

BOROUGH OF PHOENIXVILLE
ANNUAL FINANCIAL REPORT
Year Ended December 31, 2016



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INTRODUCTORY SECTION

BOROUGH OF PHOENIXVILLE

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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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Emphasis of Matter

For the year ended December 31, 2016, the Borough of Phoenixville adopted new accounting guidance, implementing Governmental Accounting Standards Board Statements No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. 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.

Maullio LLP

Oaks, Pennsylvania
April 14, 2017

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

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, 2016. 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 \$54,058,671 (representing its net position). Of this amount, \$20,266,025 (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 \$2,883,843.
- As of December 31, 2016, the Borough's Governmental Funds reported combined ending fund balances of \$12,186,217, an increase of \$973,077 as compared to the prior year.
- The Borough's total Long-Term liabilities decreased by \$1,295,825 (as seen on page 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, 2016

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, 2016

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, 2016

ENTITY-WIDE FINANCIAL ANALYSIS OF THE BOROUGH

The Borough's total net position as of December 31, 2016 was \$ 54,058,671. This represents an increase of \$ 2,883,843 over the prior year. While there was a \$ 22,909,162 increase in Business Type Activities, there was a slight decline in Governmental Activities of \$(22,319). 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, 2016 and 2015**

	2016			2015		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
ASSETS						
Current and other assets	\$ 13,934,666	\$ 12,225,227	\$ 26,159,893	\$ 13,400,468	\$ 10,913,666	\$ 24,314,134
Capital assets	22,392,337	24,959,717	47,352,054	23,289,808	23,225,800	46,515,608
TOTAL ASSETS	36,327,003	37,184,944	73,511,947	36,690,276	34,139,466	70,829,742
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	1,487,429	168,782	1,656,211	1,635,603	185,248	1,820,851
LIABILITIES						
Long-term liabilities	10,185,417	8,605,633	18,791,050	10,107,854	8,558,232	18,666,086
Other liabilities	782,862	1,235,459	2,018,321	1,306,679	1,160,010	2,466,689
TOTAL LIABILITIES	10,968,279	9,841,092	20,809,371	11,414,533	9,718,242	21,132,775
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	300,116	-	300,116	342,990	-	342,990
NET POSITION						
Net investment in capital assets	13,326,906	16,616,990	29,943,896	13,843,713	13,992,759	27,836,472
Restricted	3,848,750	-	3,848,750	3,848,750	-	3,848,750
Unrestricted	9,370,381	10,895,644	20,266,025	8,875,893	10,613,713	19,489,606
TOTAL NET POSITION	\$ 26,546,037	\$ 27,512,634	\$ 54,058,671	\$ 26,568,356	\$ 24,606,472	\$ 51,174,828

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

Table 2 - Changes in Net Position
Years Ended December 31, 2016 and 2015

	2016			2015		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
REVENUES						
Program revenues						
Charges for services	\$ 3,371,853	\$ 7,424,229	\$ 10,796,082	\$ 3,603,191	\$ 8,520,640	\$ 12,123,831
Operating grants and contributions	765,297	-	765,297	1,178,961	-	1,178,961
Capital grants and contributions	431,645	897,696	1,329,341	369,863	-	369,863
General revenues						
Real estate taxes	4,046,730	-	4,046,730	3,935,742	-	3,935,742
Real estate transfer taxes	457,007	-	457,007	448,280	-	448,280
Earned income tax	2,909,949	-	2,909,949	2,640,136	-	2,640,136
LST tax	273,856	-	273,856	258,948	-	258,948
Per capita tax	54,954	-	54,954	57,247	-	57,247
Franchise fees	370,136	-	370,136	357,395	-	357,395
Fines and forfeits	151,313	-	151,313	165,046	-	165,046
Investment earnings	54,859	56,778	111,637	59,902	42,216	102,118
Grants not restricted to a specific program	5,892	-	5,892	15,232	-	15,232
Gain on sale of asset	236,010	-	236,010	16,859	-	16,859
TOTAL REVENUES	13,129,501	8,378,703	21,508,204	13,106,802	8,562,856	21,669,658
EXPENSES						
General government	1,528,608	-	1,528,608	1,616,331	-	1,616,331
Public safety	6,476,277	-	6,476,277	6,023,631	-	6,023,631
Highways/streets	2,503,325	-	2,503,325	1,823,546	-	1,823,546
Sanitation	1,785,076	-	1,785,076	1,801,143	-	1,801,143
Culture and recreation	613,705	-	613,705	518,923	-	518,923
Interest on bonds	244,829	-	244,829	262,127	-	262,127
Water operations	-	3,353,374	3,353,374	-	3,176,704	3,176,704
Waste water operations	-	2,119,167	2,119,167	-	2,024,250	2,024,250
TOTAL EXPENSES	13,151,820	5,472,541	18,624,361	12,045,701	5,200,954	17,246,655
CHANGE IN NET POSITION	(22,319)	2,906,162	2,883,843	1,061,101	3,361,902	4,423,003
NET POSITION, BEGINNING,	26,568,356	24,606,472	51,174,828	25,507,255	21,244,570	46,751,825
NET POSITION, ENDING	\$ 26,546,037	\$ 27,512,634	\$ 54,058,671	\$ 26,568,356	\$ 24,606,472	\$ 51,174,828

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

GOVERNMENTAL ACTIVITIES

The net decrease of the Borough's Governmental Activities of \$(22,319) is negligible and had no impact on the Borough's overall position.

Governmental Activities bore an expense of \$13,151,820 year ending 2016. Taxes provided 59% (\$7,742,496) of the revenues that offset the corresponding expenses of these activities. Those who directly benefited from these programs contributed 26% (\$3,371,853). The remainder of the revenue base was generated from intergovernmental aid, investment earnings and various fines (see pages 11 and 19 for a detailed breakout).

A majority of revenues for the Borough is derived through taxes, charges for services and grants.

To further delineate:

- (a) The Borough realized \$331,714 in additional revenue from 2015 to 2016 due to an increase in millage, to 5.35 mills from 5.25 mills the previous year. EIT continued on its upward trend as the Borough continued on its growth pattern. Moreover, additional residential rental units in Phoenix Village and Riverworks aided in this growth. It is anticipated that the number will continue to rise as more units are completed. Act 44 contributed to the reduction in remittance time, thus improving collection times.
- (b) Charges for Services declined due to a reduction of Large Construction Permits. Permits in 2015 were paid for and recognized in 2015, whereby, previously, the revenue was accrued and recognized the following year. This was done if a project was not completed in that year.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

BUSINESS-TYPE ACTIVITIES

The net increase from the Borough's business-type activities was \$2,906,162 compared to \$3,361,902 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 \$5,472,541 (compared to \$5,200,954 in 2015). Business Type Activities are comprised of the Water Fund and grants. In 2016, revenue generation was down, while, expenses increased. The Borough experienced an increase of \$897,696 in grant income, however, there was a decrease in charges for services of approximately \$1,000,000. This resulted from a decrease in Main attachments. In 2015, the Borough recognized revenue of \$ 1,9MM, while in 2016, only \$726K. This was a result of the culmination of two projects: Phoenix Village and Fillmore Village. Both the infrastructure fees and the main attachment fees are intended to fund needed infrastructure replacements (year-end revenue report). Additional revenues included capital grants and contributions of \$897,696 and investment earnings of \$56,778 (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. Included here are the General, Debt Service, Pension/Retirement, Recreation, Solid Waste, Fire, Highway Turn Back and Liquid Fuels Funds. The most prominent fund is the General Fund.

As of December 31, 2016, the combined total of the Borough's Governmental Funds was \$12,186,217. This represents an increase of \$973,077 as compared to the prior year. Approximately 35% or \$4.3 million 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 42% 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, 2016

GENERAL FUND

The General Fund is the chief operating fund of the Borough of Phoenixville. As of December 31, 2016, the total fund balance in this fund was \$ 10,096,625 compared to the previous year's balance of \$9,333,629. This increase can be attributed to increased tax revenue, coupled with a reduction in expenditures. Public Works expenses decreased due, in part, to projects that were completed in 2015 and capital purchases being reduced.

SOLID WASTE FUND

The Solid Waste Fund, which is comprised of income derived from trash pick-up services, remained constant from 2015 to 2016. The total fund balance as of December 31, 2016, was \$1,062,195.

SPECIAL REVENUE FUNDS

The Special Revenue Fund is comprised of several categories of funds that are restricted for specific purposes. Included here are the Debt Service, Retirement/Pension, Liquid Fuels, Highway Turn-Back, Recreation and Fire Funds. Revenue sources for these funds include grants from the Commonwealth of PA and local services tax restricted for fire protection. In the event of a shortfall, a transfer from the General Fund would transpire.

Debt Service Fund

On an annual basis, the Borough utilizes a portion of property taxes for debt reduction. In 2016, the Fund Balance that was assigned to debt service was \$17,560. (See page 68 for additional detail regarding this Fund).

Retirement/Pension Fund

The Commonwealth of Pennsylvania allotted \$524,957 to the Borough for its Uniform and Non-Uniform pension plans in 2016 (\$450,896 in 2015). The Borough contributed \$71,627 (compared to \$181,808 in the prior year) to the Uniform pension plan. These additional funds were necessary in order to meet the minimum municipal obligation of the Borough. The Borough did not contribute any monies to the Non-Uniform pension plan in current year (as compared to \$6,653 in the prior year).

Liquid Fuels Fund

The Borough received \$431,645 (compared to \$369,863 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. For years ending 2017 and 2018, the Borough expects to receive similar funding amounts.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

Recreation Fund

In 2016, \$325,408 was transferred into the Recreation Fund. A portion of the transfer may be derived from property taxes in the General Fund. The ending balance in the Recreation Fund was \$ 353,482. In 2016, a majority of the \$191,690 in revenue came from charges for services (\$190,966 for the year).

Fire Fund

The Borough received \$113,591 (compared to \$113,659 in the prior year) from the Commonwealth of Pennsylvania for volunteer firefighting. The operating expenditures from this fund for fire protection were \$686,209. The Borough entered into a Lease/Purchase arrangement for a new ladder truck in 2008. The ladder truck is leased for \$63,837 a year for a ten year period. The Borough is also repaying the volunteer fire stations loans for one additional fire truck. This repayment consists of two loans: one payable to the Commonwealth of PA and one to Wells Fargo. Total Monthly payments amount to \$ 1,679.90, or a total of \$ 20,158 per annum.

Special Revenue Funds General

Special Revenue Fund Balance at year end 2016 was \$1,027,397, up \$91,676 from the previous period. Miscellaneous revenue increased as the Borough came in under budget on a State funded road repair project. This refund was recognized in the Highway Turnback account. Additionally, the Borough received an insurance reimbursement for a Fire Truck which was damaged during the Jonas Snowstorm (see pages 20 to 23 and 66 to 67 for more detail).

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 \$10,895,644 as compared to \$8,303,003 in the prior year, representing an increase in unrestricted net position of \$2,592,641. 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 79% of General Fund revenues.
- Approximately 13% of the funds were generated by charges for services including building permits, fees and other charges.
- 1% 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, 2016

Expenditures

The Borough maintained a conservative budget in 2016. The following statements are representative of the final 2016 budget.

- 12% of the General Fund budget is for General Government expenditures.
- 67% was for Public Safety including Police and Crossing Guards.
- 18% 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.
- 3% 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 5.35 mills for the taxpayers in 2016.

Revenues ended the year above budget and expectations, as the Borough had revenues of \$490,080 above budget. Most of the increase was in intergovernmental.

Expenditures were over budget by \$264,767 mostly due to general government and culture and recreation expenditures.

DEBT ADMINISTRATION

As of December 31, 2016, the Borough had total outstanding long-term bond debt of \$16,755,000 which represents a decrease in debt principal of \$1,185,000.

Other obligations included accrued vacation pay and severance for specific employees of the Borough. Detailed information regarding Long Term Obligations can be found in the Notes to 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;
- Focus on infrastructure;
- Concentration on the growth and stabilization within the Borough;

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2016

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 monies received. If there are any questions regarding this report or you 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, 2016

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 11,237,377	\$ 9,139,189	\$ 20,376,566
Investments	1,344,731	1,165,641	2,510,372
Accounts receivable, net	1,262,693	1,905,021	3,167,714
Net pension asset	88,159	-	88,159
Inventories	-	15,376	15,376
Prepaid items	1,706	-	1,706
Capital assets			
Land	3,986,566	154,462	4,141,028
Construction in progress	765,247	1,329,282	2,094,529
Capital assets, net	17,640,524	23,475,973	41,116,497
TOTAL ASSETS	<u>36,327,003</u>	<u>37,184,944</u>	<u>73,511,947</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension activity	<u>1,487,429</u>	<u>168,782</u>	<u>1,656,211</u>
LIABILITIES			
Accounts payable and accrued expenses	746,147	1,209,126	1,955,273
Unearned revenues	3,960	-	3,960
Accrued interest	32,755	26,333	59,088
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	310,000	895,000	1,205,000
Capital lease	63,837	-	63,837
Compensated absences	52,461	22,779	75,240
Portion due or payable after one year			
Bonds payable	8,215,000	7,335,000	15,550,000
Bond premiums	421,376	112,727	534,103
Capital lease	55,218	-	55,218
Compensated absences	472,149	205,022	677,171
Net pension liability	-	35,105	35,105
Other postemployment benefits	595,376	-	595,376
TOTAL LIABILITIES	<u>10,968,279</u>	<u>9,841,092</u>	<u>20,809,371</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension activity	<u>300,116</u>	<u>-</u>	<u>300,116</u>
NET POSITION			
Net investment in capital assets	13,326,906	16,616,990	29,943,896
Restricted	3,848,750	-	3,848,750
Unrestricted	<u>9,370,381</u>	<u>10,895,644</u>	<u>20,266,025</u>
TOTAL NET POSITION	<u>\$ 26,546,037</u>	<u>\$ 27,512,634</u>	<u>\$ 54,058,671</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,528,608	\$ 192,091	\$ 536,210	\$ -
Public safety	6,476,277	954,751	113,591	-
Public works	2,503,325	393,151	74,846	431,645
Public works, sanitation	1,785,076	1,640,894	40,650	-
Culture and recreation	613,705	190,966	-	-
Interest on long-term debt	244,829	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	13,151,820	3,371,853	765,297	431,645
BUSINESS-TYPE ACTIVITIES				
Water Fund	3,353,374	4,108,627	-	897,696
Sewer Fund	2,119,167	3,315,602	-	-
TOTAL BUSINESS-TYPE ACTIVITIES	5,472,541	7,424,229	-	897,696
TOTAL BOROUGH ACTIVITIES	\$ 18,624,361	\$ 10,796,082	\$ 765,297	\$ 1,329,341

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

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>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Totals</u>
\$ (800,307)	\$ -	\$ (800,307)
(5,407,935)	-	(5,407,935)
(1,603,683)	-	(1,603,683)
(103,532)	-	(103,532)
(422,739)	-	(422,739)
(244,829)	-	(244,829)
<u>(8,583,025)</u>	<u>-</u>	<u>(8,583,025)</u>
-	1,652,949	1,652,949
<u>-</u>	<u>1,196,435</u>	<u>1,196,435</u>
-	2,849,384	2,849,384
<u>(8,583,025)</u>	<u>2,849,384</u>	<u>(5,733,641)</u>
4,046,730	-	4,046,730
370,136	-	370,136
3,695,766	-	3,695,766
151,313	-	151,313
5,892	-	5,892
54,859	56,778	111,637
236,010	-	236,010
<u>8,560,706</u>	<u>56,778</u>	<u>8,617,484</u>
(22,319)	2,906,162	2,883,843
<u>26,568,356</u>	<u>24,606,472</u>	<u>51,174,828</u>
<u>\$ 26,546,037</u>	<u>\$ 27,512,634</u>	<u>\$ 54,058,671</u>

BOROUGH OF PHOENIXVILLE
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	Solid Waste Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,211,339	\$ 1,041,869	\$ 984,169	\$ 11,237,377
Investments	1,344,731	-	-	1,344,731
Taxes receivable, net	160,183	-	-	160,183
Due from escrow	200,000	-	-	200,000
Other receivables	487,739	58,477	141,196	687,412
Prepaid expenses	1,706	-	-	1,706
	<u>11,405,698</u>	<u>1,100,346</u>	<u>1,125,365</u>	<u>13,631,409</u>
TOTAL ASSETS	\$ 11,405,698	\$ 1,100,346	\$ 1,125,365	\$ 13,631,409
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable and other current liabilities	\$ 610,028	\$ 38,151	\$ 97,968	\$ 746,147
Escrows payable	534,902	-	-	534,902
Due to other funds	-	-	-	-
Unearned revenues	3,960	-	-	3,960
	<u>1,148,890</u>	<u>38,151</u>	<u>97,968</u>	<u>1,285,009</u>
TOTAL LIABILITIES	1,148,890	38,151	97,968	1,285,009
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues, property taxes	160,183	-	-	160,183
	<u>160,183</u>	<u>-</u>	<u>-</u>	<u>160,183</u>
DEFERRED INFLOWS OF RESOURCES	160,183	-	-	160,183
FUND BALANCES				
Nonspendable, prepaid expenses	1,706	-	-	1,706
Restricted for				
Bond projects	96,528	-	-	96,528
Traffic improvements	98,750	-	-	98,750
OPEB funding	375,000	-	-	375,000
Green Light Go LED Traffic Lights Grant	7,860	-	-	7,860
Andre Thornton Park PECO Grant	9,000	-	-	9,000
PRPC Regional Comprehensive Plan Match	11,836	-	-	11,836
Schuylkill River Trail Paving Grant Match	11,671	-	-	11,671
Stage user fees	250	-	-	250
BAC posters	1,965	-	-	1,965
BAC planters	125	-	-	125
Wayfinding Grant Match	54,000	-	-	54,000
Wayfinding contribution	10,000	-	-	10,000
Road and street improvements	-	-	393,165	393,165
Phoenixville First	905	-	-	905
Committed to				
Vehicle replacement	336,500	-	-	336,500
Recreation fund (PHUN)	70,000	-	-	70,000
Recreation center design and engineerings	200,000	-	-	200,000
Public works building	1,600,000	-	-	1,600,000
Assigned to				
Capital reserve	1,000,000	-	-	1,000,000
Operating reserve	1,936,834	-	-	1,936,834
Solid waste	-	1,062,195	-	1,062,195
Fire protection	-	-	234,555	234,555
Debt service	-	-	17,560	17,560
Recreation activities	-	-	353,482	353,482
Pension	-	-	28,635	28,635
Unassigned	4,273,695	-	-	4,273,695
	<u>10,096,625</u>	<u>1,062,195</u>	<u>1,027,397</u>	<u>12,186,217</u>
TOTAL FUND BALANCES	10,096,625	1,062,195	1,027,397	12,186,217
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 11,405,698	\$ 1,100,346	\$ 1,125,365	\$ 13,631,409

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, 2016

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 12,186,217
<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	3,986,566
Construction in progress	765,247
Depreciable capital assets, net	17,640,524
<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>	
	1,187,313
<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>	
	160,183
<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>	
	88,159
<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>	
	(421,376)
<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	(32,755)
Bonds payable in future years	(8,525,000)
Capital lease	(119,055)
Compensated absences	(524,610)
Other postemployment benefits	(595,376)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 26,546,037</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, 2016

	General Fund	Solid Waste Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,684,605	\$ -	\$ 70,528	\$ 7,755,133
Fees and fines	151,313	-	-	151,313
Licenses and permits	370,136	-	-	370,136
Intergovernmental	112,102	40,650	1,070,193	1,222,945
Charges for services	1,245,555	1,640,894	190,966	3,077,415
Investment earnings	24,607	28,557	1,695	54,859
Miscellaneous	128,566	-	168,323	296,889
TOTAL REVENUES	9,716,884	1,710,101	1,501,705	12,928,690
EXPENDITURES				
Current				
General government	921,585	-	596,614	1,518,199
Public safety	5,025,401	-	686,209	5,711,610
Public works	1,329,090	1,591,696	563,746	3,484,532
Culture and recreation	234,790	-	431,331	666,121
Debt service				
Principal	-	-	305,000	305,000
Interest and other charges	-	-	270,151	270,151
TOTAL EXPENDITURES	7,510,866	1,591,696	2,853,051	11,955,613
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,206,018	118,405	(1,351,346)	973,077
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	1,483,614	1,483,614
Interfund transfers out	(1,443,022)	-	(40,592)	(1,483,614)
TOTAL OTHER FINANCING SOURCES (USES)	(1,443,022)	-	1,443,022	-
NET CHANGE IN FUND BALANCES	762,996	118,405	91,676	973,077
FUND BALANCES AT BEGINNING OF YEAR	9,333,629	943,790	935,721	11,213,140
FUND BALANCES AT END OF YEAR	\$ 10,096,625	\$ 1,062,195	\$ 1,027,397	\$ 12,186,217

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, 2016

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 973,077

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 depreciation (\$1,049,340) exceed capital outlays (\$151,869) in the current period. (897,471)

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 decreased by this amount this year. (32,747)

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. 55,477

Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position. 305,000

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. 5,135

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:

Other postemployment benefits	(86,743)
Net pension asset	(419,582)
Compensated absences	55,348

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (22,319)

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

DECEMBER 31, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 4,965,767	\$ 4,173,422	\$ 9,139,189
Investments	822,914	342,727	1,165,641
Accounts receivable, net	1,304,497	594,587	1,899,084
Accrued interest	4,327	1,610	5,937
Inventories	15,376	-	15,376
TOTAL CURRENT ASSETS	<u>7,112,881</u>	<u>5,112,346</u>	<u>12,225,227</u>
CAPITAL ASSETS			
Land	9,502	144,960	154,462
Infrastructure	10,621,082	-	10,621,082
Construction in progress	529,562	799,720	1,329,282
Buildings	11,187,263	18,609,969	29,797,232
Equipment and furniture	1,185,340	1,590,567	2,775,907
Accumulated depreciation	(11,428,083)	(8,290,165)	(19,718,248)
TOTAL CAPITAL ASSETS	<u>12,104,666</u>	<u>12,855,051</u>	<u>24,959,717</u>
TOTAL ASSETS	19,217,547	17,967,397	37,184,944
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension activity	113,804	54,978	168,782
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 19,331,351</u>	<u>\$ 18,022,375</u>	<u>\$ 37,353,726</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	\$ 946,082	\$ 263,044	\$ 1,209,126
Accrued interest	6,364	19,969	26,333
Current portion of long-term debt	400,000	495,000	895,000
Current portion of compensated absences	13,871	8,908	22,779
TOTAL CURRENT LIABILITIES	<u>1,366,317</u>	<u>786,921</u>	<u>2,153,238</u>
NONCURRENT LIABILITIES			
Bonds payable	1,685,000	5,650,000	7,335,000
Bond premium, net	90,182	22,545	112,727
Compensated absences	124,841	80,181	205,022
Net pension liability	23,670	11,435	35,105
TOTAL NONCURRENT LIABILITIES	<u>1,923,693</u>	<u>5,764,161</u>	<u>7,687,854</u>
TOTAL LIABILITIES	<u>3,290,010</u>	<u>6,551,082</u>	<u>9,841,092</u>
NET POSITION			
Net investment in capital assets	9,929,484	6,687,506	16,616,990
Unrestricted	6,111,857	4,783,787	10,895,644
TOTAL NET POSITION	<u>16,041,341</u>	<u>11,471,293</u>	<u>27,512,634</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 19,331,351</u>	<u>\$ 18,022,375</u>	<u>\$ 37,353,726</u>

BOROUGH OF PHOENIXVILLE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES			
Charges for services	\$ 4,108,627	\$ 3,315,602	\$ 7,424,229
Intergovernmental	<u>897,696</u>	<u>-</u>	<u>897,696</u>
TOTAL OPERATING REVENUES	<u>5,006,323</u>	<u>3,315,602</u>	<u>8,321,925</u>
OPERATING EXPENSES			
Administration	1,479,588	747,437	2,227,025
Salaries and wages	492,999	194,463	687,462
Fuel and light	207,968	161,541	369,509
Contracted services	208,166	112,011	320,177
Insurance claims and expenses	254,871	232,073	486,944
Materials and supplies	132,639	116,132	248,771
Miscellaneous	-	18,906	18,906
Depreciation	<u>527,734</u>	<u>371,168</u>	<u>898,902</u>
TOTAL OPERATING EXPENSES	<u>3,303,965</u>	<u>1,953,731</u>	<u>5,257,696</u>
OPERATING INCOME	<u>1,702,358</u>	<u>1,361,871</u>	<u>3,064,229</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	35,369	21,409	56,778
Interest expense	<u>(49,409)</u>	<u>(165,436)</u>	<u>(214,845)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(14,040)</u>	<u>(144,027)</u>	<u>(158,067)</u>
CHANGE IN NET POSITION	1,688,318	1,217,844	2,906,162
NET POSITION AT BEGINNING OF YEAR	<u>14,353,023</u>	<u>10,253,449</u>	<u>24,606,472</u>
NET POSITION AT END OF YEAR	<u>\$ 16,041,341</u>	<u>\$ 11,471,293</u>	<u>\$ 27,512,634</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 3,692,038	\$ 3,320,218	\$ 7,012,256
Payments to employees	(1,939,628)	(923,199)	(2,862,827)
Payments to suppliers	<u>(29,119)</u>	<u>(450,924)</u>	<u>(480,043)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,723,291</u>	<u>1,946,095</u>	<u>3,669,386</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition, construction and improvements of capital assets	(1,515,561)	(1,117,258)	(2,632,819)
Principal paid on capital debt	(390,000)	(490,000)	(880,000)
Interest paid on capital debt	(50,372)	(166,613)	(216,985)
Proceeds from grant	<u>897,696</u>	<u>-</u>	<u>897,696</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,058,237)</u>	<u>(1,773,871)</u>	<u>(2,832,108)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(234,788)	(111,584)	(346,372)
Earnings on investments	<u>33,442</u>	<u>22,219</u>	<u>55,661</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(201,346)</u>	<u>(89,365)</u>	<u>(290,711)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	463,708	82,859	546,567
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,502,059</u>	<u>4,090,563</u>	<u>8,592,622</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,965,767</u>	<u>\$ 4,173,422</u>	<u>\$ 9,139,189</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2016

	<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	\$ 1,702,358	\$ 1,361,871	\$ 3,064,229
Proceeds from grant	(897,696)	-	(897,696)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	527,734	371,168	898,902
Pension expense	28,156	8,958	37,114
(Increase) decrease in			
Accounts receivable	(416,589)	4,616	(411,973)
Inventories	(5,532)	-	(5,532)
Increase in			
Accounts payable and other liabilities	780,057	189,739	969,796
Compensated absences	4,803	9,743	14,546
	<u>1,723,291</u>	<u>1,946,095</u>	<u>3,669,386</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>1,723,291</u>	\$ <u>1,946,095</u>	\$ <u>3,669,386</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	<u>Pension Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ <u>45,893</u>	\$ <u>903,835</u>
Investments		
Mutual funds, at fair value	20,183,933	-
Unallocated insurance contract, at contract value	<u>1,696,185</u>	-
TOTAL INVESTMENTS	<u>21,880,118</u>	<u>-</u>
TOTAL ASSETS	<u>21,926,011</u>	<u>\$ 903,835</u>
LIABILITIES		
Accounts payable	-	\$ 703,835
Due to General Fund	<u>-</u>	<u>200,000</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 903,835</u>
NET POSITION		
Held in trust for benefits and other purposes	<u>\$ 21,926,011</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, 2016

	<u>Pension Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 596,584
Employee	<u>73,338</u>
TOTAL CONTRIBUTIONS	<u>669,922</u>
Investment earnings	
Net increase in fair value of investments	542,695
Realized gains on sale of assets	309,928
Interest	72,217
Dividends	363,418
Investment activity expense	<u>(78,911)</u>
TOTAL INVESTMENT EARNINGS	<u>1,209,347</u>
TOTAL ADDITIONS	<u>1,879,269</u>
DEDUCTIONS	
Benefits	766,941
Administrative	<u>12,050</u>
TOTAL DEDUCTIONS	<u>778,991</u>
CHANGE IN NET POSITION	1,100,278
NET POSITION AT BEGINNING OF YEAR	<u>20,825,733</u>
NET POSITION AT END OF YEAR	<u>\$ 21,926,011</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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 Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, No. 72, *Fair Value Measurement and Application* and No. 79 *Certain External Investment Pools and Pool Participants*. In accordance with these Statements, investments in marketable securities with readily determinable fair value and all investments in debt securities are reported at their fair values. Investments in qualifying external investment pools are reported at amortized cost basis.

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, 2016, the allowance for doubtful accounts was \$125,602 in the General Fund, \$29,671 in the Solid Waste Fund, \$123,663 in the Water Fund and \$80,942 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, 2016

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, 2016

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, 2016

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, 2016.
- ***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, 2016

NOTE B - TAXES

For 2016, tax was levied on the assessed value of real estate at a total of 5.35 mills.

The taxable assessed valuation of property as of January 1, 2016, was \$759,398,132.

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 2016 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, 2016, the carrying amount of the Borough's deposits was \$21,280,401, and the bank balance was \$21,375,595. Of the bank balance, \$250,000 was covered by federal depository insurance, \$21,125,995 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.

See Notes I and J for pension deposit disclosures.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Investments

As of December 31, 2016, the Borough held the following investments:

<u>Investment Type</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
			<u>Less Than One Year</u>	<u>One to Five Years</u>
State investment pools	\$ 154,044	\$ -	\$ 154,044	\$ -
Certificates of deposit	<u>2,356,328</u>	<u>-</u>	<u>2,356,328</u>	<u>-</u>
	<u>\$ 2,510,372</u>	<u>\$ -</u>	<u>\$ 2,510,372</u>	<u>\$ -</u>

Statutes authorize the Borough to invest in: 1) obligations, participations and other instruments of any Federal agency, 2) repurchase agreements with respect to U.S. Treasury bills or obligations, 3) negotiable certificates of deposit, 4) bankers' acceptances, 5) commercial paper, 6) shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933, and 7) savings or demand deposits. The Borough also is authorized to invest in obligations of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities.

A portion of the Borough's investments is in the PLGIT program, of which are funds similar to mutual funds. GASB Statement No. 3, Paragraph 69, provides that certain types of cash and investments, such as cash investments in a State Treasurer's investment pool or mutual fund, cannot be assigned a credit risk category because the government does not own specific securities. Therefore, the PLGIT cash investments included in these statements will not be assigned a credit risk category. The carrying amount of these investments at December 31, 2016, is \$154,044. These assets maintain a stable net asset value of \$1 per share. All investments are monitored weekly by Standard & Poor's and are subject to an independent audit on an annual basis.

Investments held with qualifying external state investment pools are valued at amortized cost in accordance with GASB Statement No. 79. There are no withdrawal restrictions on these investments.

Certificates of deposit held are \$2,356,328 and are stated at cost plus interest earned.

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, 2016, \$2,106,328 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.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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, 2016, the Borough's investments in certificates of deposit were with one bank.

NOTE D - INTERFUND RECEIVABLES/PAYABLES

The balance of short-term interfund receivables/payables at December 31, 2016, was as follows:

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

NOTE E - INTERFUND TRANSFERS

Interfund transfers were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 1,443,022
Fire Fund	467,425	-
Debt Service Fund	574,857	-
Recreation Fund	325,408	-
Liquid Fuels Fund	40,592	-
Highway Turnback Fund	-	40,592
Pension Fund	75,332	-
	<u>\$ 1,483,614</u>	<u>\$ 1,483,614</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance January 1, 2016	Increases	Decreases	Balance December 31, 2016
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 3,704,730	\$ 337,917	\$ (56,081)	\$ 3,986,566
Construction in progress	1,645,841	94,633	(975,227)	765,247
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	5,350,571	432,550	(1,031,308)	4,751,813
Capital assets being depreciated				
Buildings and improvements	7,977,689	69,894	(280,148)	7,767,435
Infrastructure	12,639,887	155,989	-	12,795,876
Vehicles	3,172,047	222,197	(246,746)	3,147,498
Equipment and furniture	2,551,056	302,547	(282,710)	2,570,893
TOTAL CAPITAL ASSETS BEING DEPRECIATED	26,340,679	750,627	(809,604)	26,281,702
Accumulated depreciation				
Buildings and improvements	(1,448,817)	(250,703)	280,148	(1,419,372)
Infrastructure	(3,331,738)	(401,326)	-	(3,733,064)
Vehicles	(2,145,900)	(248,342)	246,746	(2,147,496)
Equipment and furniture	(1,474,987)	(148,969)	282,710	(1,341,246)
TOTAL ACCUMULATED DEPRECIATION	(8,401,442)	(1,049,340)	809,604	(8,641,178)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	17,939,237	(298,713)	-	17,640,524
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 23,289,808	\$ 133,837	\$ (1,031,308)	\$ 22,392,337
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 154,462	\$ -	\$ -	\$ 154,462
Construction in progress	129,616	1,215,376	(15,710)	1,329,282
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	284,078	1,215,376	(15,710)	1,483,744
Capital assets being depreciated				
Sewer collection system infrastructure	18,564,274	45,695	-	18,609,969
Water treatment plant infrastructure	20,872,218	936,127	-	21,808,345
Vehicles	294,844	33,717	-	328,561
Equipment and furniture	2,029,732	417,614	-	2,447,346
TOTAL CAPITAL ASSETS BEING DEPRECIATED	41,761,068	1,433,153	-	43,194,221
Accumulated depreciation				
Sewer collection system infrastructure	(6,840,295)	(319,851)	-	(7,160,146)
Water treatment plant infrastructure	(10,319,642)	(475,094)	-	(10,794,736)
Vehicles	(202,570)	(14,077)	-	(216,647)
Equipment and furniture	(1,456,839)	(89,880)	-	(1,546,719)
TOTAL ACCUMULATED DEPRECIATION	(18,819,346)	(898,902)	-	(19,718,248)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	22,941,722	534,251	-	23,475,973
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 23,225,800	\$ 1,749,627	\$ (15,710)	\$ 24,959,717

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE F - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

GOVERNMENTAL ACTIVITIES		
General government		\$ 106,240
Public safety		579,326
Public works		
Highways and streets		153,217
Sanitation		183,490
Culture and recreation		<u>27,067</u>
	TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>1,049,340</u>
BUSINESS-TYPE ACTIVITIES		
Water		\$ 527,734
Sewer		<u>371,168</u>
	TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>898,902</u>

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>(661,046)</u>
	\$ <u>192,182</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE G - CAPITAL LEASES - LESSEE (Continued)

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

<u>Year Ending December 31,</u>		
2017	\$	63,837
2018		63,837
		<u>127,674</u>
Amount representing interest		<u>(8,619)</u>
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	\$	<u><u>119,055</u></u>

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

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	\$	<u><u>16,755,000</u></u>
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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>
2017	\$ 1,205,000	\$ 472,700
2018	1,225,000	448,600
2019	985,000	424,100
2020	980,000	404,400
2021	1,010,000	384,800
2022 to 2026	5,445,000	1,506,050
2027 to 2031	2,890,000	788,363
2032 to 2036	2,465,000	397,825
2037	<u>550,000</u>	<u>22,000</u>
	<u><u>\$ 16,755,000</u></u>	<u><u>\$ 4,848,838</u></u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE H - LONG-TERM DEBT (Continued)

Long-term liability activity for the year ended December 31, 2016, is as follows:

	Balance January 1, 2016	Additions	Retirements	Balance December 31, 2016	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds, Series of 2012	\$ 8,830,000	\$ -	\$ (305,000)	\$ 8,525,000	\$ 310,000
Capital lease	174,532	-	(55,477)	119,055	63,837
Compensated absences	579,958	-	(55,348)	524,610	52,461
Other postemployment benefits	508,633	86,743	-	595,376	-
	<u>10,093,123</u>	<u>86,743</u>	<u>(415,825)</u>	<u>9,764,041</u>	<u>426,298</u>
TOTAL GOVERNMENTAL ACTIVITIES					
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds, Series of 2012	\$ 9,110,000	\$ -	\$ (880,000)	\$ 8,230,000	\$ 895,000
Compensated absences	213,254	14,547	-	227,801	22,779
Net pension liability	14,457	20,648	-	35,105	-
	<u>9,337,711</u>	<u>35,195</u>	<u>(880,000)</u>	<u>8,492,906</u>	<u>917,779</u>
TOTAL BUSINESS-TYPE ACTIVITIES					

For the year ended December 31, 2016, interest expense on long-term debt was \$496,400. Of this total, \$225,159 was charged to the following functions as direct expenses on the statement of activities:

<u>Function</u>	<u>Interest</u>
Water	\$ 57,660
Sewer	167,499
	<u>\$ 225,159</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.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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, 2016, 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><u>44</u></u>

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.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

- 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.

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 2016, the MMO obligation for the plan was \$316,607. Contributions of \$71,627 and \$244,980 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.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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, 2016:

<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.

Rate of Return - For the year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.70%. 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, 2016, were as follows:

Total pension liability	\$ 11,824,672
Plan fiduciary net position	<u>(12,041,079)</u>
NET PENSION (ASSET) LIABILITY	<u>\$ (216,407)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>101.83%</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2016, 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.

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, 2016 (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.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at December 31, 2015	\$ 10,946,741	\$ 11,403,730	\$ (456,989)
Changes for the year:			
Service cost	399,309	-	399,309
Interest	810,556	-	810,556
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions			
Employer	-	316,607	(316,607)
Member	-	-	-
Net investment income	-	660,326	(660,326)
Benefit payments	(331,934)	(331,934)	-
Administrative expense	-	(7,650)	7,650
Net changes	<u>877,931</u>	<u>637,349</u>	<u>240,582</u>
Balances at December 31, 2016	\$ <u>11,824,672</u>	\$ <u>12,041,079</u>	\$ <u>(216,407)</u>

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%)
	<u>(6.25%)</u>	<u>Rate (7.25%)</u>	<u>(8.25%)</u>
Net pension (asset) liability	\$ <u>1,440,060</u>	\$ <u>(216,407)</u>	\$ <u>(1,596,115)</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2016, the Borough recognized pension expense of \$580,115 for the Police Pension Plan. At December 31, 2016, 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	\$ -	\$ 300,116
Change of assumptions	251,052	-
Net difference between projected and actual earnings on pension plan investments	<u>619,763</u>	<u>-</u>
	<u>\$ 870,815</u>	<u>\$ 300,116</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>	
2017	\$ 188,538
2018	188,538
2019	188,538
2020	26,113
2021	(7,009)
Thereafter	(14,019)

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, 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>107</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, 2016

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 2016, the MMO obligation for the plan was \$209,911. Contributions of \$279,977 were made by the Commonwealth.

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, 2016:

<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, 2016

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, 2016, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 5.76%. 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, 2016, were as follows:

Total pension liability	\$ 10,048,285
Plan fiduciary net position	<u>(9,884,932)</u>
NET PENSION LIABILITY	<u>\$ 163,353</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.37%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of December 31, 2016, 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, 2016

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, 2016 (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, 2015	\$ 9,491,009	\$ 9,422,003	\$ 69,006
Changes for the year:			
Service cost	298,325	-	298,325
Interest	693,958	-	693,958
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions			
Employer	-	279,977	(279,977)
Member	-	73,338	(73,338)
Net investment income	-	549,021	(549,021)
Benefit payments	(435,007)	(435,007)	-
Administrative expense	-	(4,400)	4,400
Net changes	<u>557,276</u>	<u>462,929</u>	<u>94,347</u>
Balances at December 31, 2016	<u>\$ 10,048,285</u>	<u>\$ 9,884,932</u>	<u>\$ 163,353</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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>1,225,118</u>	\$ <u>163,353</u>	\$ <u>(749,755)</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 \$473,165 for the Municipal Employees' Pension Plan. At December 31, 2016, 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	\$ 126,090	\$ -
Change of assumptions	153,226	-
Net difference between projected and actual earnings on pension plan investments	<u>506,080</u>	<u>-</u>
	<u>\$ 785,396</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</u> <u>December 31,</u>	
2017	\$ 229,793
2018	229,793
2019	229,793
2020	96,017

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 Borough has restricted a total of \$250,000 in funds at period ending 2016 for this obligation.

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)	<u>147,357</u>
Interest on net OPEB obligation	22,888
Adjustment to ARC	<u>(31,226)</u>
ANNUAL OPEB COST	139,019
Net OPEB contributions during the year	<u>(52,276)</u>
INCREASE IN NET OPEB OBLIGATION	86,743
Net OPEB obligation at beginning of year	<u>508,633</u>
NET OPEB OBLIGATION AT END OF YEAR	<u>\$ 595,376</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2016

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>
2014	\$ 173,636	38.8%	\$ 420,132
2015	140,471	37.0%	508,633
2016	139,019	37.6%	595,376

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, 2016

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, 2016:

GENERAL FUND	
General government	\$ 57,212
Culture and recreation	<u>106,460</u>
	<u>\$ 163,672</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.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF PHOENIXVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2016

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 7,350,891	\$ 7,350,891	\$ 7,684,605	\$ 333,714
Fees and fines	140,000	140,000	151,313	11,313
Licenses and permits	379,000	379,000	370,136	(8,864)
Intergovernmental	9,100	9,100	112,102	103,002
Charges for services	1,158,120	1,229,363	1,245,555	16,192
Investment earnings	8,200	8,200	24,607	16,407
Miscellaneous	110,250	110,250	128,566	18,316
TOTAL REVENUES	<u>9,155,561</u>	<u>9,226,804</u>	<u>9,716,884</u>	<u>490,080</u>
EXPENDITURES				
General government	832,373	864,373	921,585	(57,212)
Public safety	5,250,486	5,327,252	5,025,401	301,851
Public works	1,362,149	1,455,678	1,329,090	126,588
Culture and recreation	128,330	128,330	234,790	(106,460)
TOTAL EXPENDITURES	<u>7,573,338</u>	<u>7,775,633</u>	<u>7,510,866</u>	<u>264,767</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,582,223</u>	<u>1,451,171</u>	<u>2,206,018</u>	<u>754,847</u>
OTHER FINANCING USES				
Interfund transfers out	(1,583,223)	(1,583,223)	(1,443,022)	140,201
TOTAL OTHER FINANCING USES	<u>(1,583,223)</u>	<u>(1,583,223)</u>	<u>(1,443,022)</u>	<u>140,201</u>
NET CHANGE IN FUND BALANCE	(1,000)	(132,052)	762,996	895,048
FUND BALANCE AT BEGINNING OF YEAR	<u>9,333,629</u>	<u>9,333,629</u>	<u>9,333,629</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 9,332,629</u>	<u>\$ 9,201,577</u>	<u>\$ 10,096,625</u>	<u>\$ 895,048</u>

BOROUGH OF PHOENIXVILLE
SCHEDULE OF CHANGES IN THE NET POLICE
PENSION PLAN LIABILITY AND RELATED RATIOS
LAST THREE FISCAL YEARS

	2016	2015	2014
TOTAL PENSION LIABILITY			
Service cost	\$ 399,309	\$ 380,294	\$ 336,874
Interest	810,556	751,072	723,044
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(385,864)	-
Changes of assumptions	-	322,782	-
Benefit payments	(331,934)	(327,900)	(314,537)
NET CHANGE IN TOTAL PENSION LIABILITY	<u>877,931</u>	<u>740,384</u>	<u>745,381</u>
Total pension liability, beginning	<u>10,946,741</u>	<u>10,206,357</u>	<u>9,460,976</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u><u>\$ 11,824,672</u></u>	<u><u>\$ 10,946,741</u></u>	<u><u>\$ 10,206,357</u></u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 316,607	\$ 393,533	\$ 280,262
Member	-	-	-
Net investment income	660,325	11,750	587,261
Benefit payments, including refunds of member contributions	(331,934)	(327,900)	(314,537)
Administrative expense	(7,650)	(9,135)	(49,213)
Other	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>637,348</u>	<u>68,248</u>	<u>503,773</u>
Plan fiduciary net position, beginning	<u>11,403,731</u>	<u>11,335,483</u>	<u>10,831,709</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u><u>\$ 12,041,079</u></u>	<u><u>\$ 11,403,731</u></u>	<u><u>\$ 11,335,482</u></u>
NET PENSION ASSET, ENDING (a)-(b)	<u><u>\$ (216,407)</u></u>	<u><u>\$ (456,990)</u></u>	<u><u>\$ (1,129,125)</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>101.83%</u>	<u>104.17%</u>	<u>111.06%</u>
COVERED-EMPLOYEE PAYROLL	<u><u>\$ 2,296,154</u></u>	<u><u>\$ 2,296,154</u></u>	<u><u>\$ 2,464,671</u></u>
NET PENSION ASSET AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u><u>-9.42%</u></u>	<u><u>-19.90%</u></u>	<u><u>-45.81%</u></u>

BOROUGH OF PHOENIXVILLE
SCHEDULE OF POLICE PENSION PLAN CONTRIBUTIONS
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 316,607	\$ 344,034	\$ 280,261
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>316,607</u>	<u>393,533</u>	<u>280,262</u>
CONTRIBUTION EXCESS	<u>\$ -</u>	<u>\$ (49,499)</u>	<u>\$ (1)</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 2,296,154</u>	<u>\$ 2,296,154</u>	<u>\$ 2,464,671</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>13.79%</u>	<u>17.14%</u>	<u>11.37%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

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	7.25%
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
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>5.70%</u>	<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
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 298,325	\$ 284,119	\$ 275,389
Interest	693,958	654,221	606,167
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	189,136	-
Changes of assumptions	-	229,840	-
Benefit payments	<u>(435,007)</u>	<u>(373,898)</u>	<u>(361,603)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	557,276	983,418	519,953
Total pension liability, beginning	<u>9,491,009</u>	<u>8,507,591</u>	<u>7,987,638</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 10,048,285</u>	<u>\$ 9,491,009</u>	<u>\$ 8,507,591</u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 279,977	\$ 245,824	\$ 224,615
Member	73,338	66,482	66,678
Net investment income	549,021	15,770	488,631
Benefit payments, including refunds of member contributions	(435,007)	(373,898)	(361,603)
Administrative expense	(4,400)	(12,400)	(43,882)
Other	-	-	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	<u>462,929</u>	<u>(58,222)</u>	<u>374,439</u>
Plan fiduciary net position, beginning	<u>9,422,003</u>	<u>9,480,225</u>	<u>9,105,786</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 9,884,932</u>	<u>\$ 9,422,003</u>	<u>\$ 9,480,225</u>
NET PENSION LIABILITY, ENDING (a)-(b)	<u>\$ 163,353</u>	<u>\$ 69,006</u>	<u>\$ (972,634)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>98.37%</u>	<u>99.27%</u>	<u>111.43%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 3,406,762</u>	<u>\$ 3,406,762</u>	<u>\$ 3,329,098</u>
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>4.79%</u>	<u>2.03%</u>	<u>-29.22%</u>

BOROUGH OF PHOENIXVILLE
SCHEDULE OF MUNICIPAL EMPLOYEES'
PENSION PLAN CONTRIBUTIONS
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 209,911	\$ 245,824	\$ 196,291
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>279,977</u>	<u>245,824</u>	<u>224,615</u>
CONTRIBUTION EXCESS	<u>\$ (70,066)</u>	<u>\$ -</u>	<u>\$ (28,324)</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ 3,406,762</u>	<u>\$ 3,406,762</u>	<u>\$ 3,329,098</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>8.22%</u>	<u>7.22%</u>	<u>6.75%</u>

NOTES TO SCHEDULE

Valuation date: January 1, 2015

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	7.25%
Retirement age	Normal retirement age
Mortality	RP-2000 Table

BOROUGH OF PHOENIXVILLE
SCHEDULE OF MUNICIPAL EMPLOYEES'
PENSION PLAN INVESTMENT RETURNS
LAST THREE FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>5.76%</u>	<u>0.12%</u>	<u>4.62%</u>

BOROUGH OF PHOENIXVILLE
POSTEMPLOYMENT BENEFITS OTHER THAN
PENSION FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2016

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, 2016

	<u>Fire Fund</u>	<u>Liquid Fuels Fund</u>
ASSETS		
Cash and cash equivalents	\$ 238,315	\$ 339,052
Other receivables	<u>78,368</u>	<u>54,113</u>
TOTAL ASSETS	<u>\$ 316,683</u>	<u>\$ 393,165</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and other current liabilities	<u>\$ 82,128</u>	<u>\$ -</u>
FUND BALANCES		
Restricted for road and street improvements	-	393,165
Assigned to		
Fire protection	234,555	-
Debt service	-	-
Recreation activities	-	-
Pension	-	-
TOTAL FUND BALANCES	<u>234,555</u>	<u>393,165</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 316,683</u>	<u>\$ 393,165</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>
\$ 17,323	\$ 361,102	\$ -	\$ 28,377	\$ 984,169
<u>237</u>	<u>8,220</u>	<u>-</u>	<u>258</u>	<u>141,196</u>
<u>\$ 17,560</u>	<u>\$ 369,322</u>	<u>\$ -</u>	<u>\$ 28,635</u>	<u>\$ 1,125,365</u>
\$ -	\$ 15,840	\$ -	\$ -	\$ 97,968
-	-	-	-	393,165
-	-	-	-	234,555
17,560	-	-	-	17,560
-	353,482	-	-	353,482
-	-	-	28,635	28,635
<u>17,560</u>	<u>353,482</u>	<u>-</u>	<u>28,635</u>	<u>1,027,397</u>
<u>\$ 17,560</u>	<u>\$ 369,322</u>	<u>\$ -</u>	<u>\$ 28,635</u>	<u>\$ 1,125,365</u>

BOROUGH OF PHOENIXVILLECOMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	<u>Fire Fund</u>	<u>Liquid Fuels Fund</u>
REVENUES		
Taxes	\$ 68,789	\$ -
Intergovernmental	113,591	431,645
Charges for services	-	-
Investment earnings	354	398
Miscellaneous	121,696	46,627
	<u>304,430</u>	<u>478,670</u>
TOTAL REVENUES		
EXPENDITURES		
Current		
General government	-	-
Public safety	686,209	-
Public works	-	501,031
Culture and recreation	-	-
Debt service		
Principal	-	-
Interest and other charges	-	-
	<u>686,209</u>	<u>501,031</u>
TOTAL EXPENDITURES		
DEFICIENCY OF REVENUES OVER EXPENDITURES	(381,779)	(22,361)
OTHER FINANCING SOURCES		
Interfund transfers in	467,425	40,592
Interfund transfers out	-	-
	<u>467,425</u>	<u>40,592</u>
TOTAL OTHER FINANCING SOURCES (USES)		
NET CHANGE IN FUND BALANCES	85,646	18,231
FUND BALANCES AT BEGINNING OF YEAR	<u>148,909</u>	<u>374,934</u>
FUND BALANCES AT END OF YEAR	<u>\$ 234,555</u>	<u>\$ 393,165</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>
\$ 284	\$ 313	\$ -	\$ 1,142	\$ 70,528
-	-	-	524,957	1,070,193
-	190,966	-	-	190,966
242	411	170	120	1,695
-	-	-	-	168,323
<u>526</u>	<u>191,690</u>	<u>170</u>	<u>526,219</u>	<u>1,501,705</u>
15	-	-	596,599	596,614
-	-	-	-	686,209
-	-	62,715	-	563,746
-	431,331	-	-	431,331
305,000	-	-	-	305,000
270,151	-	-	-	270,151
<u>575,166</u>	<u>431,331</u>	<u>62,715</u>	<u>596,599</u>	<u>2,853,051</u>
(574,640)	(239,641)	(62,545)	(70,380)	(1,351,346)
574,857	325,408	-	75,332	1,483,614
-	-	(40,592)	-	(40,592)
<u>574,857</u>	<u>325,408</u>	<u>(40,592)</u>	<u>75,332</u>	<u>1,443,022</u>
217	85,767	(103,137)	4,952	91,676
17,343	267,715	103,137	23,683	935,721
<u>\$ 17,560</u>	<u>\$ 353,482</u>	<u>\$ -</u>	<u>\$ 28,635</u>	<u>\$ 1,027,397</u>

BOROUGH OF PHOENIXVILLE

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2016

	Pension Funds		Totals
	Non-Uniformed Pension Fund	Police Pension Fund	
ASSETS			
Cash and cash equivalents	\$ <u>20,817</u>	\$ <u>25,076</u>	\$ <u>45,893</u>
Investments			
Mutual funds, at fair value	8,980,568	11,203,365	20,183,933
Unallocated insurance contract, at contract value	<u>883,547</u>	<u>812,638</u>	<u>1,696,185</u>
TOTAL INVESTMENTS	<u>9,864,115</u>	<u>12,016,003</u>	<u>21,880,118</u>
TOTAL ASSETS	\$ <u><u>9,884,932</u></u>	\$ <u><u>12,041,079</u></u>	\$ <u><u>21,926,011</u></u>
NET POSITION			
Held in trust for pension benefits and pool participants	\$ <u><u>9,884,932</u></u>	\$ <u><u>12,041,079</u></u>	\$ <u><u>21,926,011</u></u>

BOROUGH OF PHOENIXVILLE

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2016

	Pension Funds		Totals
	Non-Uniformed Pension Fund	Police Pension Fund	
ADDITIONS			
Contributions			
Employer	\$ 279,977	\$ 316,607	\$ 596,584
Employee	73,338	-	73,338
TOTAL CONTRIBUTIONS	<u>353,315</u>	<u>316,607</u>	<u>669,922</u>
Investment earnings			
Net increase in fair value of investments	265,509	277,186	542,695
Realized gains on sale of assets	139,321	170,607	309,928
Interest	37,477	34,740	72,217
Dividends	162,445	200,973	363,418
Investment management expense	(55,731)	(23,180)	(78,911)
TOTAL INVESTMENT EARNINGS	<u>549,021</u>	<u>660,326</u>	<u>1,209,347</u>
TOTAL ADDITIONS	<u>902,336</u>	<u>976,933</u>	<u>1,879,269</u>
DEDUCTIONS			
Benefits	435,007	331,934	766,941
Administrative	4,400	7,650	12,050
TOTAL DEDUCTIONS	<u>439,407</u>	<u>339,584</u>	<u>778,991</u>
CHANGE IN NET POSITION	462,929	637,349	1,100,278
NET POSITION AT BEGINNING OF YEAR	<u>9,422,003</u>	<u>11,403,730</u>	<u>20,825,733</u>
NET POSITION AT END OF YEAR	<u>\$ 9,884,932</u>	<u>\$ 12,041,079</u>	<u>\$ 21,926,011</u>