decrease) in			
Accounts payable and other liabilities	(163,014)	(14,116)	(177,130)
Compensated absences	(18,065)	6,100	(11,965)
	<u>1,668,731</u>	<u>2,504,815</u>	<u>4,173,546</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>1,668,731</u>	\$ <u>2,504,815</u>	\$ <u>4,173,546</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

	<u>Pension Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ <u>520,593</u>	\$ <u>355,997</u>
Investments		
Mutual funds, at fair value	18,505,151	-
Unallocated insurance contract, at contract value	<u>1,799,989</u>	-
TOTAL INVESTMENTS	<u>20,305,140</u>	<u>-</u>
TOTAL ASSETS	<u>20,825,733</u>	<u>\$ 355,997</u>
LIABILITIES		
Accounts payable	-	\$ 155,997
Due to General Fund	<u>-</u>	<u>200,000</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 355,997</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 20,825,733</u>	

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>Pension Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 639,357
Employee	<u>66,482</u>
TOTAL CONTRIBUTIONS	<u>705,839</u>
Investment earnings	
Net decrease in fair value of investments	(761,280)
Realized gains on sale of assets	475,860
Interest	82,981
Dividends	305,124
Investment activity expense	<u>(75,165)</u>
TOTAL INVESTMENT EARNINGS	<u>27,520</u>
TOTAL ADDITIONS	<u>733,359</u>
DEDUCTIONS	
Benefits	701,798
Administrative	<u>21,535</u>
TOTAL DEDUCTIONS	<u>723,333</u>
CHANGE IN NET POSITION	10,026
NET POSITION AT BEGINNING OF YEAR	<u>20,815,707</u>
NET POSITION AT END OF YEAR	<u>\$ 20,825,733</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Borough of Phoenixville (the "Borough") complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

Reporting Entity

Financial accountability is defined in Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus--An Amendment of GASB Statements No. 14 and No 34*. The Borough is financially accountable for legally separate organizations if it appoints a voting majority of the organization's board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough. The Borough also may be financially accountable if an organization is fiscally dependent on the Borough regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

The Borough has determined that no other outside agency meets the above criteria; therefore, no other agency has been included as a component unit in the Borough's financial statements. In addition, the Borough is not aware of any entity that would exercise such oversight which would result in the Borough being considered a component unit of the entity.

Basis of Presentation

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the Borough as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as Pension and Agency Funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under Proprietary Funds below. This is the same approach used in the preparation of the Proprietary Funds' financial statements but differs from the manner in which Governmental Funds financial statements are prepared. Therefore, Governmental Funds' financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements of Governmental Funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Borough and for each governmental program. Expenses are those that are specifically associated with a service or program and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Borough.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal activity is limited to interfund transfers which are eliminated to avoid “doubling up” revenues and expenses. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes results from Special Revenue Funds and the restrictions on their net position use.

Fund Financial Statements - Fund financial statements report detailed information about the Borough. The focus of Governmental and Enterprise Funds financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major Governmental Funds are each presented in a single column on the Governmental Fund financial statements. Fiduciary Funds financial statements are presented by fund type.

The Borough reports the following major Governmental Funds:

- The *General Fund* is the Borough’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Solid Waste Fund* accumulates resources necessary to fund trash pickup services in the Borough.

The Borough reports the following Proprietary Funds:

- The *Water Fund* accumulates resources necessary for water supply to the Borough.
- The *Sewer Fund* accumulates resources necessary for the operation of the sewage collection system.

Governmental Funds - All Governmental Funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Major Governmental Funds of the Borough include the General Fund and the Solid Waste Fund. All other Governmental Funds are grouped together and presented in a separate column as Other Governmental Funds. They include the Fire Fund, the Liquid Fuels Fund, the Debt Service Fund, the Recreation Fund, the Highway Turnback Fund and the Pension Fund.

Revenue Recognition - In applying the “susceptible to accrual concept” under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Borough considers property and earned income tax revenue to be available if collected within 60 days of the end of the fiscal period.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues for state and federally funded projects are recognized at the time all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Borough must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Borough on a reimbursement basis.

Property tax and earned income tax receivables collected after 60 days from year-end, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property and earned income tax receivables are recorded and deferred until they become available.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition - The measurement focus of Governmental Funds accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Further, as provided in GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, certain Governmental Funds' liabilities and expenditures, such as compensated absences, are recognized to the extent the liabilities mature (come due for payment) each period. Allocations of costs, such as depreciation and amortization, are not recognized in the Governmental Funds.

Proprietary Funds - Proprietary Funds are accounted for using the accrual basis of accounting. These funds account for operations financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining capital investment and management control. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in the Proprietary Funds. The Borough's only Proprietary Funds are Enterprise Funds.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Proprietary Funds' principal ongoing operations. The principal operating revenues of the Borough's Enterprise Funds are user fees. Operating expenses for the Borough's Enterprise Funds include sewer disposal, salaries, recycling, supplies and administrative costs and depreciation. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governments and other funds. These include Pension and Agency Funds. The Pension Funds account for the activities of the Police Pension Fund and the Municipal Pension Fund. Pension Funds are accounted for in essentially the same manner as Proprietary Funds since the measurement of the economic resources is critical. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The Agency Fund accounts for the escrow accounts held by the Borough.

Budgets and Budgetary Accounting

The Borough is required by state law to adopt annual budgets for the General Fund. The budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- Prior to November 15 of the preceding fiscal year, the Borough prepares a budget for the next succeeding calendar year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Borough Council members is then called for the purpose of adopting the proposed budget.
- Prior to December 31, the budget is legally enacted through passage of a resolution by the Borough Council.
- The budget must be filed with the Pennsylvania Department of Community and Economic Development by January 31.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of Borough Council. Amendments are presented to Borough Council at its regular meetings. Each amendment must have Borough Council approval. Such amendments are made before the fact, are reflected in the official minutes of the Borough Council and are not made after fiscal year-end as dictated by law.

The budget is controlled by the finance officer at the revenue and expenditure function/object level. Budgeted amounts are as amended by Borough Council. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Borough's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

The Borough has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement establishes fair value standards for investments held by governmental entities, except for certain money market investments, as defined, which are recorded at amortized cost. The statement also establishes reporting standards for investment income.

Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Allowance for Doubtful Accounts

The Borough's policy is to establish an allowance for any unpaid balance greater than 90 days past due with no payments received in the last 12 months. As of December 31, 2015, the allowance for doubtful accounts was \$138,824 in the General Fund, \$61,835 in the Solid Waste Fund, \$143,247 in the Water Fund and \$95,982 in the Sewer Fund.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide financial statements as well as in the Proprietary Funds financial statements. Capital assets are defined by the Borough as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The Borough reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the entity-wide financial statements regardless of their amount. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of the assets are not capitalized.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant and equipment of the Borough are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15-40
Infrastructure	20-50
Vehicles	5-7
Machinery and equipment	5-30

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Borough has one item that qualifies for reporting in this category. The deferred outflow of resources related to pensions is reported in the government-wide statement of net position and is the result of changes in plan assumptions, the net difference between projected and actual earnings on pension plan investments, and differences between expected and actual experience of the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has two items that qualify for reporting in this category. Unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the Governmental Funds balance sheet. The Governmental Funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow of resources related to pensions is reported in the government-wide statement of net position and is the result of differences between expected and actual experience of the pension plan.

Compensated Absences

Full-time employees are granted vacation benefits in varying amounts to specified maximums. Upon leaving employment at the Borough, employees are paid for their unused vacation days at their current pay rate. Sick leave accrues to full-time, permanent employees and can be carried over from year to year. However, at retirement or upon leaving the Borough, employees with over ten years of service will be paid for all remaining sick leave at a rate of one day for every three days of unused sick time.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The liability for these compensated absences is recorded as long-term debt in the entity-wide and Proprietary Funds' financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, Governmental Funds report a liability for compensated absences only if they have matured. Historically, the General Fund has been responsible for liquidation of compensated absences associated with governmental activities. Compensated absences associated with business-type activities are liquidated from the fund in which the liability was generated.

Long-Term Obligations

In the entity-wide financial statements and Proprietary Funds' financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Bond premiums and discounts are deferred and amortized over the life of the bonds.

In the fund financial statements, Governmental Fund Types report discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures, except for refundings paid from proceeds, which are reported as other financing uses.

Net Position Flow Assumption

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

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

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

- ***Nonspendable Fund Balance*** - Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- ***Restricted Fund Balance*** - Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation.
- ***Committed Fund Balance*** - Amounts constrained to specific purposes by the Borough itself, using its highest level of decision-making authority (the Borough Council). To be reported as committed, amounts cannot be used for any other purpose unless the Borough takes the same highest level action to remove or change the constraint.
- ***Assigned Fund Balance*** - Amounts the Borough intends to use for a specific purpose. Intent can be expressed by Borough Council or by an official or body to which the Borough Council delegates the authority. The Board has not delegated the authority to assign fund balance as of December 31, 2015.
- ***Unassigned Fund Balance*** - Amounts available for any purpose. Positive amounts are reported only in the General Fund.

Borough Council establishes (and modifies or rescinds) fund balance commitments by passage of a motion. Assigned fund balance is intended to be used by the Borough for specific purposes but does not meet the criteria to be classified as restricted or committed.

The Borough will typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Restricted Net Position

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first and then unrestricted resources as they are needed. Administrative expenses are paid with the use of unrestricted resources.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE B - TAXES

For 2015, tax was levied on the assessed value of real estate at a total of 5.25 mills.

The taxable assessed valuation of property as of January 1, 2015, was \$753,318,921.

The real estate tax collection calendar is as follows:

Initial billing.....	March 1
Discount period	March 1 to April 30
Face period	May 1 to June 30
Penalty period	July 1 and thereafter
Lien date	January 31

Other taxes levied in 2015 are as follows:

Real estate transfer tax.....	1% of sale price
Earned income tax	1% of gross income
LST tax.....	\$52 per person

NOTE C - DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a policy for custodial credit risk on deposits. The Borough is required by statute to deposit funds in depositories that are either banks, banking institutions, or trust companies located in the Commonwealth of Pennsylvania. To the extent that such deposits exceed federal insurance, the depositories must pledge as collateral obligations of the United States, the Commonwealth of Pennsylvania, or any political subdivision of the Commonwealth. Under Act 72 of 1971, as amended, the depositories may meet this collateralization requirement by pooling appropriate securities to cover all public funds on deposit.

At December 31, 2015, the carrying amount of the Borough's deposits was \$18,951,995, and the bank balance was \$19,113,404. Of the bank balance, \$500,000 was covered by federal depository insurance, \$18,356,659 was exposed to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Borough's name and \$256,745 was with the Pennsylvania Local Government Investment Trust (PLGIT). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, the deposits with PLGIT act like a money market mutual fund in that the objective is to maintain a stable net asset value of \$1 per share. The deposits are rated by a nationally recognized statistical rating organization and are subject to an independent annual audit.

See Notes I and J for pension deposit disclosures.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Investments

Statutes authorize the Borough to invest in obligations of the U.S. Treasury, agencies and instrumentalities and deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation (FSLIC), or the National Credit Union Share Insurance Fund (NCUSIF). The Borough also is authorized to invest in obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America or the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

As of December 31, 2015, the Borough had \$1,780,067 invested in certificates of deposit, all due within one year.

See Notes I and J for pension investment disclosures.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral security in the possession of an outside party. The Borough does not have a policy for custodial credit risk on deposits. As of December 31, 2015, \$1,280,067 of the Borough's investment in certificates of deposit was subject to custodial credit risk because it was uninsured and the collateral held by the depository's agent was not in the Borough's name.

Concentration Risk - The Borough does not have a policy that would limit the amount it may invest in any one issuer. As of December 31, 2015, the Borough's investments in certificates of deposit were with six banks.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE D - INTERFUND RECEIVABLES/PAYABLES

The balance of short-term interfund receivables/payables at December 31, 2015, was as follows:

	<u>Receivable Fund</u>	<u>Payable Fund</u>
General Fund	\$ 200,000	\$ -
Agency Fund	<u>-</u>	<u>200,000</u>
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

NOTE E - INTERFUND TRANSFERS

Interfund transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 1,431,958
Fire Fund	407,551	-
Debt Service Fund	573,500	-
Recreation Fund	305,940	-
Pension Fund	<u>144,967</u>	<u>-</u>
	<u>\$ 1,431,958</u>	<u>\$ 1,431,958</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance January 1, 2015	Increases	Decreases	Balance December 31, 2015
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 3,704,730	\$ -	\$ -	\$ 3,704,730
Construction in progress	1,388,525	267,447	(10,131)	1,645,841
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	5,093,255	267,447	(10,131)	5,350,571
Capital assets being depreciated				
Buildings and improvements	7,893,698	83,991	-	7,977,689
Infrastructure	12,106,781	533,106	-	12,639,887
Vehicles	2,950,042	308,855	(86,850)	3,172,047
Equipment and furniture	2,589,877	41,464	(80,285)	2,551,056
TOTAL CAPITAL ASSETS BEING DEPRECIATED	25,540,398	967,416	(167,135)	26,340,679
Accumulated depreciation				
Buildings and improvements	(1,264,620)	(184,197)	-	(1,448,817)
Infrastructure	(2,947,748)	(383,990)	-	(3,331,738)
Vehicles	(2,022,247)	(210,503)	86,850	(2,145,900)
Equipment and furniture	(1,421,431)	(133,841)	80,285	(1,474,987)
TOTAL ACCUMULATED DEPRECIATION	(7,656,046)	(912,531)	167,135	(8,401,442)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	17,884,352	54,885	-	17,939,237
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 22,977,607	\$ 322,332	\$ (10,131)	\$ 23,289,808
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 153,863	\$ 599	\$ -	\$ 154,462
Construction in progress	3,565,904	88,761	(3,525,049)	129,616
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	3,719,767	89,360	(3,525,049)	284,078
Capital assets being depreciated				
Sewer collection system infrastructure	16,941,284	1,622,990	-	18,564,274
Water treatment plant infrastructure	18,773,896	2,098,322	-	20,872,218
Vehicles	371,398	-	(76,554)	294,844
Equipment and furniture	1,943,755	85,977	-	2,029,732
TOTAL CAPITAL ASSETS BEING DEPRECIATED	38,030,333	3,807,289	(76,554)	41,761,068
Accumulated depreciation				
Sewer collection system infrastructure	(6,534,475)	(305,820)	-	(6,840,295)
Water treatment plant infrastructure	(9,846,143)	(473,499)	-	(10,319,642)
Vehicles	(265,140)	(13,984)	76,554	(202,570)
Equipment and furniture	(1,383,003)	(73,836)	-	(1,456,839)
TOTAL ACCUMULATED DEPRECIATION	(18,028,761)	(867,139)	76,554	(18,819,346)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	20,001,572	2,940,150	-	22,941,722
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 23,721,339	\$ 3,029,510	\$ (3,525,049)	\$ 23,225,800

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

GOVERNMENTAL ACTIVITIES	
General government	\$ 94,343
Public safety	467,380
Public works	
Highways and streets	177,486
Sanitation	157,010
Culture and recreation	<u>16,312</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 912,531</u>
BUSINESS-TYPE ACTIVITIES	
Water	\$ 523,192
Sewer	<u>343,947</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 867,139</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE G - CAPITAL LEASES - LESSEE

The Borough previously entered into a lease agreement as lessee for financing the acquisition of a fire engine. During 2009, the Borough entered into lease agreements as lessee for financing the acquisition of an aerial fire truck and a street sweeper. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

Vehicles acquired through capital leases	\$ 853,228
Accumulated depreciation	<u>(583,473)</u>
	<u>\$ 269,755</u>

Future minimum lease obligations and the net present value of these minimum lease payments are as follows:

<u>Year Ending December 31,</u>	
2016	\$ 63,837
2017	63,837
2018	<u>63,837</u>
	191,511
Amount representing interest	<u>(16,979)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	<u>\$ 174,532</u>

Amortization of leased vehicles under capital assets is included with depreciation expense.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - LONG-TERM DEBT

The general obligation bonds are allocated to both the business-type and governmental activities as follows:

General Obligation Bonds, Series of 2012, issued at \$22,515,000 in February 2012, interest rates ranging from 2.00% to 4.00%, interest and principal payable semiannually from May 2012 through November 2037 \$ 17,940,000

An analysis of debt service requirements including Sinking Fund requirements to maturity on these obligations is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,185,000	\$ 496,400
2017	1,205,000	472,700
2018	1,225,000	448,600
2019	985,000	424,100
2020	980,000	404,400
2021 to 2025	5,300,000	1,654,950
2026 to 2030	3,600,000	896,900
2031 to 2035	2,380,000	481,988
2036 to 2037	<u>1,080,000</u>	<u>65,200</u>
	<u>\$ 17,940,000</u>	<u>\$ 5,345,238</u>

Long-term liability activity for the year ended December 31, 2015, is as follows:

	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2015</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds, Series of 2012	\$ 9,125,000	\$ -	\$ (295,000)	\$ 8,830,000	\$ 305,000
Capital lease	227,473	-	(52,941)	174,532	63,837
Compensated absences	465,855	114,104	-	579,959	57,996
Other postemployment benefits	<u>420,132</u>	<u>88,501</u>	<u>-</u>	<u>508,633</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 10,238,460</u>	<u>\$ 202,605</u>	<u>\$ (347,941)</u>	<u>\$ 10,093,124</u>	<u>\$ 426,833</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds, Series of 2012	\$ 9,965,000	\$ -	\$ (855,000)	\$ 9,110,000	\$ 880,000
Compensated absences	<u>225,220</u>	<u>-</u>	<u>(11,966)</u>	<u>213,254</u>	<u>22,521</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 10,190,220</u>	<u>\$ -</u>	<u>\$ (866,966)</u>	<u>\$ 9,323,254</u>	<u>\$ 902,521</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE H - LONG-TERM DEBT (Continued)

For the year ended December 31, 2015, interest expense on long-term debt was \$530,900. Of this total, \$252,200 was charged to the following functions as direct expenses on the statement of activities:

<u>Function</u>	<u>Interest</u>
Water	\$ 69,700
Sewer	<u>182,500</u>
	<u>\$ 252,200</u>

NOTE I - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN)

Summary of Significant Accounting Policies

Police Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. The plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the insurance company. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the plan's assets.

Financial information of the Borough's Police Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Description

Plan Administration - The Borough administers the Police Pension Plan--a single-employer defined benefit pension plan, controlled by the provisions of Pennsylvania Act 600 that provides pensions for all regular, full-time sworn police officers.

Management of the plan is vested in the Phoenixville Borough Council. The Borough Council has delegated the responsibility for managing, investing and monitoring the Borough's Police Pension Fund assets to Principal Financial Group and SEI Private Trust Company.

Plan Membership - At December 31, 2015, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	14
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>28</u>
	<u>44</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Benefits Provided - The plan provides retirement, disability and death benefits in accordance with Pennsylvania Act 600 as noted below:

- A member is eligible for normal retirement at age 50 with 25 years of continuous service. Participants are entitled to monthly pension payments equal to 50% of average monthly pay plus \$100 for service in excess of 25 years during their lifetime, with payments continuing after the member's death to the surviving spouse, or eligible child, equal to 50% of the initial amount payable to the member. A member becomes 100% vested in the benefit accrued after 12 or more years of continued service.
- Average monthly pay is based upon the last 36 months of employment. For participants hired on or before August 30, 1983, pay is defined as total W-2 compensation, excluding any lump sum payment for unused sick or vacation time. For participants hired after August 30, 1983, pay is defined as the salary rate.
- If a member continues working after normal retirement date, the pension does not start until the member actually retires. The late retirement benefit is the benefit accrued to the late retirement date.
- A participant is eligible for early retirement after completion of 20 years of service. The early retirement benefit is equal to the actuarial equivalent of the benefit accrued at the early retirement date.
- An annual cost-of-living adjustment is made to retirees with a maximum total cost-of-living increase of 30% if employment terminates after January 1, 2002. Employees who retired prior to January 1, 2002, receive a maximum total cost-of-living increase of 15%.
- An active member is eligible for a disability benefit if the member is disabled in the line of duty. The disability pension is equal to 50% of the member's salary at the time disability occurs.
- If an active member is killed in the line of duty, a monthly death benefit is payable to the surviving spouse, or eligible child, equal to 100% of the member's monthly salary at the time of death.
- If a member is eligible for retirement at the time of death, a monthly death benefit is payable to the surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had that member been retired at the time of death.
- If an actuarial study shows the plan to have sufficient assets to fund plan benefits, member contributions may be suspended. Contributions are currently suspended.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The benefit provisions of the Borough's Police Pension Plan are established by Borough ordinances.

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

In 2015, the MMO obligation for the plan was \$344,034. Contributions of \$181,808 and \$211,725 were made by the Borough and the Commonwealth of Pennsylvania, respectively.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded by the General Fund, which is reimbursed as pension investments are liquidated.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Borough Council through adoption of an ordinance. It is the policy of the Borough Council to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the plan's adopted asset allocation policy as of December 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	42%
International equity	23%
Fixed income	33%
Real estate	0%
Cash	2%
	<u>100%</u>

Concentrations - More than 5% of the Borough's investments are in mutual funds and an unallocated insurance contract. These investments are 92.5% and 7.5% of the plan's total investments.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Rate of Return - For the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Borough

The components of the net pension liability of the Borough at December 31, 2015, were as follows:

Total pension liability	\$ 10,946,741
Plan fiduciary net position	<u>(11,403,731)</u>
NET PENSION ASSET LIABILITY	\$ <u>(456,990)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>104.17%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.25%
Postretirement cost of living increase	4%

Mortality rates were based on the RP-2000 Mortality Table.

Due to the size of the plan, there have been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2015 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.50%-7.50%
International equity	4.50%-6.50%
Fixed income	1.00%-3.00%
Real estate	4.50%-6.50%
Cash	0.00%-1.00%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Balances at December 31, 2014	\$ 10,206,357	\$ 11,335,483	\$ (1,129,126)
Changes for the year:			
Service cost	380,294	-	380,294
Interest	751,072	-	751,072
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(385,864)	-	(385,864)
Changes of assumptions	322,782	-	322,782
Contributions			
Employer	-	393,533	(393,533)
Member	-	-	-
Net investment income	-	11,750	(11,750)
Benefit payments	(327,900)	(327,900)	-
Administrative expense	-	(9,135)	9,135
Net changes	<u>740,384</u>	<u>68,248</u>	<u>672,136</u>
Balances at December 31, 2015	<u>\$ 10,946,741</u>	<u>\$ 11,403,731</u>	<u>\$ (456,990)</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE I - DEFINED BENEFIT PENSION PLAN (POLICE PENSION PLAN) (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.25%, as well as what the Borough's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension (asset) liability	\$ <u>1,095,459</u>	\$ <u>(456,990)</u>	\$ <u>(1,748,990)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2015, the Borough recognized pension expense of \$472,045 for the Police Pension Plan. At December 31, 2015, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 342,990
Change of assumptions	286,917	-
Net difference between projected and actual earnings on pension plan investments	<u>649,697</u>	<u>-</u>
	<u>\$ 936,614</u>	<u>\$ 342,990</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>December 31,</u>	
2016	\$ 155,415
2017	155,415
2018	155,415
2019	155,415
2020	(7,009)
Thereafter	(21,027)

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE J - DEFINED BENEFIT PENSION PLAN (MUNICIPAL EMPLOYEES' PENSION PLAN)

Summary of Significant Accounting Policies

Municipal Employees' Pension Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. The plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities and pay administrative expenses charged by the insurance company. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the plan's assets.

Financial information of the Borough's Municipal Employees' Pension Plan is presented on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due as required by the Act. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Plan Description

Plan Administration - The Borough administers the Municipal Employees' Pension Plan--a single-employer defined benefit pension plan that provides pensions for all regular, full-time Municipal employees.

Management of the plan is vested in the Phoenixville Borough Council. The Borough Council has delegated the responsibility for managing, investing and monitoring the Borough's Municipal Employees' Pension Fund assets to Principal Financial Group and SEI Private Trust Company.

Plan Membership - At December 31, 2015, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	37
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>62</u>
	<u><u>107</u></u>

Benefits Provided - The plan provides retirement, disability and death benefits. A member is eligible for normal retirement on the first day of the month coincident with or following attainment of age 65. The normal retirement pension is payable monthly during the member's lifetime, with payments ceasing upon death. The amount of monthly pension is equal to 45% of average monthly compensation, reduced by 1/20th for each year of service less than 20 years. Average compensation is based upon the last 60 months of employment. If a member continues working after his normal retirement date, his pension does not start until he actually retires. If an active member suffers a service related disability, they are eligible for disability retirement. The disability retirement is payable monthly equal to the member's accrued pension at the time of disability, without reduction. If an active member dies before beginning to receive a retirement pension benefit, a monthly death benefit is payable to his surviving spouse equal to 50% of the member's accrued pension and is payable beginning on the date on which the participant first would have been eligible for retirement.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE J - DEFINED BENEFIT PENSION PLAN (MUNICIPAL EMPLOYEES' PENSION PLAN)
(Continued)

Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law.

The benefit provisions of the Borough's plan are established by Borough ordinances.

Contributions - Pennsylvania Act 205 of 1984 (as amended) requires that annual contributions be based upon the minimum municipal obligation (MMO), which is based on the plan's actuarial valuation. The MMO includes the normal cost, estimated administrative expenses and an amortization contribution of the unfunded actuarial accrued liability, less estimated member contributions, and a credit equal to 10% of the excess (if any) of the actuarial value of assets over the actuarial accrued liability. The state provides an allocation of funds, which must be used for pension funding. A financial requirement established by the MMO, which exceeds state and member contributions, must be funded by the employer.

As a condition of participation, participants are required to make contributions to the plan. The amount of the contribution is equal to 2% of the participant's pay.

In 2015, the MMO obligation for the plan was \$245,824. Contributions of \$6,653 and \$239,171 were made by the Borough and the Commonwealth, respectively.

Administrative costs, which may include, but are not limited to, investment management fees and actuarial services, are charged to the appropriate plan and funded by the General Fund, which is reimbursed as pension investments are liquidated.

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Borough Council through adoption of an ordinance. It is the policy of the Borough Council to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the plan's adopted asset allocation policy as of December 31, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	42%
International equity	23%
Fixed income	33%
Real estate	0%
Cash	2%
	<u>100%</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE J - DEFINED BENEFIT PENSION PLAN (MUNICIPAL EMPLOYEES' PENSION PLAN)
(Continued)

Concentrations - More than 5% of the Borough's investments are in mutual funds and an unallocated insurance contract. These investments are 88% and 10% of the Pension Plan's total investments.

Rate of Return - For the year ended December 31, 2015, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 0.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Borough

The components of the net pension liability of the Borough at December 31, 2015, were as follows:

Total pension liability	\$ 9,491,009
Plan fiduciary net position	<u>(9,422,003)</u>
NET PENSION LIABILITY	\$ <u>69,006</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>99.27%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.25%

Mortality rates were based on the RP-2000 Mortality Table.

Due to the size of the plan, there has been no experience studies used to determine plan assumptions.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE J - DEFINED BENEFIT PENSION PLAN (MUNICIPAL EMPLOYEES' PENSION PLAN)
(Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of December 31, 2015 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.50%-7.50%
International equity	4.50%-6.50%
Fixed income	1.00%-3.00%
Real estate	4.50%-6.50%
Cash	0.00%-1.00%

Discount Rate - The discount rate is based on the long-term expected rate of return on plan investments that are expected to be used to finance the payments of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania Law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Changes in the Net Pension Liability

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances at December 31, 2014	\$ 8,507,591	\$ 9,480,225	\$ (972,634)
Changes for the year:			
Service cost	284,119	-	284,119
Interest	654,221	-	654,221
Changes of benefit terms	-	-	-
Differences between expected and actual experience	189,136	-	189,136
Changes of assumptions	229,840	-	229,840
Contributions			
Employer	-	245,824	(245,824)
Member	-	66,482	(66,482)
Net investment income	-	15,770	(15,770)
Benefit payments	(373,898)	(373,898)	-
Administrative expense	-	(12,400)	12,400
Net changes	<u>983,418</u>	<u>(58,222)</u>	<u>1,041,640</u>
Balances at December 31, 2015	<u>\$ 9,491,009</u>	<u>\$ 9,422,003</u>	<u>\$ 69,006</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE J - DEFINED BENEFIT PENSION PLAN (MUNICIPAL EMPLOYEES' PENSION PLAN)
(Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Borough, calculated using the discount rate of 7.25%, as well as what the Borough's net pension would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ <u>1,090,615</u>	\$ <u>69,006</u>	\$ <u>(809,187)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2015, the Borough recognized pension expense of \$403,227 for the Municipal Employees' Pension Plan. At December 31, 2015, the Borough reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 157,613	\$ -
Change of assumptions	191,533	-
Net difference between projected and actual earnings on pension plan investments	<u>535,091</u>	<u>-</u>
	\$ <u>884,237</u>	\$ <u>-</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2016	\$ 203,602
2017	203,602
2018	203,602
2019	203,602
2020	69,828
Thereafter	-

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Borough provides health and insurance benefits to eligible employees and retired police officers and spouses through a single-employer defined benefit plan. The objective of the plan is to provide members with continued coverage in the Borough's medical plan after attainment of age 50 and completion of 25 years of service for police officers and after attainment of age 65 for eligible employees.

Funding Policy

To receive coverage upon retirement, the retiree is not required to pay a premium cost for coverage. The Borough is required to pay an actuarially determined amount to support its payment of the premium cost for coverage for each member. The costs of administering the plan are paid by the Borough.

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The components of the Borough's annual OPEB cost for the year, the amount actually contributed to the plan and changes in the Borough's net OPEB obligation to the plan are as follows:

Normal cost	\$ 47,665
Amortization of unfunded actuarial accrued liability	99,692
ANNUAL REQUIRED CONTRIBUTION (ARC)	147,357
Interest on net OPEB obligation	18,906
Adjustment to ARC	(25,792)
ANNUAL OPEB COST	140,471
Net OPEB contributions during the year	(51,970)
INCREASE IN NET OPEB OBLIGATION	88,501
Net OPEB obligation at beginning of year	420,132
NET OPEB OBLIGATION AT END OF YEAR	\$ 508,633

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE K - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Three-Year Trend

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 175,427	37.7%	\$ 313,806
2014	173,636	38.8%	420,132
2015	140,471	37.0%	508,633

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,623,878 and the actuarial value of assets was \$0, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,510,442, and the ratio of the UAAL to the covered payroll was 29.47%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets. Annual salary increases are assumed to be 5.0%. The UAAL is being amortized over future years as part of the annual contribution requirement.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE L - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2015:

GENERAL FUND	
General government	\$ 211,323
Public safety	97,269
Public works	525,687
Culture and recreation	<u>86,592</u>
	<u>\$ 920,871</u>

The excess expenditures were covered by the available fund balance in the funds.

NOTE M - CONTINGENT LIABILITIES

The Borough is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Borough's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Borough.

The Borough participates in state and county assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Borough is potentially liable for any expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE N - PRIOR PERIOD ADJUSTMENT

The Borough implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension – An Amendment of GASB Statement No. 27*, effective January 1, 2015.

The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pension plans. GASB Statement No. 68 states that local governments have to record any unfunded liability of their pension plans.

For the government-wide governmental activities, the Borough has treated the beginning of year net pension asset of \$1,897,993 as having been recognized in the period incurred. Accordingly, the Borough has adjusted beginning net position for the governmental activities from \$23,609,262 to \$25,507,255.

For the proprietary water and sewer funds and the government-wide business-type activities, the Borough has treated the beginning of the year net pension assets of \$141,129 and \$62,638 for the water fund and sewer fund, respectively, as having been recognized in the period incurred. Accordingly, the Borough has adjusted beginning net position of the water fund from \$12,840,357 to \$12,981,486 and beginning net position of the sewer fund from \$8,200,446 to \$8,263,084. Beginning net position of the government-wide business-type activities has been adjusted from \$21,040,803 to \$21,244,570.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF PHOENIXVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 7,021,750	\$ 7,021,750	\$ 7,275,789	\$ 254,039
Fees and fines	140,000	140,000	165,046	25,046
Licenses and permits	348,300	348,300	357,395	9,095
Intergovernmental	1,652,773	9,100	648,545	639,445
Charges for services	2,352,766	1,209,359	1,644,813	435,454
Investment earnings	8,200	8,200	21,389	13,189
Miscellaneous	110,250	128,821	158,759	29,938
TOTAL REVENUES	11,634,039	8,865,530	10,271,736	1,406,206
EXPENDITURES				
General government	799,691	771,041	982,364	(211,323)
Public safety	4,807,978	4,769,409	4,866,678	(97,269)
Public works	2,415,219	1,322,419	1,848,106	(525,687)
Culture and recreation	83,250	83,250	169,842	(86,592)
TOTAL EXPENDITURES	8,106,138	6,946,119	7,866,990	(920,871)
EXCESS OF REVENUES OVER EXPENDITURES	3,527,901	1,919,411	2,404,746	485,335
OTHER FINANCING USES				
Sale of fixed assets	-	-	-	-
Interfund transfers out	(3,289,543)	(2,739,930)	(1,431,958)	1,307,972
TOTAL OTHER FINANCING USES	(3,289,543)	(2,739,930)	(1,431,958)	1,307,972
NET CHANGE IN FUND BALANCE	238,358	(820,519)	972,788	1,793,307
FUND BALANCE AT BEGINNING OF YEAR	8,360,841	8,360,841	8,360,841	-
FUND BALANCE AT END OF YEAR	\$ 8,599,199	\$ 7,540,322	\$ 9,333,629	\$ 1,793,307

BOROUGH OF PHOENIXVILLE
SCHEDULE OF CHANGES IN THE NET POLICE
PENSION PLAN LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 380,294	\$ 336,874
Interest	751,072	723,044
Changes of benefit terms	-	-
Differences between expected and actual experience	(385,864)	-
Changes of assumptions	322,782	-
Benefit payments	<u>(327,900)</u>	<u>(314,537)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	740,384	745,381
Total pension liability, beginning	<u>10,206,357</u>	<u>9,460,976</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 10,946,741</u>	<u>\$ 10,206,357</u>
PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 393,533	\$ 280,262
Member	-	-
Net investment income	11,750	587,261
Benefit payments, including refunds of member contributions	(327,900)	(314,537)
Administrative expense	(9,135)	(49,213)
Other	<u>-</u>	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	68,248	503,773
Plan fiduciary net position, beginning	<u>11,335,483</u>	<u>10,831,709</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 11,403,731</u>	<u>\$ 11,335,482</u>
NET PENSION ASSET, ENDING (a)-(b)	<u>\$ (456,990)</u>	<u>\$ (1,129,125)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>104.17%</u>	<u>111.06%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,296,154</u>	<u>\$ 2,464,671</u>
NET PENSION ASSET AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>-19.90%</u>	<u>-45.81%</u>

BOROUGH OF PHOENIXVILLE
SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 344,034	\$ 280,261
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>393,533</u>	<u>280,262</u>
CONTRIBUTION EXCESS	<u>\$ (49,499)</u>	<u>\$ (1)</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,296,154</u>	<u>\$ 2,464,671</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>17.14%</u>	<u>11.37%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2013

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	N/A years
Asset valuation method	Market value of assets as determined by Trustee
Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.50%
Retirement age	Latest of age 53, age at the completion of 25 years of service
Mortality	RP-2000 Table

BOROUGH OF PHOENIXVILLE
SCHEDULE OF POLICE PENSION PLAN INVESTMENT RETURNS
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>0.08%</u>	<u>4.70%</u>

BOROUGH OF PHOENIXVILLE
SCHEDULE OF CHANGES IN THE NET MUNICIPAL
EMPLOYEES' PENSION PLAN LIABILITY AND RELATED RATIOS
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 284,119	\$ 275,389
Interest	654,221	606,167
Changes of benefit terms	-	-
Differences between expected and actual experience	189,136	-
Changes of assumptions	229,840	-
Benefit payments	<u>(373,898)</u>	<u>(361,603)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	983,418	519,953
Total pension liability, beginning	<u>8,507,591</u>	<u>7,987,638</u>
 TOTAL PENSION LIABILITY, ENDING (a)	 <u>\$ 9,491,009</u>	 <u>\$ 8,507,591</u>
 PLAN FIDUCIARY NET POSITION		
Contributions		
Employer	\$ 245,824	\$ 224,615
Member	66,482	66,678
Net investment income	15,770	488,631
Benefit payments, including refunds of member contributions	(373,898)	(361,603)
Administrative expense	(12,400)	(43,882)
Other	<u>-</u>	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(58,222)	374,439
Plan fiduciary net position, beginning	<u>9,480,225</u>	<u>9,105,786</u>
 PLAN FIDUCIARY NET POSITION, ENDING (b)	 <u>\$ 9,422,003</u>	 <u>\$ 9,480,225</u>
 NET PENSION LIABILITY, ENDING (a)-(b)	 <u>\$ 69,006</u>	 <u>\$ (972,634)</u>
 PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	 <u>99.27%</u>	 <u>111.43%</u>
 COVERED-EMPLOYEE PAYROLL	 <u>\$ 3,406,762</u>	 <u>\$ 3,329,098</u>
 NET PENSION LIABILITY AS A PERCENTAGE OF COVERED- EMPLOYEE PAYROLL	 <u>2.03%</u>	 <u>-29.22%</u>

BOROUGH OF PHOENIXVILLE
SCHEDULE OF MUNICIPAL EMPLOYEES'
PENSION PLAN CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 245,824	\$ 196,291
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>245,824</u>	<u>224,615</u>
CONTRIBUTION EXCESS	<u>\$ -</u>	<u>\$ (28,324)</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 3,406,762</u>	<u>\$ 3,329,098</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>7.22%</u>	<u>6.75%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2013

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	N/A years
Asset valuation method	Market value of assets as determined by the Trustee
Inflation	3%
Salary increases	5% annual increase
Investment rate of return	7.50%
Retirement age	Normal retirement age
Mortality	RP-2000 Table

BOROUGH OF PHOENIXVILLE
SCHEDULE OF MUNICIPAL EMPLOYEES'
PENSION PLAN INVESTMENT RETURNS
YEAR ENDED DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>0.12%</u>	<u>4.62%</u>

BOROUGH OF PHOENIXVILLE
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2015

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date <u>January 1,</u>	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability AAL - Entry Age	(c) Unfunded AAL (UAAL) <u>(b)-(a)</u>	(d) Funded Ratio <u>(a)/(b)</u>	(e) Covered Payroll	(f) UAAL as a Percentage of Covered Payroll <u>(c)/(e)</u>
2009	\$ -	\$ 1,783,951	\$ 1,783,951	0%	\$ 4,570,735	39.03%
2012	-	2,073,525	2,073,525	0%	5,017,257	41.33%
2015	-	1,623,878	1,623,878	0%	5,510,442	29.47%

SUPPLEMENTARY INFORMATION SECTION

BOROUGH OF PHOENIXVILLE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	<u>Fire Fund</u>	<u>Liquid Fuels Fund</u>
ASSETS		
Cash and cash equivalents	\$ 242,163	\$ 321,791
Other receivables	<u>32</u>	<u>54,143</u>
TOTAL ASSETS	<u>\$ 242,195</u>	<u>\$ 375,934</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and other current liabilities	\$ <u>93,286</u>	\$ <u>1,000</u>
FUND BALANCES		
Nonspendable, prepaid expenses	-	-
Restricted for road and street improvements	-	374,934
Assigned to		
Fire protection	148,909	-
Debt service	-	-
Recreation activities	-	-
Pension	-	-
TOTAL FUND BALANCES	<u>148,909</u>	<u>374,934</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 242,195</u>	<u>\$ 375,934</u>

<u>Special Revenue Funds</u>				
<u>Debt Service Fund</u>	<u>Recreation Fund</u>	<u>Highway Turnback Fund</u>	<u>Pension Fund</u>	<u>Total Other Governmental Funds</u>
\$ 17,343	\$ 282,506	\$ 103,137	\$ 23,683	\$ 990,623
<u>-</u>	<u>7,956</u>	<u>-</u>	<u>-</u>	<u>62,131</u>
<u>\$ 17,343</u>	<u>\$ 290,462</u>	<u>\$ 103,137</u>	<u>\$ 23,683</u>	<u>\$ 1,052,754</u>
\$ <u>-</u>	\$ <u>22,747</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>117,033</u>
-	-	-	-	-
-	-	103,137	-	478,071
-	-	-	-	148,909
17,343	-	-	-	17,343
-	267,715	-	-	267,715
-	-	-	23,683	23,683
<u>17,343</u>	<u>267,715</u>	<u>103,137</u>	<u>23,683</u>	<u>935,721</u>
<u>\$ 17,343</u>	<u>\$ 290,462</u>	<u>\$ 103,137</u>	<u>\$ 23,683</u>	<u>\$ 1,052,754</u>

BOROUGH OF PHOENIXVILLECOMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	<u>Fire Fund</u>	<u>Liquid Fuels Fund</u>
REVENUES		
Taxes	\$ 65,008	\$ -
Intergovernmental	113,659	369,863
Charges for services	-	-
Investment earnings	384	513
Miscellaneous	-	2,159
	<u>179,051</u>	<u>372,535</u>
TOTAL REVENUES		
EXPENDITURES		
Current		
General government	-	-
Public safety	598,190	-
Public works	-	526,626
Culture and recreation	-	-
Debt service		
Principal	-	-
Interest and other charges	-	-
TOTAL EXPENDITURES	<u>598,190</u>	<u>526,626</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(419,139)	(154,091)
OTHER FINANCING SOURCES		
Interfund transfers in	<u>407,551</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(11,588)	(154,091)
FUND BALANCES AT BEGINNING OF YEAR	<u>160,497</u>	<u>529,025</u>
FUND BALANCES AT END OF YEAR	<u>\$ 148,909</u>	<u>\$ 374,934</u>

Special Revenue Funds				
<u>Debt Service Fund</u>	<u>Recreation Fund</u>	<u>Highway Turnback Fund</u>	<u>Pension Fund</u>	<u>Total Other Governmental Funds</u>
\$ 243	\$ 277	\$ -	\$ 249	\$ 65,777
-	-	-	450,896	934,418
-	186,648	-	-	186,648
265	347	33	202	1,744
-	-	-	-	2,159
<u>508</u>	<u>187,272</u>	<u>33</u>	<u>451,347</u>	<u>1,190,746</u>
11	-	-	639,369	639,380
-	-	-	-	598,190
-	-	-	-	526,626
-	430,339	-	-	430,339
295,000	-	-	-	295,000
279,002	-	-	-	279,002
<u>574,013</u>	<u>430,339</u>	<u>-</u>	<u>639,369</u>	<u>2,768,537</u>
(573,505)	(243,067)	33	(188,022)	(1,577,791)
<u>573,500</u>	<u>305,940</u>	<u>-</u>	<u>144,967</u>	<u>1,431,958</u>
(5)	62,873	33	(43,055)	(145,833)
<u>17,348</u>	<u>204,842</u>	<u>103,104</u>	<u>66,738</u>	<u>1,081,554</u>
<u>\$ 17,343</u>	<u>\$ 267,715</u>	<u>\$ 103,137</u>	<u>\$ 23,683</u>	<u>\$ 935,721</u>

BOROUGH OF PHOENIXVILLE

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2015

	Pension Funds		Totals
	Non-Uniformed Pension Fund	Police Pension Fund	
ASSETS			
Cash and cash equivalents	\$ <u>184,096</u>	\$ <u>336,497</u>	\$ <u>520,593</u>
Investments			
Mutual funds, at fair value	8,292,312	10,212,839	18,505,151
Unallocated insurance contract, at contract value	<u>945,595</u>	<u>854,394</u>	<u>1,799,989</u>
TOTAL INVESTMENTS	<u>9,237,907</u>	<u>11,067,233</u>	<u>20,305,140</u>
TOTAL ASSETS	\$ <u><u>9,422,003</u></u>	\$ <u><u>11,403,730</u></u>	\$ <u><u>20,825,733</u></u>
NET POSITION			
Held in trust for pension benefits and pool participants	\$ <u><u>9,422,003</u></u>	\$ <u><u>11,403,730</u></u>	\$ <u><u>20,825,733</u></u>

BOROUGH OF PHOENIXVILLE

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2015

	Pension Funds		Totals
	Non-Uniformed Pension Fund	Police Pension Fund	
ADDITIONS			
Contributions			
Employer	\$ 245,824	\$ 393,533	\$ 639,357
Employee	66,482	-	66,482
TOTAL CONTRIBUTIONS	<u>312,306</u>	<u>393,533</u>	<u>705,839</u>
Investment earnings			
Net decrease in fair value of investments	(345,420)	(415,860)	(761,280)
Realized gains on sale of assets	213,931	261,929	475,860
Interest	42,800	40,181	82,981
Dividends	139,465	165,659	305,124
Investment management expense	(35,006)	(40,159)	(75,165)
TOTAL INVESTMENT EARNINGS	<u>15,770</u>	<u>11,750</u>	<u>27,520</u>
TOTAL ADDITIONS	<u>328,076</u>	<u>405,283</u>	<u>733,359</u>
DEDUCTIONS			
Benefits	373,898	327,900	701,798
Administrative	12,400	9,135	21,535
TOTAL DEDUCTIONS	<u>386,298</u>	<u>337,035</u>	<u>723,333</u>
CHANGE IN NET POSITION	(58,222)	68,248	10,026
NET POSITION AT BEGINNING OF YEAR	<u>9,480,225</u>	<u>11,335,482</u>	<u>20,815,707</u>
NET POSITION AT END OF YEAR	<u>\$ 9,422,003</u>	<u>\$ 11,403,730</u>	<u>\$ 20,825,733</u>