

BOROUGH OF PHOENIXVILLE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2019



Certified Public Accountants and Business Consultants

INTRODUCTORY SECTION

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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, 2019, 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, 2019, 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, 2019, the Borough of Phoenixville adopted new accounting guidance, implementing Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As discussed in Note N, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on the Borough of Phoenixville's operational and financial performance. At this point, the Borough of Phoenixville cannot reasonably estimate the impact on its operations or financial results. The accompanying financial statements do not include any adjustments related to the subsequent event. 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, budgetary comparison information, pension plan information and postemployment benefits other than pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

To the Members of Council
Borough of Phoenixville
Phoenixville, Pennsylvania

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

Maillie LLP

Oaks, Pennsylvania
May 26, 2020

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

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, 2019. 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 \$65,397,513 (representing its net position). Of this amount, \$22,767,934 (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 \$6,977,895.
- As of December 31, 2019, the Borough's Governmental Funds reported combined ending fund balances of \$10,872,014, an increase of \$514,495 as compared to the prior year. While there was a recognized increase in fund balance, the Borough has restricted these funds for future OPEB liability, traffic improvements, the Phoenixville Hospital assessment appeal, road and street improvements, to name a few.
- The Borough's total Long-Term liabilities decreased by \$2,837,025.
- With the Borough segregating Sanitation and Parking into Enterprise Funds in 2017, comparative data denotes an increase in each fund by \$355,026 and \$196,427, respectively.

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.

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

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.

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.

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 Operations Fund, a Water Operations Fund, a Parking Operations Fund, and a Sanitation Operations Fund and charges fees to the customers of these enterprises for operational expenses.

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, 2019

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 Debt Service Fund, the Pension Fund, the Recreation 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, the Sewer Fund, the Parking Fund, and the Sanitation 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, 2019

ENTITY-WIDE FINANCIAL ANALYSIS OF THE BOROUGH

The Borough's total net position as of December 31, 2019 was \$65,397,513. This represents an increase of \$6,977,895 over the prior year. While there was a \$5,937,313 increase in Business Type Activities, there was also an increase in Governmental Activities of \$1,040,582. 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, 2019 and 2018

	2019			2018		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
ASSETS						
Current and other assets	\$ 14,092,753	\$ 18,361,779	\$ 32,454,532	\$ 12,033,964	\$ 14,585,622	\$ 26,619,586
Capital assets	23,966,433	28,429,680	52,396,113	23,596,909	27,055,996	50,652,905
TOTAL ASSETS	38,059,186	46,791,459	84,850,645	35,630,873	41,641,618	77,272,491
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	2,436,253	576,402	3,012,655	2,749,722	492,395	3,242,117
LIABILITIES						
Long-term liabilities	10,602,424	6,531,761	17,134,185	12,404,305	7,566,905	19,971,210
Other liabilities	1,077,975	297,460	1,375,435	834,401	506,008	1,340,409
TOTAL LIABILITIES	11,680,399	6,829,221	18,509,620	13,238,706	8,072,913	21,311,619
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	3,291,818	664,349	3,956,167	659,249	124,122	783,371
NET POSITION						
Net investment in capital assets	16,025,618	22,587,895	38,613,513	15,315,907	20,538,897	35,854,804
Restricted	4,016,066	-	4,016,066	2,685,623	-	2,685,623
Unrestricted	5,481,538	17,286,396	22,767,934	6,481,110	13,398,081	19,879,191
TOTAL NET POSITION	\$ 25,523,222	\$ 39,874,291	\$ 65,397,513	\$ 24,482,640	\$ 33,936,978	\$ 58,419,618

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

Table 2 - Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019			2018		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
REVENUES						
Program revenues						
Charges for services	\$ 1,318,976	\$ 9,799,264	\$ 11,118,240	\$ 1,559,670	\$ 9,461,075	\$ 11,020,745
Operating grants and contributions	1,610,717	239,459	1,850,176	996,230	127,793	1,124,023
Capital grants and contributions	484,727	756,677	1,241,404	473,526	521,500	995,026
General revenues						
Real estate taxes	4,794,432	-	4,794,432	4,691,331	-	4,691,331
Real estate transfer taxes	894,704	-	894,704	650,997	-	650,997
Earned income tax	3,365,417	-	3,365,417	3,182,108	-	3,182,108
LST tax	296,296	-	296,296	280,520	-	280,520
Per capita tax	-	-	-	39,706	-	39,706
Franchise fees	327,840	-	327,840	342,973	-	342,973
Fines and forfeits	159,857	-	159,857	161,168	-	161,168
Investment earnings	36,157	79,429	115,586	30,636	69,539	100,175
Grants not restricted to a specific program	9,158	-	9,158	-	-	-
Gain on sale of asset	-	3,175,529	3,175,529	-	16,300	16,300
TOTAL REVENUES	13,298,281	14,050,358	27,348,639	12,408,865	10,196,207	22,605,072
EXPENSES						
General government	1,787,550	-	1,787,550	1,896,231	-	1,896,231
Public safety	7,297,926	-	7,297,926	7,269,585	-	7,269,585
Highways/streets	2,230,644	-	2,230,644	1,908,689	-	1,908,689
Sanitation	-	-	-	-	-	-
Culture and recreation	710,947	-	710,947	524,977	-	524,977
Interest on bonds	230,632	-	230,632	236,896	-	236,896
Water operations	-	3,807,288	3,807,288	-	3,688,673	3,688,673
Waste water operations	-	2,125,821	2,125,821	-	2,178,458	2,178,458
Parking operations	-	362,937	362,937	-	248,517	248,517
Sanitation operations	-	1,816,999	1,816,999	-	1,741,851	1,741,851
TOTAL EXPENSES	12,257,699	8,113,045	20,370,744	11,836,378	7,857,499	19,693,877
CHANGE IN NET POSITION	\$ 1,040,582	\$ 5,937,313	\$ 6,977,895	\$ 572,487	\$ 2,338,708	\$ 2,911,195

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

GOVERNMENTAL ACTIVITIES

The Borough recognized an increase in Governmental Activities of \$1,040,582.

Governmental Activities bore an expense of \$12,257,699 for the year ending 2019. Taxes provided 70% (\$9,350,849) of the revenues that offset the corresponding expenses of these activities. Those who directly benefited from these programs contributed 10% (\$1,318,976). 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) Additional revenue generation of \$889,416 from 2018 to 2019 was due, in part, to an increase in the millage rate from 5.91 mills to 6.14 mills in 2019. EIT collections increased by \$183,309. The Borough in conjunction with Keystone Collection Group has been diligently monitoring this category along with LST in order to capture the growing population in the Borough.
- (b) The Borough received Grant monies for the All Abilities Playground and the Mont Clare Bridge project totaling \$523,000, collectively.
- (c) Charges for Services decreased \$240,694 due to a decrease in General Construction Permits by \$12,000; a decrease in Large Construction Permits by \$103,000; a decrease in Construction Code Inspections by \$21,000; Planning and Zoning application fees decreased by \$26,000; and, Refunds and reimbursements in Fire decrease by over \$100,000.

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

BUSINESS-TYPE ACTIVITIES

The net increase from the Borough's business-type activities was \$5,937,313 compared to \$2,338,708 the previous year as referenced in Table 2. In 2019, the Borough sold its outside water assets which is responsible for the change. 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 \$8,113,045 (compared to \$7,857,499 in 2018). Business-Type Activities are comprised of the Water, Wastewater, Parking, and Sanitation Funds. The largest increases occurred within the Parking, Sanitation and Water Departments. Parking expenses rose due to a \$24,000 increase in equipment maintenance and repair; employer paid insurances up by \$6,000 and allocations up \$70,000. Previously, due to the parking fund being in its infancy, the Borough did not allocate to this proprietary fund. Due to the reliance on personnel for assisting in the processing of payments, phone calls and other duties, the borough commenced allocations in 2019. Sanitation expenses rose in part due to rising tipping fees by \$27,000 and the purchase of yard waste toters, which totaled \$28,000. Water expenses rose due to an increase in electrical expenses and in part due to the replacement of the Filter Room Ceiling in the WTP. Operating grants and contributions of \$239,459 consisted of an Act 101 Recycling Grant. Investment earnings from the Enterprise Funds which consist of interest on investments and interest on delinquent sales contributed \$79,429 in revenue (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, Fire, Highway Turn Back and Liquid Fuels Funds. The most prominent fund is the General Fund.

As of December 31, 2019, the combined total of the Borough's Governmental Funds was \$10,872,014. This represents an increase of \$514,495 as compared to the prior year. Approximately 19% or \$2.1 million constitutes unassigned fund balance.

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 32% 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 in Note K shows items under each category.

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

GENERAL FUND

The General Fund is the chief operating fund of the Borough of Phoenixville. As of December 31, 2019, the total fund balance in this fund was \$9,032,052 compared to the previous year's balance of \$8,565,785. The Borough recognized an increase in restricted funds due to movement of monies from the VRP to aid in funding the fire truck; OPEB increased by \$125,000 and the Borough restricted funds regarding the CMAQ grant in the amount of \$435,000.

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, 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 2019, the Fund Balance that was assigned to debt service was \$12,964. (See page 71 for additional detail regarding this Fund).

Retirement/Pension Fund

The Commonwealth of Pennsylvania allotted \$665,665 to the Borough for its Uniform and Non-Uniform pension plans in 2019 (\$608,970 in 2018). There was no contribution required on behalf of the Borough in 2019 to the Non-Uniform pension plan. The Borough contributed \$210,910 in 2019 to the Uniform pension plan (as compared to \$120,446 in the prior year). These additional funds were necessary in order to meet the minimum municipal obligation of the Borough.

Liquid Fuels Fund

The Borough received \$484,727 (compared to \$473,526 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 2020 and 2021, the Borough expects to receive similar funding amounts.

Recreation Fund

In 2019, \$409,928 was transferred into the Recreation Fund. A portion of the revenue is derived from property taxes in the General Fund. The ending balance in the Recreation Fund was \$546,359. In 2019, a majority of the \$206,706 in revenue came from charges for services (\$205,152 for the year).

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

Fire Fund

The Borough received \$99,088 (compared to \$90,503 in the prior year) from the Commonwealth of Pennsylvania for volunteer firefighting. The operating expenditures from this fund for fire protection were \$853,591.

Special Revenue Funds General

Special Revenue Fund Balance at year end 2019 was \$1,839,962, up \$48,228 from the previous period. The primary reason for this increase rests with the fact that, the Borough received a refund from Del Val as noted previously. Every two years the Borough receives a rebate from Del Val as it relates to the Fire Departments Workers Compensation.

PROPRIETARY FUNDS

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

Unrestricted net position of the Waste Water, Water, Parking and Sanitation Funds at the end of the year is \$17,286,396 as compared to \$13,398,081 in the prior year, representing an increase in unrestricted net position of \$3,888,315. 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 63.

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 80% of General Fund revenues.
- Approximately 15% of the funds were generated by charges for services which included building permits, fees and other charges.
- 3% of the funds came from other local governments and the State of Pennsylvania.
- 2% of the funds came from miscellaneous sources which included interest earnings, business licenses and fines.

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2019

Expenditures

The Borough maintained a conservative budget in 2019. The following statements are representative of the final 2019 budget.

- 12% of the General Fund budget is for General Government expenditures.
- 69% was for Public Safety including Police and Crossing Guards.
- 16% 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 6.14 mills for the taxpayers in 2019.

Revenues ended the year above budget and expectations, as the Borough had revenues of \$907,138 above budget. Most of the increase was in taxes and intergovernmental.

Expenditures were over budget by \$903,770 due to the recognition of expenditures associated with the construction of the new public works building (now completed), the recreation center bid and design package, completion of the sidewalks at Reeves Park and additional expenses in public safety.

DEBT ADMINISTRATION

As of December 31, 2019, the Borough had total outstanding long-term bond debt of \$13,340,000 which represents a decrease in debt principal of \$985,000.

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;

In early 2020, as the COVID-19 pandemic evolved, the Borough found itself in uncharted territory. The Borough began navigating quickly to first, and foremost, ensure the safety and welfare of its community and employees. Initially, there was the closure of the recreation center; parking and codes operations were stalled; Temporary Community Events were cancelled. Per Governor Wolfe's orders, only essential businesses remained operable.

On March 20, 2020, Council extended the Mayor's Emergency Disaster Declaration.

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2019

With this outbreak, the tax collector continued real estate tax collections, the sanitation and recycling operated as normal; the water and wastewater departments operated as normal, however, with safety provisions in place. Additionally, the Borough has placed a moratorium on shutoffs and has suspended late charges and fees during this time.

While the Borough cannot predict the full economic impact at this time, we recognize that there will be a reduction in EIT; LST and various other sources of income. Conversely, the Borough should recognize a reduction in certain expenditures as well.

There have been no layoffs or furloughs at this time.

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, 2019

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 10,878,323	\$ 16,698,663	\$ 27,576,986
Accounts receivable, net	1,206,765	1,529,076	2,735,841
Grants receivable	750,000	-	750,000
Net pension asset	1,253,923	100,698	1,354,621
Inventories	-	31,834	31,834
Prepaid items	3,742	1,508	5,250
Capital assets			
Land	3,935,548	205,481	4,141,029
Construction in progress	451,332	311,977	763,309
Capital assets, net	19,579,553	27,912,222	47,491,775
TOTAL ASSETS	<u>38,059,186</u>	<u>46,791,459</u>	<u>84,850,645</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - OPEB activity	138,695	36,308	175,003
Deferred outflows of resources - pension activity	2,297,558	540,094	2,837,652
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,436,253</u>	<u>576,402</u>	<u>3,012,655</u>
LIABILITIES			
Accounts payable and accrued expenses	1,046,018	277,407	1,323,425
Unearned revenues	1,460	-	1,460
Accrued interest	30,497	20,053	50,550
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	330,000	650,000	980,000
Compensated absences	54,739	26,393	81,132
Portion due or payable after one year			
Bonds payable	7,250,000	5,110,000	12,360,000
Bond premiums	360,815	81,785	442,600
Compensated absences	492,648	237,571	730,219
Total other postemployment benefits liability	2,114,222	426,012	2,540,234
TOTAL LIABILITIES	<u>11,680,399</u>	<u>6,829,221</u>	<u>18,509,620</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB activity	100,072	20,872	120,944
Deferred inflows of resources - pension activity	3,191,746	643,477	3,835,223
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,291,818</u>	<u>664,349</u>	<u>3,956,167</u>
NET POSITION			
Net investment in capital assets	16,025,618	22,587,895	38,613,513
Restricted	4,016,066	-	4,016,066
Unrestricted	5,481,538	17,286,396	22,767,934
TOTAL NET POSITION	<u>\$ 25,523,222</u>	<u>\$ 39,874,291</u>	<u>\$ 65,397,513</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 1,787,550	\$ 206,140	\$ 1,032,980	\$ -
Public safety	7,297,926	907,684	99,088	-
Public works	2,230,644	-	478,042	484,727
Culture and recreation	710,947	205,152	607	-
Interest on long-term debt	230,632	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	12,257,699	1,318,976	1,610,717	484,727
BUSINESS-TYPE ACTIVITIES				
Water Fund	3,807,288	4,262,932	-	756,677
Sewer Fund	2,125,821	3,076,746	-	-
Parking Fund	362,937	557,509	-	-
Sanitation Fund	1,816,999	1,902,077	239,459	-
TOTAL BUSINESS-TYPE ACTIVITIES	8,113,045	9,799,264	239,459	756,677
TOTAL BOROUGH ACTIVITIES	\$ 20,370,744	\$ 11,118,240	\$ 1,850,176	\$ 1,241,404

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 assets

TOTAL GENERAL REVENUES

EXTRAORDINARY ITEMS

Gain on sale of water assets

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>
\$ (548,430)	\$ -	\$ (548,430)
(6,291,154)	-	(6,291,154)
(1,267,875)	-	(1,267,875)
(505,188)	-	(505,188)
<u>(230,632)</u>	<u>-</u>	<u>(230,632)</u>
<u>(8,843,279)</u>	<u>-</u>	<u>(8,843,279)</u>
-	1,212,321	1,212,321
-	950,925	950,925
-	194,572	194,572
<u>-</u>	<u>324,537</u>	<u>324,537</u>
<u>-</u>	<u>2,682,355</u>	<u>2,682,355</u>
<u>(8,843,279)</u>	<u>2,682,355</u>	<u>(6,160,924)</u>
4,767,582	-	4,767,582
327,840	-	327,840
4,583,267	-	4,583,267
159,857	-	159,857
9,158	-	9,158
36,157	79,429	115,586
<u>-</u>	<u>-</u>	<u>-</u>
<u>9,883,861</u>	<u>79,429</u>	<u>9,963,290</u>
<u>-</u>	<u>3,175,529</u>	<u>3,175,529</u>
1,040,582	5,937,313	6,977,895
<u>24,482,640</u>	<u>33,936,978</u>	<u>58,419,618</u>
<u>\$ 25,523,222</u>	<u>\$ 39,874,291</u>	<u>\$ 65,397,513</u>

BOROUGH OF PHOENIXVILLE

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 8,839,556	\$ 2,038,767	\$ 10,878,323
Taxes receivable, net	169,338	-	169,338
Due from other funds	135,629	-	135,629
Other receivables	991,683	45,744	1,037,427
Prepaid items	3,510	232	3,742
	<u>10,139,716</u>	<u>2,084,743</u>	<u>12,224,459</u>
TOTAL ASSETS	\$ 10,139,716	\$ 2,084,743	\$ 12,224,459
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and other current liabilities	\$ 936,866	\$ 109,152	\$ 1,046,018
Due to other funds	-	135,629	135,629
Unearned revenues	1,460	-	1,460
	<u>938,326</u>	<u>244,781</u>	<u>1,183,107</u>
TOTAL LIABILITIES	938,326	244,781	1,183,107
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues, property taxes	169,338	-	169,338
FUND BALANCES			
Nonspendable, prepaid items	3,510	232	3,742
Restricted (Note K)	2,583,834	807,232	3,391,066
Committed (Note K)	281,500	-	281,500
Assigned (Note K)	3,966,889	1,032,498	4,999,387
Unassigned	2,196,319	-	2,196,319
	<u>9,032,052</u>	<u>1,839,962</u>	<u>10,872,014</u>
TOTAL FUND BALANCES	9,032,052	1,839,962	10,872,014
	<u>10,139,716</u>	<u>2,084,743</u>	<u>12,224,459</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,139,716	\$ 2,084,743	\$ 12,224,459

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, 2019

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 10,872,014
<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	3,935,548
Construction in progress	451,332
Depreciable capital assets, net	19,579,553
<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 and OPEB activities are not financial resources and, therefore, are not reported in the Governmental Funds.</p>	
	(855,565)
<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>	
	169,338
<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>	
	(360,815)
<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	(30,497)
Bonds payable in future years	(7,580,000)
Net pension asset	1,253,923
Compensated absences	(547,387)
Other postemployment benefits	<u>(2,114,222)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 25,523,222</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, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 9,203,861	\$ 74,074	\$ 9,277,935
Fees and fines	159,857	-	159,857
Licenses and permits	333,490	-	333,490
Intergovernmental	876,322	1,249,480	2,125,802
Charges for services	973,782	205,152	1,178,934
Investment earnings	32,405	3,752	36,157
Miscellaneous	101,246	39,181	140,427
TOTAL REVENUES	<u>11,680,963</u>	<u>1,571,639</u>	<u>13,252,602</u>
EXPENDITURES			
Current			
General government	671,429	876,575	1,548,004
Public safety	5,994,507	853,591	6,848,098
Public works	2,553,554	437,459	2,991,013
Culture and recreation	162,806	616,634	779,440
Debt service			
Principal	-	320,000	320,000
Interest and other charges	-	251,552	251,552
TOTAL EXPENDITURES	<u>9,382,296</u>	<u>3,355,811</u>	<u>12,738,107</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,298,667</u>	<u>(1,784,172)</u>	<u>514,495</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	-	1,832,400	1,832,400
Interfund transfers out	(1,832,400)	-	(1,832,400)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,832,400)</u>	<u>1,832,400</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	466,267	48,228	514,495
FUND BALANCES AT BEGINNING OF YEAR	<u>8,565,785</u>	<u>1,791,734</u>	<u>10,357,519</u>
FUND BALANCES AT END OF YEAR	<u>\$ 9,032,052</u>	<u>\$ 1,839,962</u>	<u>\$ 10,872,014</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 514,495
Capital outlays are reported in Governmental Funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$1,320,088) exceed depreciation (\$905,992) in the current period.	414,096
The net effect of other transactions involving capital assets.	(44,572)
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.	46,064
Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the statement of net position.	320,000
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.	733
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	(89,871)
Net pension activities	(146,787)
Compensated absences	6,237
	<hr/>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>1,040,582</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Sanitation Fund</u>	<u>Total Proprietary Funds</u>
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 8,634,734	\$ 5,488,038	\$ 917,119	\$ 1,658,772	\$ 16,698,663
Accounts receivable, net	868,140	644,716	-	16,220	1,529,076
Net pension asset	48,345	22,592	6,279	23,482	100,698
Inventories	28,201	-	-	3,633	31,834
Prepaid items	661	365	74	408	1,508
TOTAL CURRENT ASSETS	<u>9,580,081</u>	<u>6,155,711</u>	<u>923,472</u>	<u>1,702,515</u>	<u>18,361,779</u>
CAPITAL ASSETS					
Land	9,502	95,835	51,018	49,126	205,481
Infrastructure	12,501,372	-	484,942	-	12,986,314
Construction in progress	3,500	308,477	-	-	311,977
Buildings	11,937,378	20,027,859	-	-	31,965,237
Equipment and furniture	1,984,364	1,755,423	205,416	2,516,109	6,461,312
Accumulated depreciation	<u>(12,532,382)</u>	<u>(9,280,387)</u>	<u>(227,681)</u>	<u>(1,460,191)</u>	<u>(23,500,641)</u>
TOTAL CAPITAL ASSETS	<u>13,903,734</u>	<u>12,907,207</u>	<u>513,695</u>	<u>1,105,044</u>	<u>28,429,680</u>
TOTAL ASSETS	23,483,815	19,062,918	1,437,167	2,807,559	46,791,459
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - OPEB activity	17,515	8,104	2,125	8,564	36,308
Deferred outflows of resources - pension activity	<u>264,452</u>	<u>122,302</u>	<u>24,086</u>	<u>129,254</u>	<u>540,094</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>281,967</u>	<u>130,406</u>	<u>26,211</u>	<u>137,818</u>	<u>576,402</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 23,765,782</u>	<u>\$ 19,193,324</u>	<u>\$ 1,463,378</u>	<u>\$ 2,945,377</u>	<u>\$ 47,367,861</u>

See accompanying notes to the basic financial statements.

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Sanitation Fund</u>	<u>Total Proprietary Funds</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
CURRENT LIABILITIES					
Accounts payable and other liabilities	\$ 175,250	\$ 56,437	\$ 11,156	\$ 34,564	\$ 277,407
Accrued interest	3,959	16,094	-	-	20,053
Current portion of long-term debt	120,000	530,000	-	-	650,000
Current portion of compensated absences	9,163	10,118	228	6,884	26,393
TOTAL CURRENT LIABILITIES	<u>308,372</u>	<u>612,649</u>	<u>11,384</u>	<u>41,448</u>	<u>973,853</u>
NONCURRENT LIABILITIES					
Bonds payable	1,015,000	4,095,000	-	-	5,110,000
Bond premium, net	65,429	16,356	-	-	81,785
Compensated absences	82,474	91,070	2,062	61,965	237,571
Total other postemployment benefits liability	205,518	95,087	24,923	100,484	426,012
TOTAL NONCURRENT LIABILITIES	<u>1,368,421</u>	<u>4,297,513</u>	<u>26,985</u>	<u>162,449</u>	<u>5,855,368</u>
TOTAL LIABILITIES	<u>1,676,793</u>	<u>4,910,162</u>	<u>38,369</u>	<u>203,897</u>	<u>6,829,221</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - OPEB activity	10,069	4,659	1,221	4,923	20,872
Deferred inflows of resources - pension activity	309,984	143,619	38,530	151,344	643,477
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>320,053</u>	<u>148,278</u>	<u>39,751</u>	<u>156,267</u>	<u>664,349</u>
NET POSITION					
Net investment in capital assets	12,703,305	8,265,851	513,695	1,105,044	22,587,895
Unrestricted	9,065,631	5,869,033	871,563	1,480,169	17,286,396
TOTAL NET POSITION	<u>21,768,936</u>	<u>14,134,884</u>	<u>1,385,258</u>	<u>2,585,213</u>	<u>39,874,291</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 23,765,782</u>	<u>\$ 19,193,324</u>	<u>\$ 1,463,378</u>	<u>\$ 2,945,377</u>	<u>\$ 47,367,861</u>

BOROUGH OF PHOENIXVILLE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Sanitation Fund</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES					
Charges for services	\$ 4,262,932	\$ 3,076,746	\$ 557,509	\$ 1,902,077	\$ 9,799,264
Intergovernmental	756,677	-	-	239,459	996,136
TOTAL OPERATING REVENUES	<u>5,019,609</u>	<u>3,076,746</u>	<u>557,509</u>	<u>2,141,536</u>	<u>10,795,400</u>
OPERATING EXPENSES					
Administration	1,868,467	944,337	228,871	860,110	3,901,785
Salaries and wages	451,620	205,838	13,406	402,032	1,072,896
Fuel and light	160,463	163,141	-	-	323,604
Contracted services	221,707	80,218	28,499	61,734	392,158
Insurance claims and expenses	196,008	206,458	41,500	282,200	726,166
Materials and supplies	189,763	95,102	20,032	63,745	368,642
Miscellaneous	-	719	-	992	1,711
Bad debts	5,505	1,718	-	-	7,223
Depreciation	687,660	292,832	30,629	146,186	1,157,307
TOTAL OPERATING EXPENSES	<u>3,781,193</u>	<u>1,990,363</u>	<u>362,937</u>	<u>1,816,999</u>	<u>7,951,492</u>
OPERATING INCOME	<u>1,238,416</u>	<u>1,086,383</u>	<u>194,572</u>	<u>324,537</u>	<u>2,843,908</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	27,164	22,921	1,855	27,489	79,429
Gain on disposal of assets	-	8,500	-	3,000	11,500
Interest expense	(26,095)	(135,458)	-	-	(161,553)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>1,069</u>	<u>(104,037)</u>	<u>1,855</u>	<u>30,489</u>	<u>(70,624)</u>
EXTRAORDINARY ITEMS					
Gain on sale of water assets	3,164,029	-	-	-	3,164,029
CHANGE IN NET POSITION	4,403,514	982,346	196,427	355,026	5,937,313
NET POSITION AT BEGINNING OF YEAR	<u>17,365,422</u>	<u>13,152,538</u>	<u>1,188,831</u>	<u>2,230,187</u>	<u>33,936,978</u>
NET POSITION AT END OF YEAR	<u>\$ 21,768,936</u>	<u>\$ 14,134,884</u>	<u>\$ 1,385,258</u>	<u>\$ 2,585,213</u>	<u>\$ 39,874,291</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Sanitation Fund</u>	<u>Total Proprietary Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 4,452,638	\$ 3,067,782	\$ 559,558	\$ 1,893,570	\$ 9,973,548
Payments to employees	(2,355,380)	(1,142,307)	(238,944)	(1,242,357)	(4,978,988)
Payments to suppliers	<u>(1,001,656)</u>	<u>(528,151)</u>	<u>(85,951)</u>	<u>(411,414)</u>	<u>(2,027,172)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,095,602</u>	<u>1,397,324</u>	<u>234,663</u>	<u>239,799</u>	<u>2,967,388</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition, construction and improvements of capital assets	(1,813,131)	(867,934)	(23,671)	(132,956)	(2,837,692)
Proceeds from sales of assets	3,470,729	8,500	-	3,000	3,482,229
Principal paid on capital debt	(145,000)	(520,000)	-	-	(665,000)
Interest paid on capital debt	(34,722)	(138,875)	-	-	(173,597)
Proceeds from grant	<u>756,677</u>	<u>-</u>	<u>-</u>	<u>239,459</u>	<u>996,136</u>
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>2,234,553</u>	<u>(1,518,309)</u>	<u>(23,671)</u>	<u>109,503</u>	<u>802,076</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Earnings on investments	<u>27,164</u>	<u>22,921</u>	<u>1,855</u>	<u>27,489</u>	<u>79,429</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,357,319	(98,064)	212,847	376,791	3,848,893
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR					
	<u>5,277,415</u>	<u>5,586,102</u>	<u>704,272</u>	<u>1,281,981</u>	<u>12,849,770</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 8,634,734</u>	<u>\$ 5,488,038</u>	<u>\$ 917,119</u>	<u>\$ 1,658,772</u>	<u>\$ 16,698,663</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Parking Fund</u>	<u>Sanitation Fund</u>	<u>Total Proprietary Funds</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 1,238,416	\$ 1,086,383	\$ 194,572	\$ 324,537	\$ 2,843,908
Proceeds from grant	(756,677)	-	-	(239,459)	(996,136)
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	687,660	292,832	30,629	146,186	1,157,307
Pension expense	21,044	9,760	2,601	10,266	43,671
OPEB adjustment	1,476	683	178	722	3,059
(Increase) decrease in					
Accounts receivable	189,706	(8,964)	2,049	(8,507)	174,284
Inventories	(1,074)	-	-	(3,633)	(4,707)
Prepaid items	2,879	661	69	248	3,857
Increase (decrease) in					
Accounts payable and other liabilities	(230,015)	18,544	4,011	642	(206,818)
Compensated absences	(57,813)	(2,575)	554	8,797	(51,037)
	<u>\$ 1,095,602</u>	<u>\$ 1,397,324</u>	<u>\$ 234,663</u>	<u>\$ 239,799</u>	<u>\$ 2,967,388</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES					

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	<u>Pension Funds</u>	<u>Custodial Funds</u>
ASSETS		
Cash and cash equivalents	\$ <u>386,723</u>	\$ <u>599,448</u>
Investments		
Mutual funds, at fair value	26,297,188	-
Unallocated insurance contract, at contract value	<u>1,378,184</u>	-
TOTAL INVESTMENTS	<u>27,675,372</u>	<u>-</u>
TOTAL ASSETS	<u>28,062,095</u>	<u>599,448</u>
LIABILITIES		
Other liabilities	<u>8,955</u>	-
TOTAL LIABILITIES	<u>8,955</u>	<u>-</u>
NET POSITION		
Restricted for benefits and other purposes	28,053,140	-
Restricted for custodial purposes	<u>-</u>	<u>599,448</u>
TOTAL NET POSITION	<u>\$ 28,053,140</u>	<u>\$ 599,448</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, 2019

	<u>Pension Funds</u>	<u>Custodial Funds</u>
ADDITIONS		
Contributions		
Employer	\$ 876,574	\$ -
Employee	85,793	-
Developers	-	1,219,899
TOTAL CONTRIBUTIONS	<u>962,367</u>	<u>1,219,899</u>
Investment earnings		
Net increase in fair value of investments	3,998,791	-
Realized gains on sale of assets	171,345	-
Interest	163,113	-
Dividends	487,772	-
Investment activity expense	(125,803)	-
TOTAL INVESTMENT EARNINGS	<u>4,695,218</u>	<u>-</u>
TOTAL ADDITIONS	<u>5,657,585</u>	<u>1,219,899</u>
DEDUCTIONS		
Benefits	846,863	-
Administrative	27,825	-
Escrow payments	-	1,972,802
TOTAL DEDUCTIONS	<u>874,688</u>	<u>1,972,802</u>
CHANGE IN NET POSITION	4,782,897	(752,903)
NET POSITION AT BEGINNING OF YEAR, restated	<u>23,270,243</u>	<u>1,352,351</u>
NET POSITION AT END OF YEAR	<u>\$ 28,053,140</u>	<u>\$ 599,448</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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 is governed by an 8-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended Component Unit – The Pension Trust Funds are single employer defined benefit pension plans that provide pensions for all full-time employees and all regular, full-time sworn police officers. Although the plans are separate legal entities, they are reported as if they are part of the government as they are governed by boards comprised of members appointed by the Borough Council and the Borough is responsible for funding the plans. The plans are reported as fiduciary funds and do not issue separate financial statements.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
YEAR ENDED DECEMBER 31, 2019

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 major Governmental Fund is 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 Fund:

- 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 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.
- The *Sanitation Fund* accumulates resources necessary to fund trash pickup services in the Borough.
- The *Parking Fund* accumulates resources for the operation of parking facilities and enforcement within the Borough.

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. 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 and the Pension Fund.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, solid waste 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
YEAR ENDED DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Funds

Trust Funds - Trust Funds are used to account for financial resources restricted solely for uniformed and non-uniformed retirement plans.

Custodial Funds – The Borough Custodial Fund represents escrow activity which accounts for moneys paid by property owners to be used for legal and engineering costs incurred by the Borough. Excess funds are returned to the property owners.

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
YEAR ENDED DECEMBER 31, 2019

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 and no restrictions on withdrawal.

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, 2019, the allowance for doubtful accounts was \$52,471 in the General Fund, \$22,810 in the Sanitation Fund, \$50,883 in the Water Fund and \$29,316 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
YEAR ENDED DECEMBER 31, 2019

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 two items that qualify 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. The deferred outflow of resources related to OPEB is reported in the government-wide statement of net position and is the result of changes in plan assumptions and contributions subsequent to the measurement date.

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 three 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 and the net difference between projected and actual earnings on pension plan investments. The deferred inflow of resources related to OPEB is reported in the government-wide statement of net position and is the result of changes in plan assumptions.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, non-uniform, permanent employees and can be carried over from year to year. However, at retirement or upon leaving the Borough, non-uniform employees with over ten years of service and hired prior to January 1, 2017, will be paid for all remaining sick leave at a rate of one day for every three days of unused sick time.

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
YEAR ENDED DECEMBER 31, 2019

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. See Note K.
- ***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. See Note K.
- ***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 Borough Council has not delegated the authority to assign fund balance as of December 31, 2019. See Note K.
- ***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
YEAR ENDED DECEMBER 31, 2019

NOTE B - TAXES

For 2019, tax was levied on the assessed value of real estate at a total of 6.14 mills.

The taxable assessed valuation of property as of January 1, 2019, was \$787,238,896.

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 2019 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, 2019, the carrying amount of the Borough's deposits was \$28,176,434, and the bank balance was \$28,381,503. Of the bank balance, \$514,908 was covered by federal depository insurance, \$27,866,595 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 G and H for pension deposit disclosures.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

A portion of the Borough's deposits 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, 2019, is \$160,855 and is included in cash and cash equivalents. 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

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.

The Borough's governmental and proprietary funds did not hold any investments as of December 31, 2019. The following table reflects investments held by the Pension Trust Funds as of December 31, 2019:

	Fair Value	Maturities		
		0-5 Years	5-10 Years	More Than 10 Years
Mutual funds - Domestic equities	\$ 15,488,152	\$ 15,488,152	\$ -	\$ -
Mutual funds - International equities	4,395,844	4,395,844	-	-
Mutual funds - Domestic fixed income	6,413,192	6,413,192	-	-
	<u>\$ 26,297,188</u>	<u>\$ 26,297,188</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes G and H for pension investment policies.

Fair Value Measurements - The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are those that lack significant observable inputs. At December 31, 2019, the Borough's pension plans held \$26,297,188 in mutual funds, all of which are considered Level 1 investments.

In addition, the pension plans hold \$1,378,184 of investments in unallocated insurance contracts that are reported at contract value and are not categorized within the fair value hierarchy.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

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.

Concentration Risk - The Borough does not have a policy that would limit the amount it may invest in any one issuer.

NOTE D - INTERFUND BALANCES

The balance of short-term interfund balances at December 31, 2019, were as follows:

	Due From	Due To
General Fund	\$ 135,629	\$ -
Fire Fund	-	85,786
Recreation Fund	-	49,843
	<u>\$ 135,629</u>	<u>\$ 135,629</u>

Interfund transfers were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 1,832,400
Fire Fund	640,011	-
Debt Service Fund	571,551	-
Recreation Fund	409,928	-
Pension Fund	210,910	-
	<u>\$ 1,832,400</u>	<u>\$ 1,832,400</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance January 1, 2019	Increases	Decreases and Reclassifications	Balance December 31, 2019
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 3,935,548	\$ -	\$ -	\$ 3,935,548
Construction in progress	390,169	61,163	-	451,332
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>4,325,717</u>	<u>61,163</u>	<u>-</u>	<u>4,386,880</u>
Capital assets being depreciated				
Buildings and improvements	10,299,466	25,510	-	10,324,976
Infrastructure	13,674,490	170,512	-	13,845,002
Vehicles	2,238,243	377,615	687,152	3,303,010
Equipment and furniture	1,457,658	685,288	(274,818)	1,868,128
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>27,669,857</u>	<u>1,258,925</u>	<u>412,334</u>	<u>29,341,116</u>
Accumulated depreciation				
Buildings and improvements	(1,826,031)	(232,259)	-	(2,058,290)
Infrastructure	(4,493,522)	(413,933)	-	(4,907,455)
Vehicles	(1,493,782)	(161,088)	(511,225)	(2,166,095)
Equipment and furniture	(585,330)	(98,712)	54,319	(629,723)
TOTAL ACCUMULATED DEPRECIATION	<u>(8,398,665)</u>	<u>(905,992)</u>	<u>(456,906)</u>	<u>(9,761,563)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>19,271,192</u>	<u>352,933</u>	<u>(44,572)</u>	<u>19,579,553</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	<u>\$ 23,596,909</u>	<u>\$ 414,096</u>	<u>\$ (44,572)</u>	<u>\$ 23,966,433</u>
BUSINESS- TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 205,481	\$ -	\$ -	\$ 205,481
Construction in progress	114,573	300,775	(103,371)	311,977
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>320,054</u>	<u>300,775</u>	<u>(103,371)</u>	<u>517,458</u>
Capital assets being depreciated				
Sewer collection system infrastructure	19,664,624	354,586	8,650	20,027,860
Water treatment plant infrastructure	23,774,337	1,600,445	(936,032)	24,438,750
Parking infrastructure	484,942	-	-	484,942
Vehicles	1,408,352	338,796	1,989	1,749,137
Equipment and furniture	4,521,225	345,083	(154,134)	4,712,174
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>49,853,480</u>	<u>2,638,910</u>	<u>(1,079,527)</u>	<u>51,412,863</u>
Accumulated depreciation				
Sewer collection system infrastructure	(7,820,444)	(157,026)	(8,650)	(7,986,120)
Water treatment plant infrastructure	(11,741,796)	(577,996)	629,333	(11,690,459)
Parking infrastructure	(112,961)	(11,897)	-	(124,858)
Vehicles	(814,650)	(103,961)	59,261	(859,350)
Equipment and furniture	(2,627,687)	(306,427)	94,260	(2,839,854)
TOTAL ACCUMULATED DEPRECIATION	<u>(23,117,538)</u>	<u>(1,157,307)</u>	<u>774,204</u>	<u>(23,500,641)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	<u>26,735,942</u>	<u>1,481,603</u>	<u>(305,323)</u>	<u>27,912,222</u>
BUSINESS- TYPE ACTIVITIES CAPITAL ASSETS, net	<u>\$ 27,055,996</u>	<u>\$ 1,782,378</u>	<u>\$ (408,694)</u>	<u>\$ 28,429,680</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE E - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

GOVERNMENTAL ACTIVITIES	
General government	\$ 64,836
Public safety	578,854
Public works - highways and streets	246,581
Culture and recreation	<u>15,721</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>905,992</u>
 BUSINESS-TYPE ACTIVITIES	
Water	\$ 687,660
Sewer	292,832
Parking	30,629
Sanitation	<u>146,186</u>
TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>1,157,307</u>

NOTE F - LONG-TERM DEBT

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
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>7,580,000</u>	\$ <u>5,760,000</u>

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>
2020	\$ 980,000	\$ 404,400
2021	1,010,000	384,800
2022	1,025,000	364,600
2023	1,055,000	333,850
2024	1,090,000	302,200
2025 to 2029	4,290,000	1,025,600
2030 to 2034	2,300,000	559,188
2035 to 2037	<u>1,590,000</u>	<u>128,800</u>
	\$ <u>13,340,000</u>	\$ <u>3,503,438</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE F - LONG-TERM DEBT (Continued)

Long-term liability activity for the year ended December 31, 2019, is as follows:

	Balance January 1, 2019	Additions	Retirements	Balance December 31, 2019	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds, Series of 2012	\$ 7,900,000	\$ -	\$ (320,000)	\$ 7,580,000	\$ 330,000
Compensated absences	553,624	-	(6,237)	547,387	54,739
Net pension (asset) liability	1,441,147	-	(2,695,070)	(1,253,923)	-
Total Other postemployment benefits liability	<u>2,128,532</u>	<u>-</u>	<u>(14,310)</u>	<u>2,114,222</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 12,023,303</u>	<u>\$ -</u>	<u>\$ (3,035,617)</u>	<u>\$ 8,987,686</u>	<u>\$ 384,739</u>
BUSINESS- TYPE ACTIVITIES					
General Obligation Bonds, Series of 2012	\$ 6,425,000	\$ -	\$ (665,000)	\$ 5,760,000	\$ 650,000
Compensated absences	315,001	-	(51,037)	263,964	26,393
Net pension (asset) liability	289,793	-	(390,491)	(100,698)	-
Total Other postemployment benefits liability	<u>445,012</u>	<u>-</u>	<u>(19,000)</u>	<u>426,012</u>	<u>-</u>
TOTAL BUSINESS- TYPE ACTIVITIES	<u>\$ 7,474,806</u>	<u>\$ -</u>	<u>\$ (1,125,528)</u>	<u>\$ 6,349,278</u>	<u>\$ 676,393</u>

For the year ended December 31, 2019, interest expense on long-term debt was \$423,419. Of this total, \$171,867 was charged to the following functions as direct expenses on the statement of activities:

<u>Function</u>	<u>Interest</u>
Water	\$ 34,346
Sewer	<u>137,521</u>
	<u>\$ 171,867</u>

NOTE G - 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
YEAR ENDED DECEMBER 31, 2019

NOTE G - 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, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	16
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>31</u>
	<u>50</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
YEAR ENDED DECEMBER 31, 2019

NOTE G - 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 2019, the MMO obligation for the plan was \$518,140. Contributions of \$210,910 and \$307,230 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
YEAR ENDED DECEMBER 31, 2019

NOTE G - 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, 2019:

<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 – No more than 5% of the Borough's investments are held in any one issuer.

Rate of Return - For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 20.69%. 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 (asset) liability of the Borough at December 31, 2019, were as follows:

Total pension liability	\$ 14,676,680
Plan fiduciary net position	<u>(15,642,252)</u>
NET PENSION (ASSET) LIABILITY	<u>\$ (965,572)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>106.58%</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2019, 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	2.5%

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, 2019 (see the plan's investment policy), are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
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
YEAR ENDED DECEMBER 31, 2019

NOTE G - 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)
BALANCES AT DECEMBER 31, 2018	\$ <u>13,616,230</u>	\$ <u>12,872,659</u>	\$ <u>743,571</u>
Changes for the year			
Service cost	441,284	-	441,284
Interest	1,003,948	-	1,003,948
Differences between expected and actual experience	(35,121)	-	(35,121)
Contributions			
Employer	-	518,140	(518,140)
Net investment income	-	2,613,039	(2,613,039)
Benefit payments	(349,661)	(349,661)	-
Administrative expense	-	(11,925)	11,925
NET CHANGES	<u>1,060,450</u>	<u>2,769,593</u>	<u>(1,709,143)</u>
BALANCES AT DECEMBER 31, 2019	\$ <u><u>14,676,680</u></u>	\$ <u><u>15,642,252</u></u>	\$ <u><u>(965,572)</u></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%)
Net pension (asset) liability	\$ <u>1,068,908</u>	\$ <u>(965,572)</u>	\$ <u>(2,654,005)</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE G - 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, 2019, the Borough recognized pension expense of \$554,648 for the Police Pension Plan. At December 31, 2019, 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	\$ -	\$ 341,544
Change of assumptions	231,203	-
Net difference between projected and actual earnings on pension plan investments	<u>1,208,778</u>	<u>1,721,483</u>
	<u>\$ 1,439,981</u>	<u>\$ 2,063,027</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>	
2020	\$ (125,992)
2021	(159,114)
2022	31,990
2023	(359,896)
2024	(5,017)
Thereafter	(5,017)

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE H - 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, 2019, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	42
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	71
	<hr/>
	120
	<hr/> <hr/>

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
YEAR ENDED DECEMBER 31, 2019

NOTE H - 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 2019, the MMO obligation for the plan was \$356,389. Contributions of \$358,434 were made by the Commonwealth of Pennsylvania, respectively.

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

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Borough Council through adoption of an ordinance. It is the policy of the Borough Council to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the plan's adopted asset allocation policy as of December 31, 2019:

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

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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

Concentrations – No more than 5% of the Borough’s investments are in any one issuer.

Rate of Return - For the year ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 20.55%. 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 (asset) liability of the Borough at December 31, 2019, were as follows:

Total pension liability	\$ 12,021,839
Plan fiduciary net position	<u>(12,410,888)</u>
NET PENSION (ASSET) LIABILITY	<u>\$ (389,049)</u>

Plan fiduciary net position as a percentage of the total pension liability	<u>103.24%</u>
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Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2019, 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
YEAR ENDED DECEMBER 31, 2019

NOTE H - 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, 2019 (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%
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 (Asset) Liability (a)-(b)</u>
BALANCES AT DECEMBER 31, 2018	\$ 11,384,953	\$ 10,397,584	\$ 987,369
Changes for the year			
Service cost	383,879	-	383,879
Interest	829,470	-	829,470
Differences between expected and actual experience	(79,261)	-	(79,261)
Contributions			
Employer	-	358,434	(358,434)
Member	-	85,793	(85,793)
Net investment income	-	2,082,179	(2,082,179)
Benefit payments	(497,202)	(497,202)	-
Administrative expense	-	(15,900)	15,900
NET CHANGES	<u>636,886</u>	<u>2,013,304</u>	<u>(1,376,418)</u>
BALANCES AT DECEMBER 31, 2019	\$ <u>12,021,839</u>	\$ <u>12,410,888</u>	\$ <u>(389,049)</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE H - 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 <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Net pension liability (asset)	\$ <u>878,410</u>	\$ <u>(389,049)</u>	\$ <u>(1,473,193)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended December 31, 2019, the Borough recognized pension expense of \$512,383 for the Municipal Employees' Pension Plan. At December 31, 2019, 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	\$ 31,521	\$ 397,746
Change of assumptions	389,170	-
Net difference between projected and actual earnings on pension plan investments	<u>976,980</u>	<u>1,374,450</u>
	<u>\$ 1,397,671</u>	<u>\$ 1,772,196</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>	
2020	\$ (13,518)
2021	(109,538)
2022	45,342
2023	(271,583)
2024	(5,413)
Thereafter	(19,815)

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE I - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

Plan Administration - The Borough's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance and life insurance benefits to eligible retirees. Spouses and other dependents are not covered under the plan. The Borough Council assigns the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75.

Benefits Provided

Eligibility for Benefits:

Police Officers who were hired before January 1, 2006 and have completed 10 years of service are eligible for medical, prescription drug, dental, and vision benefits. Police Officers who were hired after January 1, 2006 and have completed 20 years of service are eligible for medical benefits.

Non-uniform employees hired prior to January 1, 1985 are eligible for postretirement benefits. Those who were hired after January 1, 1985 are not eligible for postretirement benefits.

Any employee retiring through the Borough shall be eligible for Life Insurance.

Medical Benefits Payable upon Retirement:

Police Officers may elect medical, prescription drug, dental, and vision coverage for the member and spouse by paying the full premiums.

Non-uniform employees hired prior to January 1, 1985, may receive full paid medical and prescription drug under the HMO 65 Plan (a Medicare Advantage Plan) upon retirement and attainment of age 65. Vision is also paid for by the Borough for the member only. Spouses may elect coverage by paying the full premiums. Those hired after January 1, 1985, are not eligible for any postemployment health benefits.

Once a Non-uniform retiree reaches Medicare age, the member must move to the HMO 65 Plan (a Medicare Advantage Plan) provided. If the member reaches Medicare age prior to the spouse, the spouse may continue coverage under the group HMO Plan until Medicare age by paying the full premium. Upon reaching Medicare age, the spouse must move to the HMO 65 Plan and continue to pay the full premium.

Life Insurance Benefits Payable upon Retirement:

Police Officers retired prior to January 1, 2011, will be provided with a \$5,000 policy while Police Officers retiring between January 1, 2011 and December 31, 2016 will be provided with an \$8,000 policy. Officers retired on or after January 1, 2017 will be provided with a \$10,000 life insurance policy. Retired Non-uniform employees are provided with a \$10,000 policy.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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

	<u>Non-Uniform</u>	<u>Police</u>	<u>Total</u>
Inactive plan members or beneficiaries currently receiving benefits	25	9	34
Inactive plan members entitled to but not yet receiving benefits	-	3	3
Active plan members	<u>67</u>	<u>30</u>	<u>97</u>
	<u>92</u>	<u>42</u>	<u>134</u>

Total OPEB Liability

The Borough's total OPEB liability of \$2,540,234 was measured as of December 31, 2019, and was determined by an actuarial valuation as of January 1, 2018.

Actuarial assumptions and other inputs - The total OPEB liability in the January 1, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.0%
Salary increases	5% annual increase
Discount rate	3.64%
Healthcare cost trend rates	6.0% in 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later.

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2018.

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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

Changes in the Total OPEB Liability of the Borough

	Non-Uniform OPEB Liability (a)	Police OPEB Liability (a)	Total OPEB Liability (a)
BALANCES AT DECEMBER 31, 2018	\$ 1,516,216	\$ 1,057,328	\$ 2,573,544
Changes for the year			
Service cost	20,795	58,804	79,599
Interest	47,659	35,159	82,818
Changes of assumptions	(80,002)	(56,060)	(136,062)
Benefit payments	(53,186)	(6,479)	(59,665)
NET CHANGES	<u>(64,734)</u>	<u>31,424</u>	<u>(33,310)</u>
BALANCES AT DECEMBER 31, 2019	\$ <u>1,451,482</u>	\$ <u>1,088,752</u>	\$ <u>2,540,234</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.16% in 2018 to 3.64% in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following represents the total OPEB liability of the Borough, as well as what the Borough's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.64%) or 1-percentage point higher (4.64%) than the current discount rate:

	<u>1% Decrease (2.64%)</u>		<u>Current Discount Rate (3.64%)</u>	
	<u>Non-Uniform</u>	<u>Police</u>	<u>Non-Uniform</u>	<u>Police</u>
Total OPEB liability	\$ <u>1,626,285</u>	\$ <u>1,209,627</u>	\$ <u>1,451,482</u>	\$ <u>1,088,752</u>

Sensitivity of the total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following represents the total OPEB liability of the Borough, as well as what the Borough's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>		<u>Current Discount Rate</u>	
	<u>Non-Uniform</u>	<u>Police</u>	<u>Non-Uniform</u>	<u>Police</u>
Total OPEB liability	\$ <u>1,328,026</u>	\$ <u>962,495</u>	\$ <u>1,451,482</u>	\$ <u>1,088,752</u>

1% Increase (4.64%)	
<u>Non-Uniform</u>	<u>Police</u>
\$ <u>1,304,847</u>	\$ <u>982,378</u>

1% Increase	
<u>Non-Uniform</u>	<u>Police</u>
\$ <u>1,595,918</u>	\$ <u>1,236,831</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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

OPEB Expense and Deferred Outflows of Resource and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2019, the Borough recognized OPEB expense of \$162,378. At December 31, 2019, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Non-Uniform

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Change of assumptions	65,241	71,113
Benefit payments subsequent to the measurement date (1/1/2019)	<u>58,462</u>	<u>-</u>
	<u>\$ 123,703</u>	<u>\$ 71,113</u>

Police

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Change of assumptions	40,314	49,831
Benefit payments subsequent to the measurement date (1/1/2019)	<u>10,986</u>	<u>-</u>
	<u>\$ 51,300</u>	<u>\$ 49,831</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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

\$69,448 was reported as deferred outflows of resources related to OPEB resulting from Plan benefit payments subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Non-Uniform</u>	<u>Police</u>
2020	\$ 431	\$ (470)
2021	431	(470)
2022	431	(470)
2023	431	(470)
2024	431	(470)
Thereafter	<u>(8,027)</u>	<u>(7,167)</u>
	<u>\$ (5,872)</u>	<u>\$ (9,517)</u>

NOTE J - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund incurred expenditures in excess of appropriations in the following amounts for the year ended December 31, 2019:

GENERAL FUND	
Public safety	\$ 147,847
Public works	<u>1,183,756</u>
	<u>\$ 1,331,603</u>

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

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE K - FUND BALANCE DESIGNATIONS

Designations of fund balance are as follows for the year ending December 31, 2019:

	General Fund	Other Governmental Funds	Total Governmental Funds
RESTRICTED FOR			
Ashburn Street extension	\$ 37,000	\$ -	\$ 37,000
Traffic improvements	202,571	-	202,571
CRP Paving Grant	87,975	-	87,975
CMAC Grant	435,000	-	435,000
All Abilities Playground Grant	375,000	-	375,000
BAC Downtown	5,740	-	5,740
Fire Truck Donation	75,000	-	75,000
High Street lights	5,026	-	5,026
Main Street Trestle - CDBG	191,095	-	191,095
Wayfinding Grant	3,100	-	3,100
Phoenix First	13,585	-	13,585
Fillmore Street Realignment	43,596	-	43,596
Street Paving	138,804	-	138,804
Phoenixville Hospital	286,933	-	286,933
Phoenixville Downtown Projects	159	-	159
PHUN	30,000	-	30,000
Pole Barn streets	100,000	-	100,000
Parks/Rec - Manovon/Fisher	50,000	-	50,000
Stage User Fees	3,250	-	3,250
SRT Mont Clare Bridge Connection	100,000	-	100,000
Recreation Center	100,000	-	100,000
Road and street improvements	-	807,232	807,232
VRP Fire Truck purchase	300,000	-	300,000
	<u>\$ 2,583,834</u>	<u>\$ 807,232</u>	<u>\$ 3,391,066</u>
TOTAL RESTRICTED			
COMMITTED TO			
Vehicle replacement	\$ 101,500	\$ -	\$ 101,500
Recreation fund (PHUN)	180,000	-	180,000
	<u>\$ 281,500</u>	<u>\$ -</u>	<u>\$ 281,500</u>
TOTAL COMMITTED			
ASSIGNED TO			
Capital reserve	\$ 1,000,000	\$ -	\$ 1,000,000
OPEB Funding	625,000	-	625,000
Operating reserve	2,341,889	-	2,341,889
Fire protection	-	381,837	381,837
Debt service	-	12,964	12,964
Recreation activities	-	546,202	546,202
Pension	-	91,495	91,495
	<u>\$ 3,966,889</u>	<u>\$ 1,032,498</u>	<u>\$ 4,999,387</u>
TOTAL ASSIGNED			

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE L - CONTINGENT LIABILITIES

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

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

NOTE M - PRIOR PERIOD RESTATEMENT

The Borough implemented GASB Statement No. 84, Fiduciary Activities. The objective of GASB Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

For the fiduciary fund custodial activities, the Borough has treated the beginning of year net position of \$1,352,351 as having been recognized in the period incurred. The Borough has adjusted beginning net position for their fiduciary activities from \$0 to \$1,352,351.

NOTE N - SUBSEQUENT EVENTS

Subsequent to year end, a global pandemic due to the spread of the COVID-19 coronavirus caused the United States government to declare a national emergency. The pandemic has led to widespread voluntary and government-mandated closings of local stores and businesses, which has resulted in significant job losses. These job losses have the potential to have a significant impact on all aspects of Borough operations including tax collections and the collection of water and sewer charges. In addition, due to the temporary closure of all businesses that are not deemed life sustaining, State tax revenues are also significantly decreased. This decrease could result in less grant money that is relied upon by local municipalities to fund specific projects. Overall, decreased funding could result in the Borough having to curtail or eliminate some non-essential services and furlough employees.

Due to the pandemic, the financial markets have experienced significant market decline since the beginning of the year. These losses, if not regained, will have a significant detrimental impact on the value of the investments held by the Borough's pension plans. Decreases in the value of investments held by the Plans may result in a significant impact on the pension liabilities and related deferred inflows and outflows related to the pension plans. At this point, the extent to which COVID-19 will impact our financial condition or results of operations is uncertain and cannot be reasonably estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF PHOENIXVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 8,670,953	\$ 8,670,953	\$ 9,203,861	\$ 532,908
Fees and fines	133,000	133,000	159,857	26,857
Licenses and permits	324,300	324,300	333,490	9,190
Intergovernmental	8,300	8,300	876,322	868,022
Charges for services	1,626,272	1,626,272	973,782	(652,490)
Investment earnings	11,000	11,000	32,405	21,405
Miscellaneous	-	-	101,246	101,246
TOTAL REVENUES	<u>10,773,825</u>	<u>10,773,825</u>	<u>11,680,963</u>	<u>907,138</u>
EXPENDITURES				
General government	925,955	1,029,068	671,429	357,639
Public safety	5,845,160	5,846,660	5,994,507	(147,847)
Public works	1,298,982	1,369,798	2,553,554	(1,183,756)
Culture and recreation	233,000	233,000	162,806	70,194
TOTAL EXPENDITURES	<u>8,303,097</u>	<u>8,478,526</u>	<u>9,382,296</u>	<u>(903,770)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,470,728</u>	<u>2,295,299</u>	<u>2,298,667</u>	<u>3,368</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	<u>(2,646,795)</u>	<u>(2,646,795)</u>	<u>(1,832,400)</u>	<u>814,395</u>
NET CHANGE IN FUND BALANCE	(176,067)	(351,496)	466,267	817,763
FUND BALANCE AT BEGINNING OF YEAR	<u>8,565,785</u>	<u>8,565,785</u>	<u>8,565,785</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 8,389,718</u>	<u>\$ 8,214,289</u>	<u>\$ 9,032,052</u>	<u>\$ 817,763</u>

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

	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ 441,284	\$ 424,276	\$ 404,072	\$ 399,309	\$ 380,294	\$ 336,874
Interest	1,003,948	933,058	866,484	810,556	751,072	723,044
Differences between expected and actual experience	(35,121)	-	(244,904)	-	(385,864)	-
Changes of assumptions	-	-	153,554	-	322,782	-
Benefit payments	(349,661)	(373,199)	(371,783)	(331,934)	(327,900)	(314,537)
NET CHANGE IN TOTAL PENSION LIABILITY	1,060,450	984,135	807,423	877,931	740,384	745,381
Total pension liability, beginning	13,616,230	12,632,095	11,824,672	10,946,741	10,206,357	9,460,976
TOTAL PENSION LIABILITY, ENDING (a)	\$ 14,676,680	\$ 13,616,230	\$ 12,632,095	\$ 11,824,672	\$ 10,946,741	\$ 10,206,357
PLAN FIDUCIARY NET POSITION						
Contributions						
Employer	\$ 518,140	\$ 401,509	\$ 318,252	\$ 316,607	\$ 393,533	\$ 280,262
Net investment income	2,613,039	(957,617)	1,826,268	660,325	11,750	587,261
Benefit payments, including refunds of member contributions	(349,661)	(373,199)	(371,783)	(331,934)	(327,900)	(314,537)
Administrative expense	(11,925)	(3,900)	(7,950)	(7,650)	(9,135)	(49,213)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,769,593	(933,207)	1,764,787	637,348	68,248	503,773
Plan fiduciary net position, beginning	12,872,659	13,805,866	12,041,079	11,403,731	11,335,483	10,831,710
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 15,642,252	\$ 12,872,659	\$ 13,805,866	\$ 12,041,079	\$ 11,403,731	\$ 11,335,483
NET PENSION (ASSET) LIABILITY, ENDING (a)-(b)	\$ (965,572)	\$ 743,571	\$ (1,173,771)	\$ (216,407)	\$ (456,990)	\$ (1,129,126)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	106.58%	94.54%	109.29%	101.83%	104.17%	111.06%
COVERED PAYROLL	\$ 2,915,811	\$ 2,698,871	\$ 2,561,462	\$ 2,296,154	\$ 2,296,154	\$ 2,464,671
NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	-33.12%	27.55%	-45.82%	-9.42%	-19.90%	-45.81%

In 2017, assumptions were based on IRS 2017 Static Combined Table for Small Plan. Incorporated into the table are rates for annuitants projected 7 years and rates for non annuitants projected 15 years using Scale AA to reflect mortality improvement. In 2015, mortality rates were based on the RP 2000 table for males and females. The table does not include projected mortality improvements.

This schedule is intended to show information for ten years. All available information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF PHOENIXVILLE
SCHEDULES OF POLICE PENSION PLAN CONTRIBUTIONS
LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 518,140	\$ 401,509	\$ 314,652	\$ 316,607	\$ 344,034	\$ 280,261
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>518,140</u>	<u>401,509</u>	<u>318,252</u>	<u>316,607</u>	<u>393,533</u>	<u>280,262</u>
CONTRIBUTION EXCESS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,600)</u>	<u>\$ -</u>	<u>\$ (49,499)</u>	<u>\$ (1)</u>
COVERED PAYROLL	<u>\$ 2,915,811</u>	<u>\$ 2,698,871</u>	<u>\$ 2,561,462</u>	<u>\$ 2,296,154</u>	<u>\$ 2,296,154</u>	<u>\$ 2,464,671</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>17.77%</u>	<u>14.88%</u>	<u>12.42%</u>	<u>13.79%</u>	<u>17.14%</u>	<u>11.37%</u>

NOTES TO SCHEDULES

Valuation date: January 1, 2019

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
Post-retirement cost of living increase	4%
Mortality	RP-2000 Table

This schedule is intended to show information for ten years. All available information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF PHOENIXVILLE
SCHEDULES OF POLICE PENSION PLAN INVESTMENT RETURNS
LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>20.69%</u>	<u>-7.72%</u>	<u>15.31%</u>	<u>5.70%</u>	<u>0.08%</u>	<u>4.70%</u>

This schedule is intended to show information for ten years. Aavailable information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF PHOENIXVILLE
SCHEDULES OF CHANGES IN THE NET MUNICIPAL
EMPLOYEES' PENSION PLAN LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS

	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ 383,879	\$ 343,955	\$ 327,576	\$ 298,325	\$ 284,119	\$ 275,389
Interest	829,470	784,921	738,847	693,958	654,221	606,167
Differences between expected and actual experience	(79,261)	-	(525,427)	-	189,136	-
Changes of assumptions	-	-	561,384	-	229,840	-
Benefit payments	<u>(497,202)</u>	<u>(452,932)</u>	<u>(441,656)</u>	<u>(435,007)</u>	<u>(373,898)</u>	<u>(361,603)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	636,886	675,944	660,724	557,276	983,418	519,953
Total pension liability, beginning	<u>11,384,953</u>	<u>10,709,009</u>	<u>10,048,285</u>	<u>9,491,009</u>	<u>8,507,591</u>	<u>7,987,638</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 12,021,839</u>	<u>\$ 11,384,953</u>	<u>\$ 10,709,009</u>	<u>\$ 10,048,285</u>	<u>\$ 9,491,009</u>	<u>\$ 8,507,591</u>
PLAN FIDUCIARY NET POSITION						
Contributions						
Employer	\$ 358,434	\$ 328,209	\$ 224,737	\$ 279,977	\$ 245,824	\$ 224,615
Member	85,793	82,315	76,280	73,338	66,482	66,678
Net investment income	2,082,179	(773,034)	1,485,583	549,021	15,770	488,631
Benefit payments, including refunds of member contributions	(497,202)	(452,932)	(441,656)	(435,007)	(373,898)	(361,603)
Administrative expense	<u>(15,900)</u>	<u>(5,800)</u>	<u>(11,050)</u>	<u>(4,400)</u>	<u>(12,400)</u>	<u>(43,882)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,013,304	(821,242)	1,333,894	462,929	(58,222)	374,439
Plan fiduciary net position, beginning	<u>10,397,584</u>	<u>11,218,826</u>	<u>9,884,932</u>	<u>9,422,003</u>	<u>9,480,225</u>	<u>9,105,786</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 12,410,888</u>	<u>\$ 10,397,584</u>	<u>\$ 11,218,826</u>	<u>\$ 9,884,932</u>	<u>\$ 9,422,003</u>	<u>\$ 9,480,225</u>
NET PENSION (ASSET) LIABILITY, ENDING (a)-(b)	<u>\$ (389,049)</u>	<u>\$ 987,369</u>	<u>\$ (509,817)</u>	<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>103.24%</u>	<u>91.33%</u>	<u>104.76%</u>	<u>98.37%</u>	<u>99.27%</u>	<u>111.43%</u>
COVERED PAYROLL	<u>\$ 4,196,669</u>	<u>\$ 4,104,270</u>	<u>\$ 3,720,157</u>	<u>\$ 3,406,762</u>	<u>\$ 3,406,762</u>	<u>\$ 3,329,098</u>
NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>-9.27%</u>	<u>24.06%</u>	<u>-13.70%</u>	<u>4.79%</u>	<u>2.03%</u>	<u>-29.22%</u>

In 2017, assumptions were based on IRS 2017 Static Combined Table for Small Plan. Incorporated into the table are rates for annuitants projected 7 years and rates for non annuitants projected 15 years using Scale AA to reflect mortality improvement. In 2015, mortality rates were based on the RP 2000 table for males and females. The table does not include projected mortality improvements.

This schedule is intended to show information for ten years. All available information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF PHOENIXVILLE
SCHEDULES OF MUNICIPAL EMPLOYEES'
PENSION PLAN CONTRIBUTIONS
LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 356,389	\$ 225,321	\$ 224,737	\$ 209,911	\$ 245,824	\$ 196,291
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>358,434</u>	<u>328,209</u>	<u>224,737</u>	<u>279,977</u>	<u>245,824</u>	<u>224,615</u>
CONTRIBUTION EXCESS	\$ <u>(2,045)</u>	\$ <u>(102,888)</u>	\$ <u>-</u>	\$ <u>(70,066)</u>	\$ <u>-</u>	\$ <u>(28,324)</u>
COVERED PAYROLL	\$ <u>4,196,669</u>	\$ <u>4,104,270</u>	\$ <u>3,720,157</u>	\$ <u>3,406,762</u>	\$ <u>3,406,762</u>	\$ <u>3,329,098</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>8.54%</u>	<u>8.00%</u>	<u>6.04%</u>	<u>8.22%</u>	<u>7.22%</u>	<u>6.75%</u>

NOTES TO SCHEDULES

Valuation date:

January 1, 2019

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

This schedule is intended to show information for ten years. All available information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF PHOENIXVILLE
SCHEDULES OF MUNICIPAL EMPLOYEES'
PENSION PLAN INVESTMENT RETURNS
LAST SIX FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>20.55%</u>	<u>-8.16%</u>	<u>15.22%</u>	<u>5.76%</u>	<u>0.12%</u>	<u>4.62%</u>

This schedule is intended to show information for ten years. All available information is displayed. Additional information will be displayed as it becomes available.

BOROUGH OF PHOENIXVILLE
SCHEDULE OF CHANGES IN THE BOROUGH'S
NET OPEB PLAN LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS

	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY		
Service cost	\$ 79,599	\$ 67,290
Interest	82,818	87,895
Changes of benefit terms	-	6,947
Changes of assumptions	(136,062)	135,713
Benefit payments	<u>(59,665)</u>	<u>(57,091)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	<u>(33,310)</u>	<u>240,754</u>
TOTAL OPEB LIABILITY, BEGINNING	<u>2,573,544</u>	<u>2,332,790</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 2,540,234</u>	<u>\$ 2,573,544</u>
COVERED PAYROLL	<u>\$ 6,181,622</u>	<u>\$ 6,181,622</u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>41.09%</u>	<u>41.63%</u>

NOTES TO SCHEDULE

Changes in assumptions: In 2019 the discount rate was changed from 3.16% to 3.64%.

This schedule is intended to show information for ten years, all available information is displayed. Additional information will be displayed as it becomes available.

SUPPLEMENTARY INFORMATION SECTION

BOROUGH OF PHOENIXVILLE
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	<u>Fire Fund</u>	<u>Liquid Fuels Fund</u>
ASSETS		
Cash and cash equivalents	\$ 525,654	\$ 770,568
Other receivables	220	36,664
Prepaid expenses	<u>75</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 525,949</u>	<u>\$ 807,232</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and other current liabilities	\$ 94,194	\$ -
Due to other funds	<u>49,843</u>	<u>-</u>
TOTAL LIABILITIES	<u>144,037</u>	<u>-</u>
FUND BALANCES		
Nonspendable, prepaid expenses	75	-
Restricted for road and street improvements	-	807,232
Assigned to		
Fire protection	381,837	-
Debt service	-	-
Recreation activities	-	-
Pension	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>381,912</u>	<u>807,232</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 525,949</u>	<u>\$ 807,232</u>

Special Revenue Funds

<u>Debt Service Fund</u>	<u>Recreation Fund</u>	<u>Pension Fund</u>	<u>Total Other Governmental Funds</u>
\$ 12,964	\$ 638,086	\$ 91,495	\$ 2,038,767
-	8,860	-	45,744
-	157	-	232
<u>\$ 12,964</u>	<u>\$ 647,103</u>	<u>\$ 91,495</u>	<u>\$ 2,084,743</u>
\$ -	\$ 14,958	\$ -	\$ 109,152
-	85,786	-	135,629
-	100,744	-	244,781
<u>-</u>	<u>157</u>	<u>-</u>	<u>232</u>
-	-	-	807,232
-	-	-	381,837
12,964	-	-	12,964
-	546,202	-	546,202
-	-	91,495	91,495
<u>12,964</u>	<u>546,359</u>	<u>91,495</u>	<u>1,839,962</u>
<u>\$ 12,964</u>	<u>\$ 647,103</u>	<u>\$ 91,495</u>	<u>\$ 2,084,743</u>

BOROUGH OF PHOENIXVILLECOMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	<u>Fire Fund</u>	<u>Liquid Fuels Fund</u>
REVENUES		
Taxes	\$ 74,074	\$ -
Intergovernmental	99,088	484,727
Charges for services	-	-
Investment earnings	1,237	84
Miscellaneous	39,181	-
TOTAL REVENUES	<u>213,580</u>	<u>484,811</u>
EXPENDITURES		
Current		
General government	-	-
Public safety	853,591	-
Public works	-	437,459
Culture and recreation	-	-
Debt service		
Principal	-	-
Interest and other charges	-	-
TOTAL EXPENDITURES	<u>853,591</u>	<u>437,459</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(640,011)	47,352
OTHER FINANCING SOURCES		
Interfund transfers in	<u>640,011</u>	-
NET CHANGE IN FUND BALANCES	-	47,352
FUND BALANCES AT BEGINNING OF YEAR	<u>381,912</u>	<u>759,880</u>
FUND BALANCES AT END OF YEAR	<u>\$ 381,912</u>	<u>\$ 807,232</u>

Special Revenue Funds

<u>Debt Service Fund</u>	<u>Recreation Fund</u>	<u>Pension Fund</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 74,074
-	-	665,665	1,249,480
-	205,152	-	205,152
456	1,554	421	3,752
-	-	-	39,181
<u>456</u>	<u>206,706</u>	<u>666,086</u>	<u>1,571,639</u>
-	-	876,575	876,575
-	-	-	853,591
-	-	-	437,459
-	616,634	-	616,634
320,000	-	-	320,000
<u>251,552</u>	<u>-</u>	<u>-</u>	<u>251,552</u>
<u>571,552</u>	<u>616,634</u>	<u>876,575</u>	<u>3,355,811</u>
(571,096)	(409,928)	(210,489)	(1,784,172)
<u>571,551</u>	<u>409,928</u>	<u>210,910</u>	<u>1,832,400</u>
455	-	421	48,228
<u>12,509</u>	<u>546,359</u>	<u>91,074</u>	<u>1,791,734</u>
<u>\$ 12,964</u>	<u>\$ 546,359</u>	<u>\$ 91,495</u>	<u>\$ 1,839,962</u>

BOROUGH OF PHOENIXVILLE
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	Pension Funds		Totals
	Non-Uniformed Pension Fund	Police Pension Fund	
ASSETS			
Cash and cash equivalents	\$ 151,022	\$ 235,701	\$ 386,723
Accounts receivable			
Investments			
Mutual funds, at fair value	11,562,597	14,734,591	26,297,188
Unallocated insurance contract, at contract value	701,078	677,106	1,378,184
TOTAL INVESTMENTS	<u>12,263,675</u>	<u>15,411,697</u>	<u>27,675,372</u>
TOTAL ASSETS	<u>\$ 12,414,697</u>	<u>\$ 15,647,398</u>	<u>\$ 28,062,095</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Other liabilities	\$ 3,809	\$ 5,146	\$ 8,955
NET POSITION			
Restricted for benefits and other purposes	<u>12,410,888</u>	<u>15,642,252</u>	<u>28,053,140</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 12,414,697</u>	<u>\$ 15,647,398</u>	<u>\$ 28,062,095</u>

BOROUGH OF PHOENIXVILLE

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2019

	Pension Funds		Totals
	Non-Uniformed Pension Fund	Police Pension Fund	
ADDITIONS			
Contributions			
Employer	\$ 358,434	\$ 518,140	\$ 876,574
Employee	85,793	-	85,793
TOTAL CONTRIBUTIONS	<u>444,227</u>	<u>518,140</u>	<u>962,367</u>
Investment earnings			
Net increase in fair value of investments	1,772,983	2,225,808	3,998,791
Realized gains on sale of assets	76,728	94,617	171,345
Interest	74,193	88,920	163,113
Dividends	215,171	272,601	487,772
Investment management expense	<u>(56,896)</u>	<u>(68,907)</u>	<u>(125,803)</u>
NET INVESTMENT INCOME	<u>2,082,179</u>	<u>2,613,039</u>	<u>4,695,218</u>
TOTAL ADDITIONS	<u>2,526,406</u>	<u>3,131,179</u>	<u>5,657,585</u>
DEDUCTIONS			
Benefits	497,202	349,661	846,863
Administrative	<u>15,900</u>	<u>11,925</u>	<u>27,825</u>
TOTAL DEDUCTIONS	<u>513,102</u>	<u>361,586</u>	<u>874,688</u>
CHANGE IN NET POSITION	2,013,304	2,769,593	4,782,897
NET POSITION AT BEGINNING OF YEAR	<u>10,397,584</u>	<u>12,872,659</u>	<u>23,270,243</u>
NET POSITION AT END OF YEAR	<u>\$ 12,410,888</u>	<u>\$ 15,642,252</u>	<u>\$ 28,053,140</u>