

BOROUGH OF PHOENIXVILLE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2021

INTRODUCTORY SECTION

BOROUGH OF PHOENIXVILLE

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FINANCIAL SECTION

Independent Auditors' Report

To the Members of Council
Borough of Phoenixville
Phoenixville, Pennsylvania

Opinions

We have audited the 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, 2021, 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.

In our opinion, the accompanying financial statements 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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Borough of Phoenixville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Borough of Phoenixville's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Phoenixville's ability to continue as a going concern for one year after the financial statement date.

To the Members of Council
Borough of Phoenixville
Phoenixville, Pennsylvania

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Borough of Phoenixville's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Borough of Phoenixville's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Members of Council
Borough of Phoenixville
Phoenixville, Pennsylvania

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 17, budgetary comparison schedule on page 64, police pension plan information on pages 65 through 67, municipal employees' pension plan information on pages 68 through 70 and postemployment benefits other than pension information on page 71 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other governmental funds – combining balance sheet and combining schedule of revenues, expenditures, and changes in fund balance, combining schedule of fiduciary net position, and combining schedule of changes in fiduciary net position is the responsibility of management and was derived from and relates 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

Limerick, Pennsylvania
May 23, 2022

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

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, 2021. 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 \$75,629,418 (representing its net position). Of this amount, \$23,409,971 (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 \$7,256,073.
- As of December 31, 2021, the Borough's Governmental Funds reported combined ending fund balances of \$16,045,893, a decrease of \$10,174,589 as compared to the prior year. This is a direct result of expending the bond monies for the construction of the new Recreation Center and Fire Station. While there was a recognized decrease in fund balance, the Borough has restricted these funds for future OPEB liability, traffic improvements, the Tower Health Phoenixville Hospital assessment appeal, road and street improvements, to name a few. Due to the on-going tax appeal by Tower Health, the Borough has established a bank escrow, for 25 percent of the tax proceeds of the Hospital, as required by law. The remaining 75 percent is restricted in the General Fund Balance until a final decision is reached by the governing bodies.
- The Borough's total Long-Term liabilities decreased by \$709,885.
- With the conversion of Sanitation and Parking into Enterprise Funds in 2017, comparative data denotes an increase in each fund by \$151,795 and \$113,797, respectively. Sanitation increased due to the onboarding of more customers in 2021 and parking rose due to the Ashland Street lot coming on line in 2021. Also, because of the Borough's forward thinking regarding open air space, people have been afforded the opportunity come to enjoy what the Borough has to offer.

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, 2021

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, 2021

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, 2021

ENTITY-WIDE FINANCIAL ANALYSIS OF THE BOROUGH

The Borough's total net position as of December 31, 2021 was \$75,629,418. This represents an increase of \$7,256,073 over the prior year. While there was a \$3,728,208 increase in Business Type Activities, there was also an increase in Governmental Activities of \$3,527,865. 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, 2021 and 2020

	2021			2020		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
ASSETS						
Current and other assets	\$ 24,194,467	\$ 18,478,796	\$ 42,673,263	\$ 31,777,589	\$ 19,369,759	\$ 51,147,348
Capital assets	35,757,766	33,547,580	69,305,346	23,899,398	29,008,944	52,908,342
TOTAL ASSETS	59,952,233	52,026,376	111,978,609	55,676,987	48,378,703	104,055,690
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	1,420,462	444,880	1,865,342	719,889	143,765	863,654
LIABILITIES						
Long-term liabilities	25,606,036	5,324,492	30,930,528	25,068,609	5,927,414	30,996,023
Other liabilities	2,150,114	1,230,014	3,380,128	1,735,716	414,164	2,149,880
TOTAL LIABILITIES	27,756,150	6,554,506	34,310,656	26,804,325	6,341,578	33,145,903
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	3,469,258	434,619	3,903,877	2,973,129	426,967	3,400,096
NET POSITION						
Net investment in capital assets	18,253,287	29,051,417	47,304,704	16,023,096	23,827,473	39,850,569
Restricted	4,914,743	-	4,914,743	4,318,439	-	4,318,439
Unrestricted	6,979,257	16,430,714	23,409,971	6,277,887	17,926,450	24,204,337
TOTAL NET POSITION	\$ 30,147,287	\$ 45,482,131	\$ 75,629,418	\$ 26,619,422	\$ 41,753,923	\$ 68,373,345

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

Table 2 - Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021			2020		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
REVENUES						
Program revenues						
Charges for services	\$ 1,886,146	\$ 11,605,067	\$ 13,491,213	\$ 1,270,921	\$ 9,776,753	\$ 11,047,674
Operating grants and contributions	757,811	77,305	835,116	2,271,580	5,333	2,276,913
Capital grants and contributions	438,146	543,997	982,143	471,815	47,530	519,345
General revenues						
Real estate taxes	5,708,123	-	5,708,123	4,874,118	-	4,874,118
Real estate transfer taxes	1,120,745	-	1,120,745	530,895	-	530,895
Earned income tax	3,819,631	-	3,819,631	3,470,686	-	3,470,686
LST tax	318,146	-	318,146	298,644	-	298,644
Per capita tax	-	-	-	-	-	-
Franchise fees	300,336	-	300,336	305,865	-	305,865
Fines and forfeits	114,258	-	114,258	119,737	-	119,737
Investment earnings	17,607	40,049	57,656	14,686	40,519	55,205
Grants not restricted to a specific program	30,392	-	30,392	2,385	-	2,385
Gain on sale of asset	-	7,010	7,010	-	13,251	13,251
Transfers	351,403	(351,403)	-	-	-	-
TOTAL REVENUES	14,862,744	11,922,025	26,784,769	13,631,332	9,883,386	23,514,718
EXPENSES						
General government	934,285	-	934,285	1,482,941	-	1,482,941
Public safety	6,919,311	-	6,919,311	6,561,439	-	6,561,439
Highways/streets	1,627,287	-	1,627,287	3,355,846	-	3,355,846
Culture and recreation	1,207,309	-	1,207,309	705,660	-	705,660
Interest on bonds	646,687	-	646,687	429,246	-	429,246
Water operations	-	3,802,028	3,802,028	-	3,721,096	3,721,096
Waste water operations	-	2,073,938	2,073,938	-	2,124,600	2,124,600
Parking operations	-	460,702	460,702	-	356,951	356,951
Sanitation operations	-	1,857,149	1,857,149	-	1,801,107	1,801,107
TOTAL EXPENSES	11,334,879	8,193,817	19,528,696	12,535,132	8,003,754	20,538,886
CHANGE IN NET POSITION	\$ 3,527,865	\$ 3,728,208	\$ 7,256,073	\$ 1,096,200	\$ 1,879,632	\$ 2,975,832

BOROUGH OF PHOENIXVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED DECEMBER 31, 2021

GOVERNMENTAL ACTIVITIES

The Borough recognized an increase in Governmental Activities of \$3,527,865.

Governmental Activities bore an expense of \$11,334,879 for the year ending 2021. Taxes provided 74% (\$10,966,645) of the revenues that offset the corresponding expenses of these activities. Those who directly benefited from these programs contributed 13% (\$1,886,146). 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 revenue for the Borough is derived through taxes, charges for services and grants.

To further delineate:

- (a) Additional revenue recognition of \$333,051 was a result of an increase in the real estate tax millage, from 6.23 in 2020 to 7.20 for 2021, the remainder was a result of an increase in both EIT and LST, respectively. In 2020, the Borough extended the discount period to June 30, 2020 and waived penalties associated with real estate taxes until the end of 2020. For year ending 2021, there was no moratorium.
- (b) The Borough received Grant monies totaling \$1,226,349 in 2021. The Liquid fuels funds represented \$438,146 of the total, with the remainder from Fireman's Relief and the Municipal and State Aid for both Non-Uniform and Police Pensions.
- (c) Charges for Services increased \$615,225. Recreation recognized as slight increase by \$42,000 due to the reopening of the Gingerbread House in the fall of 2021. Codes charges for services represented the majority of the upsurge (\$601,186). General and Large construction permits comprised the category as the Steelpointe development came online.

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

BUSINESS-TYPE ACTIVITIES

The net increase from the Borough's business-type activities was \$3,728,208 compared to \$1,879,632 the previous year as referenced in Table 2, page 11. With the rise of construction in the Borough, connection fees, meter fees and water usage rose in conjunction. 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 \$8,193,817 (compared to \$8,003,754 in 2020). Business-Type Activities are comprised of the Water, Wastewater, Parking, and Sanitation Funds. The largest increases occurred within the Parking, Sanitation and Water Departments. The largest increases occurred within the Parking and Sanitation. In Sanitation, tipping fees and materials and supplies rose; parking operations increased as the Borough filled vacant positions in 2021, which increased personnel expense.

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, 2021, the combined total of the Borough's Governmental Funds was \$16,045,893. This represents a decrease of \$10,174,589 as compared to the prior year. The decrease is attributable to the expenditures associated with the construction of the Recreation Center and Fired Station in 2021. Approximately 5.6% or \$893,821 million constitutes unassigned fund balance.

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, 2021

GENERAL FUND

The General Fund is the chief operating fund of the Borough of Phoenixville. As of December 31, 2021, the total fund balance in this fund was \$13,572,577 compared to the previous year's balance of \$24,036,697. The Borough recognized a decrease in restricted funds due to expenses associated with the construction of the new recreation Center and the Fire Station (on-going).

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 2021, the Fund Balance that was assigned to debt service was \$65,236. (See page 72 for additional detail regarding this Fund).

Retirement/Pension Fund

The Commonwealth of Pennsylvania allotted \$623,774 to the Borough for its Uniform and Non-Uniform pension plans in 2021 (\$654,870 in 2020). The Borough contributed \$488,256 in 2021 to the Police and Non-Uniform pension plans, respectively (as compared to \$227,895 in the prior year). These additional funds were necessary in order to meet the minimum municipal obligation of the Borough. The change rests with the use of different actuarial tables in the calculation. This change is a more accurate reflection of rates today.

Liquid Fuels Fund

The Borough received \$438,146 (compared to \$471,815 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 2022 and 2023, the Borough expects to receive similar funding amounts.

Recreation Fund

In 2020, \$474,255 was transferred into the Recreation Fund. In 2021 the Borough transferred out \$352,798 to cover the bond payment. These funds were derived from the real estate tax split enacted in 2021. The ending balance in the Recreation Fund was \$537,691 in 2020. In 2021, the balance was \$608,848.

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Fire Fund

The Borough received \$88,641 (compared to \$100,618 in the prior year) from the Commonwealth of Pennsylvania for volunteer firefighting. The operating expenditures from this fund for fire protection were \$742,966.

Special Revenue Funds General

Special Revenue Fund Balance at year end 2021 was \$2,473,316, up \$289,531 from the previous period. The Borough recognized real estate tax revenue in fire and recreation in 2021. Conversely, the Borough utilized these funds for the corresponding debt service.

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 \$16,430,714 as compared to \$17,926,450 in the prior year, representing a decrease in unrestricted net position of \$ 1,505,736. Factors contributing to the finances of these funds are already addressed in the discussion of the Borough's business-type activities. Of mention is the on-going PXV NEO project in the Wastewater department. This biosolid project is another avenue in which the Borough has solidified its commitment to preserve the environment. Due to expenditures associated with this project, the net position decreased.

GENERAL FUND BUDGETARY HIGHLIGHTS

The statement comparing the Borough's budget and actual results can be found on page 64.

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 12% of the funds were generated by charges for services which included building permits, fees and other charges.
- 1% of the funds came from other local governments and the State of Pennsylvania.
- 1% 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, 2021

Expenditures

The Borough maintained a conservative budget in 2021. The following statements are representative of the final 2021 budget.

- 1% of the General Fund budget is for General Government expenditures.
- 51% was for Public Safety including Police and Crossing Guards.
- 6% was budgeted for Public Works programs.
- 42% was budgeted for Cultural and Recreation in the General Fund.

The tax millage rate was 7.20 in 2021. In the General Fund the millage was 4.71; in the Recreation Fund, 1.19 and Fire Fund, 1.30.

Revenues ended the year above budget and expectations. The Borough recognized revenues of \$505,133 above budget. The increase was in tax revenue (millage increase and EIT collection above expectation).

Expenditures were over budget by \$12,364,310. This was due to expenditures associated with the construction of the new Recreation Center and Fire Station.

DEBT ADMINISTRATION

As of December 31, 2021, the Borough had total outstanding long-term bond debt of \$25,405,000. This includes the 2021 bond issuance (See Note F).

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 2020, an invisible enemy surfaced in Wuhan, which led to one of the biggest threats in our Country's history. The Corona Virus swept through our nation and community as a whole. As this swept through, hundreds of thousands were attacked around the world. That impact reached far beyond the immune systems of those infected as it pillaged our way of life and forced us to change how we conduct business.

The Borough implemented strategies, that are in place today, to ensure that operational measures could continue and safety would prevail for the residents. Subsequently, in 2021, Hurricane IDA made its debut in the Borough, causing a tremendous amount of damage.

BOROUGH OF PHOENIXVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED DECEMBER 31, 2021

Despite these interruptions, the Borough continued on with business as “new” normal, by collecting its tax revenues, operating its water, wastewater, sanitation and parking departments.

Growth within the Borough has not decelerated; in fact, it continues its forward trajectory. There are several new developments that have taken shape, such as Steelpointe and Luxor, to name a few. There are other planned residential communities over the next few years that coincide with the Boroughs sustainability efforts. The Borough adopted an open air concept during the pandemic. The street closures continue, which afford both residents and visitors the opportunity to enjoy the outdoor space and all that the businesses have to offer.

The Borough continues its commitment to community as a new Recreation Center was constructed. The Borough will continue to enhance what it offer for the youth of the community. It will continue to operate Gingerbread House, summer camps, youth crossfit, youth mountain bike teams, chess club, basketball and other various programs as it looks to further meet the needs of the community.

The trail system and fifteen parks afford the community with the opportunity to enjoy the outdoors. A disc golf course has been added to Reservoir Park and a Mountain Bike Course is in the making.

The Borough is in the process of constructing a New Fire Station that coincides with the Boroughs vision of keeping the community safe.

The commitment to move toward a greener environment has not waned. Both the Fire Station and the Recreation Center will have solar options available. The Tree Replacement Program continues as the Borough strives to enhance the tree planting efforts. Electric charging stations have been installed at various parking lots throughout the Borough.

The PXV NEO project (Hydrothermal Carbonization (HTC)), has commenced. This process is a faster, safer and more environmentally friendly than the anaerobic manner, which is the current practice. The benefits of this process are far reaching. Aside from the products that result from this process (i.e. coal, improved fertilizers and construction sand), there is the ability to create energy that has the potential to power the wastewater plant, and perhaps the community.

With the vision and commitment to community shared by both Council and Management, the Borough of Phoenixville, barring any unforeseen phenomena, will continue to be a successful and thriving destination.

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, 2021**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 17,742,855	\$ 16,453,213	\$ 34,196,068
Accounts receivable, net	521,866	1,575,081	2,096,947
Internal balances	(15,000)	15,000	-
Grants receivable	750,000	-	750,000
Net pension asset	5,184,726	382,969	5,567,695
Inventories	-	49,364	49,364
Prepaid items	10,020	3,169	13,189
Capital assets			
Land	3,935,548	269,236	4,204,784
Construction in progress	12,698,573	4,705,932	17,404,505
Capital assets, net	19,123,645	28,572,412	47,696,057
TOTAL ASSETS	<u>59,952,233</u>	<u>52,026,376</u>	<u>111,978,609</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - OPEB activity	760,982	182,192	943,174
Deferred outflows of resources - pension activity	659,480	262,688	922,168
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,420,462</u>	<u>444,880</u>	<u>1,865,342</u>
LIABILITIES			
Accounts payable and accrued expenses	1,977,949	268,854	2,246,803
Unearned revenues	90,897	944,392	1,035,289
Accrued interest	81,268	16,768	98,036
Long-term liabilities			
Portion due or payable within one year			
Bonds payable	620,000	685,000	1,305,000
Bond premiums	47,223	10,314	57,537
Compensated absences	52,681	23,675	76,356
Portion due or payable after one year			
Bonds payable	20,350,000	3,750,000	24,100,000
Bond premiums	1,056,125	50,849	1,106,974
Compensated absences	474,125	213,108	687,233
Total other postemployment benefits liability	3,005,882	591,546	3,597,428
TOTAL LIABILITIES	<u>27,756,150</u>	<u>6,554,506</u>	<u>34,310,656</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB activity	74,738	15,970	90,708
Deferred inflows of resources - pension activity	3,394,520	418,649	3,813,169
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>3,469,258</u>	<u>434,619</u>	<u>3,903,877</u>
NET POSITION			
Net investment in capital assets	18,253,287	29,051,417	47,304,704
Restricted	4,914,743	-	4,914,743
Unrestricted	6,979,257	16,430,714	23,409,971
TOTAL NET POSITION	<u>\$ 30,147,287</u>	<u>\$ 45,482,131</u>	<u>\$ 75,629,418</u>

See accompanying notes to the basic financial statements.

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BOROUGH OF PHOENIXVILLE

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 934,285	\$ 251,897	\$ 669,170	\$ -
Public safety	6,919,311	1,511,372	88,641	-
Public works	1,627,287	607	-	438,146
Culture and recreation	1,207,309	122,270	-	-
Interest on long-term debt	646,687	-	-	-
TOTAL GOVERNMENTAL ACTIVITIES	11,334,879	1,886,146	757,811	438,146
BUSINESS-TYPE ACTIVITIES				
Water Fund	3,802,028	4,832,985	-	141,997
Sewer Fund	2,073,938	4,280,900	-	402,000
Parking Fund	460,702	574,450	-	-
Sanitation Fund	1,857,149	1,916,732	77,305	-
TOTAL BUSINESS-TYPE ACTIVITIES	8,193,817	11,605,067	77,305	543,997
TOTAL BOROUGH ACTIVITIES	\$ 19,528,696	\$ 13,491,213	\$ 835,116	\$ 982,143

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

TRANSFERS**TOTAL GENERAL REVENUES AND TRANSFERS**

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>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
\$ (13,218)	\$ -	\$ (13,218)
(5,319,298)	-	(5,319,298)
(1,188,534)	-	(1,188,534)
(1,085,039)	-	(1,085,039)
<u>(646,687)</u>	<u>-</u>	<u>(646,687)</u>
<u>(8,252,776)</u>	<u>-</u>	<u>(8,252,776)</u>
-	1,172,954	1,172,954
-	2,608,962	2,608,962
-	113,748	113,748
<u>-</u>	<u>136,888</u>	<u>136,888</u>
<u>-</u>	<u>4,032,552</u>	<u>4,032,552</u>
<u>(8,252,776)</u>	<u>4,032,552</u>	<u>(4,220,224)</u>
5,708,123	-	5,708,123
300,336	-	300,336
5,258,522	-	5,258,522
114,258	-	114,258
30,392	-	30,392
17,607	40,049	57,656
-	7,010	7,010
351,403	(351,403)	-
<u>11,780,641</u>	<u>(304,344)</u>	<u>11,476,297</u>
3,527,865	3,728,208	7,256,073
<u>26,619,422</u>	<u>41,753,923</u>	<u>68,373,345</u>
<u>\$ 30,147,287</u>	<u>\$ 45,482,131</u>	<u>\$ 75,629,418</u>

BOROUGH OF PHOENIXVILLE

BALANCE SHEET

GOVERNMENTAL FUNDS

DECEMBER 31, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 15,219,078	\$ 2,523,777	\$ 17,742,855
Taxes receivable, net	145,002	-	145,002
Other receivables	324,027	52,837	376,864
Prepaid items	9,103	917	10,020
	<u>15,697,210</u>	<u>2,577,531</u>	<u>18,274,741</u>
TOTAL ASSETS			
	<u>\$ 15,697,210</u>	<u>\$ 2,577,531</u>	<u>\$ 18,274,741</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and other current liabilities	\$ 1,873,734	\$ 104,215	\$ 1,977,949
Due to other funds	15,000	-	15,000
Unearned revenues	90,897	-	90,897
	<u>1,979,631</u>	<u>104,215</u>	<u>2,083,846</u>
TOTAL LIABILITIES			
	<u>1,979,631</u>	<u>104,215</u>	<u>2,083,846</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues, property taxes	145,002	-	145,002
	<u>145,002</u>	<u>-</u>	<u>145,002</u>
FUND BALANCES			
Nonspendable, prepaid items	9,103	917	10,020
Restricted (Note K)	8,231,655	1,251,957	9,483,612
Committed (Note K)	215,500	-	215,500
Assigned (Note K)	4,222,498	1,220,442	5,442,940
Unassigned	893,821	-	893,821
	<u>13,572,577</u>	<u>2,473,316</u>	<u>16,045,893</u>
TOTAL FUND BALANCES			
	<u>13,572,577</u>	<u>2,473,316</u>	<u>16,045,893</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	<u>\$ 15,697,210</u>	<u>\$ 2,577,531</u>	<u>\$ 18,274,741</u>

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, 2021

TOTAL GOVERNMENTAL FUNDS BALANCES	\$ 16,045,893
<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	12,698,573
Depreciable capital assets, net	19,123,645
<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. Those assets consist of:</p>	
Grant receivable	750,000
Net pension asset	5,184,726
<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>	
	(2,048,796)
<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>	
	145,002
<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>	
	(1,103,348)
<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	(81,268)
Bonds payable in future years	(20,970,000)
Compensated absences	(526,806)
Other postemployment benefits	<u>(3,005,882)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 30,147,287</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, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 8,947,173	\$ 2,003,875	\$ 10,951,048
Fees and fines	114,258	-	114,258
Licenses and permits	300,336	-	300,336
Intergovernmental	101,023	1,150,561	1,251,584
Charges for services	1,625,234	122,270	1,747,504
Investment earnings	16,555	1,052	17,607
Miscellaneous	145,832	-	145,832
TOTAL REVENUES	<u>11,250,411</u>	<u>3,277,758</u>	<u>14,528,169</u>
EXPENDITURES			
Current			
General government	267,605	1,112,029	1,379,634
Public safety	10,779,878	742,966	11,522,844
Public works	1,197,946	347,808	1,545,754
Culture and recreation	8,758,698	619,958	9,378,656
Debt service			
Principal	-	585,000	585,000
Interest and other charges	-	642,273	642,273
TOTAL EXPENDITURES	<u>21,004,127</u>	<u>4,050,034</u>	<u>25,054,161</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(9,753,716)</u>	<u>(772,276)</u>	<u>(10,525,992)</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	351,403	1,767,775	2,119,178
Interfund transfers out	(1,061,807)	(705,968)	(1,767,775)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(710,404)</u>	<u>1,061,807</u>	<u>351,403</u>
NET CHANGE IN FUND BALANCES	(10,464,120)	289,531	(10,174,589)
FUND BALANCES AT BEGINNING OF YEAR	<u>24,036,697</u>	<u>2,183,785</u>	<u>26,220,482</u>
FUND BALANCES AT END OF YEAR	<u>\$ 13,572,577</u>	<u>\$ 2,473,316</u>	<u>\$ 16,045,893</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, 2021

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (10,174,589)

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 (\$12,876,349) exceed depreciation (\$975,385) in the current period. 11,900,964

The net effect of other transactions involving capital assets. (42,596)

Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds.

Amortization of bond premium 47,223
Repayment of bond principal 585,000

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. (9,638)

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. (51,637)

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 (146,852)
Net pension activities 1,352,895
Compensated absences 67,095

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 3,527,865

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2021

	<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	\$ 6,349,246	\$ 7,136,274	\$ 978,397	\$ 1,989,296	\$ 16,453,213
Accounts receivable, net	899,443	646,843	-	28,795	1,575,081
Net pension asset	178,330	78,499	23,038	103,102	382,969
Due from other funds	1,838,000	-	-	-	1,838,000
Inventories	40,481	8,883	-	-	49,364
Prepaid items	1,367	814	215	773	3,169
TOTAL CURRENT ASSETS	<u>9,306,867</u>	<u>7,871,313</u>	<u>1,001,650</u>	<u>2,121,966</u>	<u>20,301,796</u>
CAPITAL ASSETS					
Land	9,502	95,835	114,773	49,126	269,236
Infrastructure	12,803,662	-	484,942	-	13,288,604
Construction in progress	797,391	3,908,541	-	-	4,705,932
Buildings	12,257,980	20,400,796	-	58,618	32,717,394
Equipment and furniture	3,213,566	1,877,808	254,971	2,632,571	7,978,916
Accumulated depreciation	<u>(13,681,363)</u>	<u>(9,685,178)</u>	<u>(299,023)</u>	<u>(1,746,938)</u>	<u>(25,412,502)</u>
TOTAL CAPITAL ASSETS	<u>15,400,738</u>	<u>16,597,802</u>	<u>555,663</u>	<u>993,377</u>	<u>33,547,580</u>
TOTAL ASSETS	24,707,605	24,469,115	1,557,313	3,115,343	53,849,376
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - OPEB activity	85,557	39,006	10,409	47,220	182,192
Deferred outflows of resources - pension activity	<u>122,321</u>	<u>53,845</u>	<u>15,802</u>	<u>70,720</u>	<u>262,688</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>207,878</u>	<u>92,851</u>	<u>26,211</u>	<u>117,940</u>	<u>444,880</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 24,915,483</u>	<u>\$ 24,561,966</u>	<u>\$ 1,583,524</u>	<u>\$ 3,233,283</u>	<u>\$ 54,294,256</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	\$ 157,090	\$ 69,995	\$ 9,940	\$ 31,829	\$ 268,854
Accrued interest	3,327	13,441	-	-	16,768
Due to other funds	-	1,823,000	-	-	1,823,000
Unearned revenue	-	888,014	-	56,378	944,392
Current portion of long-term debt	135,000	550,000	-	-	685,000
Current portion of bond premium	8,251	2,063	-	-	10,314
Current portion of compensated absences	6,259	11,398	247	5,771	23,675
TOTAL CURRENT LIABILITIES	<u>309,927</u>	<u>3,357,911</u>	<u>10,187</u>	<u>93,978</u>	<u>3,772,003</u>
NONCURRENT LIABILITIES					
Bonds payable	745,000	3,005,000	-	-	3,750,000
Bond premium, net	40,679	10,170	-	-	50,849
Compensated absences	56,340	102,592	2,228	51,948	213,108
Total other postemployment benefits liability	282,720	130,112	34,344	144,370	591,546
TOTAL NONCURRENT LIABILITIES	<u>1,124,739</u>	<u>3,247,874</u>	<u>36,572</u>	<u>196,318</u>	<u>4,605,503</u>
TOTAL LIABILITIES	<u>1,434,666</u>	<u>6,605,785</u>	<u>46,759</u>	<u>290,296</u>	<u>8,377,506</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - OPEB activity	7,780	3,598	954	3,638	15,970
Deferred inflows of resources - pension activity	194,945	85,813	25,184	112,707	418,649
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>202,725</u>	<u>89,411</u>	<u>26,138</u>	<u>116,345</u>	<u>434,619</u>
NET POSITION					
Net investment in capital assets	14,471,808	13,030,569	555,663	993,377	29,051,417
Unrestricted	8,806,284	4,836,201	954,964	1,833,265	16,430,714
TOTAL NET POSITION	<u>23,278,092</u>	<u>17,866,770</u>	<u>1,510,627</u>	<u>2,826,642</u>	<u>45,482,131</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 24,915,483</u>	<u>\$ 24,561,966</u>	<u>\$ 1,583,524</u>	<u>\$ 3,233,283</u>	<u>\$ 54,294,256</u>

BOROUGH OF PHOENIXVILLE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	<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	\$ 4,832,985	\$ 4,280,900	\$ 573,249	\$ 1,916,732	\$ 11,603,866
Miscellaneous	-	-	1,201	-	1,201
Intergovernmental	141,997	402,000	-	77,305	621,302
TOTAL OPERATING REVENUES	<u>4,974,982</u>	<u>4,682,900</u>	<u>574,450</u>	<u>1,994,037</u>	<u>12,226,369</u>
OPERATING EXPENSES					
Administration	1,847,887	888,668	298,109	938,374	3,973,038
Salaries and wages	506,986	244,527	12,394	342,954	1,106,861
Fuel and light	143,642	181,168	-	1,615	326,425
Contracted services	305,243	63,931	32,183	73,094	474,451
Insurance claims and expenses	143,689	226,984	53,125	304,001	727,799
Materials and supplies	200,121	128,784	27,310	54,382	410,597
Miscellaneous	-	980	-	2,821	3,801
Depreciation	633,626	224,441	37,581	139,908	1,035,556
TOTAL OPERATING EXPENSES	<u>3,781,194</u>	<u>1,959,483</u>	<u>460,702</u>	<u>1,857,149</u>	<u>8,058,528</u>
OPERATING INCOME	<u>1,193,788</u>	<u>2,723,417</u>	<u>113,748</u>	<u>136,888</u>	<u>4,167,841</u>
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	13,807	11,286	49	14,907	40,049
Gain on disposal of assets	7,010	-	-	-	7,010
Interest expense	(20,834)	(114,455)	-	-	(135,289)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(17)</u>	<u>(103,169)</u>	<u>49</u>	<u>14,907</u>	<u>(88,230)</u>
INCOME BEFORE TRANSFERS	1,193,771	2,620,248	113,797	151,795	4,079,611
TRANSFERS	<u>(351,403)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(351,403)</u>
CHANGE IN NET POSITION	842,368	2,620,248	113,797	151,795	3,728,208
NET POSITION AT BEGINNING OF YEAR	<u>22,435,724</u>	<u>15,246,522</u>	<u>1,396,830</u>	<u>2,674,847</u>	<u>41,753,923</u>
NET POSITION AT END OF YEAR	<u>\$ 23,278,092</u>	<u>\$ 17,866,770</u>	<u>\$ 1,510,627</u>	<u>\$ 2,826,642</u>	<u>\$ 45,482,131</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	<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	\$ 4,898,893	\$ 6,238,940	\$ 573,249	\$ 1,973,288	\$ 13,684,370
Cash received from other governments	-	888,014	-	-	888,014
Payments to employees	(2,424,268)	(1,163,377)	(317,510)	(1,330,060)	(5,235,215)
Payments to suppliers	(2,833,691)	(611,386)	(103,490)	(450,962)	(3,999,529)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(359,066)</u>	<u>5,352,191</u>	<u>152,249</u>	<u>192,266</u>	<u>5,337,640</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition, construction and improvements of capital assets	(1,832,499)	(3,668,132)	(18,250)	(58,302)	(5,577,183)
Proceeds from sales of assets	10,000	-	-	-	10,000
Principal paid on capital debt	(135,000)	(540,000)	-	-	(675,000)
Interest paid on capital debt	(29,422)	(117,874)	-	-	(147,296)
Miscellaneous contributions	-	-	1,201	-	1,201
Proceeds from grant	141,997	402,000	-	77,305	621,302
Transfers (to) from other funds	(351,403)	-	-	-	(351,403)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,196,327)</u>	<u>(3,924,006)</u>	<u>(17,049)</u>	<u>19,003</u>	<u>(6,118,379)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Earnings on investments	13,807	11,286	49	14,907	40,049
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,541,586)	1,439,471	135,249	226,176	(740,690)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>8,890,832</u>	<u>5,696,803</u>	<u>843,148</u>	<u>1,763,120</u>	<u>17,193,903</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,349,246</u>	<u>\$ 7,136,274</u>	<u>\$ 978,397</u>	<u>\$ 1,989,296</u>	<u>\$ 16,453,213</u>

BOROUGH OF PHOENIXVILLE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2021

	<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 (USED) BY OPERATING ACTIVITIES					
Operating income	\$ 1,193,788	\$ 2,723,417	\$ 113,748	\$ 136,888	\$ 4,167,841
Proceeds from grant/contributions	(141,997)	(402,000)	(1,201)	(77,305)	(622,503)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Allowance for doubtful accounts	(44,502)	(20,484)	-	(7,849)	(72,835)
Depreciation	633,626	224,441	37,581	139,908	1,035,556
Pension expense	(61,118)	(25,852)	(8,144)	(39,359)	(134,473)
OPEB adjustment	6,014	2,647	777	3,478	12,916
(Increase) decrease in					
Accounts receivable	65,908	135,040	-	178	201,126
Inventories	(8,129)	(8,883)	-	-	(17,012)
Prepaid items	(771)	(435)	(173)	(388)	(1,767)
Due from other funds	(1,838,000)	1,823,000	-	-	(15,000)
Increase (decrease) in					
Accounts payable and other liabilities	(149,594)	20,263	9,301	(6,812)	(126,842)
Compensated absences	(14,291)	(6,977)	360	(12,851)	(33,759)
Unearned revenue	-	888,014	-	56,378	944,392
	<u>-</u>	<u>888,014</u>	<u>-</u>	<u>56,378</u>	<u>944,392</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (359,066)</u>	<u>\$ 5,352,191</u>	<u>\$ 152,249</u>	<u>\$ 192,266</u>	<u>\$ 5,337,640</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	<u>Pension Funds</u>	<u>Custodial Funds</u>
ASSETS		
Cash and cash equivalents	\$ <u>627,148</u>	\$ <u>650,907</u>
Investments		
Mutual funds, at fair value	35,350,878	-
Unallocated insurance contract, at contract value	<u>1,131,100</u>	<u>-</u>
TOTAL INVESTMENTS	<u>36,481,978</u>	<u>-</u>
 TOTAL ASSETS	 <u>37,109,126</u>	 <u>650,907</u>
NET POSITION		
Restricted for pensions	37,109,126	-
Restricted for custodial purposes	<u>-</u>	<u>650,907</u>
TOTAL NET POSITION	 <u>\$ 37,109,126</u>	 <u>\$ 650,907</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, 2021

	<u>Pension Funds</u>	<u>Custodial Funds</u>
ADDITIONS		
Contributions		
Employer	\$ 1,107,105	\$ -
Employee	87,237	-
Developers	-	2,589,157
TOTAL CONTRIBUTIONS	<u>1,194,342</u>	<u>2,589,157</u>
Investment earnings		
Net increase in fair value of investments	3,310,571	-
Realized gains on sale of investments	363,175	-
Interest	180,181	-
Dividends	604,411	-
Investment activity expense	(102,111)	-
TOTAL INVESTMENT EARNINGS	<u>4,356,227</u>	<u>-</u>
TOTAL ADDITIONS	<u>5,550,569</u>	<u>2,589,157</u>
DEDUCTIONS		
Benefits	1,011,341	-
Administrative	46,465	-
Escrow payments	-	2,747,495
TOTAL DEDUCTIONS	<u>1,057,806</u>	<u>2,747,495</u>
CHANGE IN NET POSITION	4,492,763	(158,338)
NET POSITION AT BEGINNING OF YEAR	<u>32,616,363</u>	<u>809,245</u>
NET POSITION AT END OF YEAR	<u>\$ 37,109,126</u>	<u>\$ 650,907</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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. Fiduciary component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, fiduciary component units are appropriately presented as funds of the primary government.

Fiduciary Component Units - 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, 2021

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 Custodial 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, 2021

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, 2021

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, 2021

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, 2021

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, 2021, the allowance for doubtful accounts was \$30,662 in the General Fund, \$14,226 in the Sanitation Fund, \$11,985 in the Water Fund and \$7,101 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, 2021

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 and proprietary fund statement of net position and is the result of the difference between expected and actual experience and the changes in plan assumptions. The deferred outflow of resources related to OPEB is reported in the government-wide and proprietary fund statement of net position and is the result of differences between expected and actual experience, changes in plan assumptions and benefit payments 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 and proprietary fund 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 and proprietary fund 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, 2021

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, 2021

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, 2021. 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, 2021

NOTE B - TAXES

For 2021, tax was levied on the assessed value of real estate at a total of 7.20 mills.

The taxable assessed valuation of property as of January 1, 2021, was \$806,790,365.

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 2021 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, 2021, the carrying amount of the Borough's deposits was \$35,474,123, and the bank balance was \$35,724,863. Of the bank balance, \$764,908 was covered by federal depository insurance, \$34,959,955 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, 2021

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, 2021, is \$161,642 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, 2021. The following table reflects investments held by the Pension Trust Funds as of December 31, 2021:

	Fair Value	Maturities		
		0-5 Years	5-10 Years	More Than 10 Years
Mutual funds - Domestic equities	\$ 18,116,239	\$ 18,116,239	\$ -	\$ -
Mutual funds - International equities	8,700,775	8,700,775	-	-
Mutual funds - International fixed income	293,303	293,303	-	-
Mutual funds - Alternatives	666,665	666,665	-	-
Mutual funds - Domestic fixed income	7,573,896	7,573,896	-	-
	<u>\$ 35,350,878</u>	<u>\$ 35,350,878</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, 2021, the Borough's pension plans held \$35,350,878 in mutual funds, all of which are considered Level 1 investments.

In addition, the pension plans hold \$1,131,100 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, 2021

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

Interfund payables and receivables at December 31, 2021 were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 15,000
Sewer Fund	-	1,823,000
Water Fund	<u>1,838,000</u>	<u>-</u>
	<u>\$ 1,838,000</u>	<u>\$ 1,838,000</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Interfund transfers at December 31, 2021 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 351,403	\$ 1,061,807
Fire Fund	-	353,170
Debt Service Fund	1,279,519	-
Recreation Fund	-	352,798
Water Fund	-	351,403
Pension Fund	<u>488,256</u>	<u>-</u>
	<u>\$ 2,119,178</u>	<u>\$ 2,119,178</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use revenues collected in the General Fund and other governmental funds for debt service and pension funding.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance January 1, 2021	Increases	Decreases	Balance December 31, 2021
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 3,935,548	\$ -	\$ -	\$ 3,935,548
Construction in progress	873,149	11,825,424	-	12,698,573
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	4,808,697	11,825,424	-	16,634,121
Capital assets being depreciated				
Buildings and improvements	10,428,509	3,743	-	10,432,252
Infrastructure	13,909,702	97,853	-	14,007,555
Vehicles	3,240,301	752,912	(90,799)	3,902,414
Equipment and furniture	2,028,804	196,417	-	2,225,221
TOTAL CAPITAL ASSETS BEING DEPRECIATED	29,607,316	1,050,925	(90,799)	30,567,442
Accumulated depreciation				
Buildings and improvements	(2,290,830)	(233,515)	-	(2,524,345)
Infrastructure	(5,321,951)	(415,594)	-	(5,737,545)
Vehicles	(2,132,700)	(162,535)	48,203	(2,247,032)
Equipment and furniture	(771,134)	(163,741)	-	(934,875)
TOTAL ACCUMULATED DEPRECIATION	(10,516,615)	(975,385)	48,203	(11,443,797)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	19,090,701	75,540	(42,596)	19,123,645
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, net	\$ 23,899,398	\$ 11,900,964	\$ (42,596)	\$ 35,757,766
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 269,236	\$ -	\$ -	\$ 269,236
Construction in progress	868,291	3,921,234	(83,593)	4,705,932
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	1,137,527	3,921,234	(83,593)	4,975,168
Capital assets being depreciated				
Sewer collection system infrastructure	20,224,582	176,214	-	20,400,796
Water treatment plant infrastructure	24,801,866	259,776	-	25,061,642
Parking infrastructure	484,942	-	-	484,942
Vehicles	1,771,254	39,713	(27,466)	1,783,501
Buildings	58,618	-	-	58,618
Equipment and furniture	4,931,576	1,263,839	-	6,195,415
TOTAL CAPITAL ASSETS BEING DEPRECIATED	52,272,838	1,739,542	(27,466)	53,984,914
Accumulated depreciation				
Sewer collection system infrastructure	(8,150,841)	(167,902)	-	(8,318,743)
Water treatment plant infrastructure	(12,155,828)	(466,944)	-	(12,622,772)
Parking infrastructure	(136,755)	(11,897)	-	(148,652)
Vehicles	(935,202)	(120,633)	24,475	(1,031,360)
Buildings	(93)	(1,173)	-	(1,266)
Equipment and furniture	(3,022,702)	(267,007)	-	(3,289,709)
TOTAL ACCUMULATED DEPRECIATION	(24,401,421)	(1,035,556)	24,475	(25,412,502)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, net	27,871,417	703,986	(2,991)	28,572,412
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, net	\$ 29,008,944	\$ 4,625,220	\$ (86,584)	\$ 33,547,580

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE E - CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

GOVERNMENTAL ACTIVITIES	
General government	\$ 12,427
Public safety	500,594
Public works - highways and streets	55,630
Culture and recreation	<u>406,734</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>975,385</u>
 BUSINESS-TYPE ACTIVITIES	
Water	\$ 633,626
Sewer	224,441
Parking	37,581
Sanitation	<u>139,908</u>
TOTAL BUSINESS-TYPE ACTIVITIES	\$ <u>1,035,556</u>

NOTE F - LONG-TERM DEBT

General Obligation Bonds are allocated to both the business-type and governmental activities as follows:

	Governmental Activities	Business-Type Activities
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	\$ 6,915,000	\$ 4,435,000
General Obligation Bonds, Series of 2020, issued at \$14,305,000 in December 2020, interest rates ranging from 2.00% to 5.00%, interest and principal payable semiannually from May 2021 through November 2050	<u>14,055,000</u>	<u>-</u>
	\$ <u>20,970,000</u>	\$ <u>4,435,000</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE F - LONG-TERM DEBT (Continued)

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

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 620,000	\$ 651,235	\$ 685,000	\$ 133,050
2023	640,000	627,035	705,000	112,500
2024	670,000	602,035	730,000	91,350
2025	690,000	575,735	750,000	69,450
2026	725,000	548,635	770,000	46,950
2027 to 2031	4,070,000	2,289,438	795,000	23,850
2032 to 2036	4,815,000	1,551,000	-	-
2037 to 2041	3,160,000	908,680	-	-
2042 to 2046	2,945,000	553,875	-	-
2047 to 2050	2,635,000	166,625	-	-
	<u>\$ 20,970,000</u>	<u>\$ 8,474,293</u>	<u>\$ 4,435,000</u>	<u>\$ 477,150</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

NOTE F - LONG-TERM DEBT (Continued)

Long-term liability activity for the year ended December 31, 2021, is as follows:

	Balance January 1, 2021	Additions	Retirements	Balance December 31, 2021	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds, Series of 2012	\$ 7,250,000	\$ -	\$ (335,000)	\$ 6,915,000	\$ 340,000
General Obligation Bonds, Series of 2020	14,305,000	-	(250,000)	14,055,000	280,000
Bond premiums	1,150,571	-	(47,223)	1,103,348	47,223
Compensated absences	593,901	-	(67,095)	526,806	52,681
Total Other postemployment benefits liability	<u>2,413,527</u>	<u>592,355</u>	<u>-</u>	<u>3,005,882</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 25,712,999</u>	<u>\$ 592,355</u>	<u>\$ (699,318)</u>	<u>\$ 25,606,036</u>	<u>\$ 719,904</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds, Series of 2012	\$ 5,110,000	\$ -	\$ (675,000)	\$ 4,435,000	\$ 685,000
Bond premiums	714,711	-	(10,308)	61,163	10,314
Compensated absences	270,542	-	(33,759)	236,783	23,675
Total Other postemployment benefits liability	<u>475,401</u>	<u>116,145</u>	<u>-</u>	<u>591,546</u>	<u>-</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 5,927,414</u>	<u>\$ 116,145</u>	<u>\$ (719,067)</u>	<u>\$ 5,324,492</u>	<u>\$ 718,989</u>

For the year ended December 31, 2021, interest expense on long-term debt was \$787,871. Of this total, \$145,598 was charged to the following functions as direct expenses on the statement of activities:

<u>Function</u>	<u>Interest</u>
Water	\$ 29,083
Sewer	<u>116,515</u>
	<u>\$ 145,598</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, 2021

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, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	<u>30</u>
	<u>52</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, 2021

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 2021, the MMO obligation for the plan was \$598,587. Contributions of \$310,750 and \$287,837 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, 2021

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, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	42%
International equity	23%
Fixed income	33%
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, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.71%. 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, 2021, were as follows:

Total pension liability	\$ 16,827,173
Plan fiduciary net position	<u>(20,972,778)</u>
NET PENSION (ASSET) LIABILITY	<u>\$ (4,145,605)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>124.64%</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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, 2021, 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 PubG-2010 mortality table, including rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

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, 2021 (see the plan's investment policy), are summarized in the following table:

<u>Asset Class</u>	<u>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.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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, 2020	\$ 15,856,300	\$ 18,339,345	\$ (2,483,045)
Changes for the year			
Service cost	495,597	-	495,597
Interest	1,150,985	-	1,150,985
Changes for experience	(589,359)	-	(589,359)
Changes of assumptions	312,585	-	312,585
Contributions			
Employer	-	598,587	(598,587)
Net investment income	-	2,454,296	(2,454,296)
Benefit payments	(398,935)	(398,935)	-
Administrative expense	-	(20,515)	20,515
NET CHANGES	<u>970,873</u>	<u>2,633,433</u>	<u>(1,662,560)</u>
BALANCES AT DECEMBER 31, 2021	\$ <u>16,827,173</u>	\$ <u>20,972,778</u>	\$ <u>(4,145,605)</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>(1,799,218)</u>	\$ <u>(4,145,605)</u>	\$ <u>(6,079,727)</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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, 2021, the Borough recognized pension expense of \$(372,000) for the Police Pension Plan. At December 31, 2021, 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	\$ -	\$ 680,955
Change of assumptions	383,531	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>2,014,440</u>
	<u>\$ 383,531</u>	<u>\$ 2,695,395</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>	
2022	\$ (511,897)
2023	(903,786)
2024	(548,905)
2025	(268,197)
2026	(39,539)
Thereafter	<u>(39,540)</u>
Total	<u>\$ (2,311,865)</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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, 2021, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	44
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	67
	<hr/>
	119
	<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, 2021

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 2021, the MMO obligation for the plan was \$508,518. Contributions of \$177,505 and \$331,013 were made by the Borough and the Commonwealth of Pennsylvania, respectively.

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

Investments

Investment Policy - The plan's policy in regard to the allocation of invested assets is established and may be amended by the Borough Council through adoption of an ordinance. It is the policy of the Borough Council to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the plan's adopted asset allocation policy as of December 31, 2021:

<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, 2021

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, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 13.81%. 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, 2021, were as follows:

Total pension liability	\$ 14,714,258
Plan fiduciary net position	<u>(16,136,348)</u>
NET PENSION (ASSET) LIABILITY	\$ <u>(1,422,090)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>109.66%</u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2021, 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 PubG-2010 mortality table, include rates for disabled retirees and contingent survivors. Incorporated into the table are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

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, 2021

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, 2021 (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, 2020	\$ 12,730,561	\$ 14,277,018	\$ (1,546,457)
Changes for the year			
Service cost	456,842	-	456,842
Interest	1,015,369	-	1,015,369
Changes for experience	884,837	-	884,837
Changes of assumptions	239,055	-	239,055
Contributions			
Employer	-	508,518	(508,518)
Member	-	87,237	(87,237)
Net investment income	-	1,901,931	(1,901,931)
Benefit payments	(612,406)	(612,406)	-
Administrative expense	-	(25,950)	25,950
NET CHANGES	<u>1,983,697</u>	<u>1,859,330</u>	<u>124,367</u>
BALANCES AT DECEMBER 31, 2021	<u>\$ 14,714,258</u>	<u>\$ 16,136,348</u>	<u>\$ (1,422,090)</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	\$ <u>219,000</u>	\$ <u>(1,422,090)</u>	\$ <u>(2,811,603)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended December 31, 2021, the Borough recognized pension expense of \$(8,262) for the Municipal Employees' Pension Plan. At December 31, 2021, 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	\$ 549,779	\$ -
Change of assumptions	425,668	-
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>1,554,585</u>
	<u>\$ 975,447</u>	<u>\$ 1,554,585</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>	
2022	\$ (230,762)
2023	(547,692)
2024	(281,522)
2025	(71,196)
2026	102,482
Thereafter	<u>449,552</u>
Total	<u>\$ (579,138)</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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, 2021

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

	Non- Uniform	Police	Total
Inactive plan members or beneficiaries currently receiving benefits	29	8	37
Inactive plan members entitled to but not yet receiving benefits	-	5	5
Active plan members	70	31	101
	<u>99</u>	<u>44</u>	<u>143</u>

Total OPEB Liability

The Borough's total OPEB liability of \$3,597,428 was measured as of December 31, 2021, and was determined by an actuarial valuation as of January 1, 2020.

Actuarial assumptions and other inputs - The total OPEB liability in the January 1, 2020, 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	1.93%
Healthcare cost trend rates	5.5% in 2020 through 2023. Rates gradually decrease from 5.4% in 2024 to 4.0% in 2075 and later.

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index at January 1, 2021.

Mortality rates were based on the PubS-2010 mortality table for Police Officers, and PubG-2010 mortality table for Non-Uniformed employees, including rates for disabled retirees and contingent survivors. Incorporated into the tables are rates projected generationally using Scale MP-2020 to reflect mortality improvement.

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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, 2020	\$ 1,626,495	\$ 1,262,433	\$ 2,888,928
Changes for the year			
Service cost	11,138	57,383	68,521
Interest	51,918	42,773	94,691
Changes of assumptions	451,377	191,394	642,771
Benefit payments	(83,149)	(14,334)	(97,483)
NET CHANGES	<u>431,284</u>	<u>277,216</u>	<u>708,500</u>
BALANCES AT DECEMBER 31, 2021	<u>\$ 2,057,779</u>	<u>\$ 1,539,649</u>	<u>\$ 3,597,428</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.64% in 2019 to 3.26% in 2020 to 1.93% in 2021.

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 (0.93%) or 1-percentage point higher (2.93%) than the current discount rate:

	<u>1% Decrease (0.93%)</u>		<u>Current Discount Rate (1.93%)</u>	
	<u>Non-Uniform</u>	<u>Police</u>	<u>Non-Uniform</u>	<u>Police</u>
Total OPEB liability	\$ <u>2,346,032</u>	\$ <u>1,722,784</u>	\$ <u>2,057,779</u>	\$ <u>1,539,649</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>1,863,517</u>	\$ <u>1,362,620</u>	\$ <u>2,057,779</u>	\$ <u>1,539,649</u>

1% Increase (2.93%)	
<u>Non-Uniform</u>	<u>Police</u>
\$ <u>1,821,205</u>	\$ <u>1,382,593</u>

1% Increase	
<u>Non-Uniform</u>	<u>Police</u>
\$ <u>2,288,122</u>	\$ <u>1,748,231</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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, 2021, the Borough recognized OPEB expense of \$262,292. At December 31, 2021, 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	\$ 71,246	\$ -
Change of assumptions	502,813	53,335
Benefit payments subsequent to the measurement date (1/1/2021)	<u>83,709</u>	<u>-</u>
	<u>\$ 657,768</u>	<u>\$ 53,335</u>

Police

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 23,416	\$ -
Change of assumptions	243,175	37,373
Benefit payments subsequent to the measurement date (1/1/2021)	<u>18,814</u>	<u>-</u>
	<u>\$ 285,405</u>	<u>\$ 37,373</u>

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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

\$102,523 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, 2021. 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 December 31,</u>	<u>Non-Uniform</u>	<u>Police</u>
2022	\$ 68,617	\$ 30,463
2023	68,617	30,463
2024	68,617	30,463
2025	68,617	30,463
2026	68,618	30,464
Thereafter	<u>177,638</u>	<u>76,902</u>
	<u>\$ 520,724</u>	<u>\$ 229,218</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, 2021:

GENERAL FUND	
Public safety	\$ 4,079,449
Public works	111,817
Culture and recreation	<u>8,294,212</u>
	<u>\$ 12,485,478</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, 2021

NOTE K - FUND BALANCE DESIGNATIONS

Designations of fund balance are as follows for the year ending December 31, 2021:

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
RESTRICTED FOR			
Ashburn Street extension	\$ 37,000	\$ -	\$ 37,000
Traffic improvements	302,571	-	302,571
Fire station	4,568,869	-	4,568,869
CMAQ Grant Match	435,000	-	435,000
CFA MTF Mow ere Road	314,700	-	314,700
All Abilities Playground Grant	54,296	-	54,296
BAC Dow ntow n	1,940	-	1,940
Fire FF&E	534,344	-	534,344
Recreation Center FF&E	730,992	-	730,992
Elkins Park Abstract	40,000	-	40,000
NS Blackrock Engineering	29,666	-	29,666
CDBG	350,000	-	350,000
Debt Service Payment	52,746	-	52,746
Wayfinding Grant	3,100	-	3,100
Phoenix First	14,405	-	14,405
MDM Preserve	1,884	-	1,884
Phoenixville Hospital	606,726	-	606,726
Phoenixville Dow ntow n Projects	6,871	-	6,871
Municibid Annual Reserved Funds	40,000	-	40,000
Pedestrian Bridge	75,000	-	75,000
Stage User Fees	3,550	-	3,550
Public Works Building LED Lighting Upgrade	10,000	-	10,000
Road and street improvements	-	1,251,957	1,251,957
VPP Comp Plan	17,995	-	17,995
	<u>8,231,655</u>	<u>1,251,957</u>	<u>9,483,612</u>
TOTAL RESTRICTED	\$ 8,231,655	\$ 1,251,957	\$ 9,483,612
COMMITTED TO			
Vehicle replacement	\$ 101,500	\$ -	\$ 101,500
Recreation fund (PHUN)	114,000	-	114,000
	<u>215,500</u>	<u>-</u>	<u>215,500</u>
TOTAL COMMITTED	\$ 215,500	\$ -	\$ 215,500
ASSIGNED TO			
Capital reserve	\$ 1,000,000	\$ -	\$ 1,000,000
OPEB Funding	875,000	-	875,000
Operating reserve	2,347,498	-	2,347,498
Fire protection	-	455,598	455,598
Debt service	-	65,236	65,236
Recreation activities	-	608,095	608,095
Pension	-	91,513	91,513
	<u>4,222,498</u>	<u>1,220,442</u>	<u>5,442,940</u>
TOTAL ASSIGNED	\$ 4,222,498	\$ 1,220,442	\$ 5,442,940

BOROUGH OF PHOENIXVILLE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021

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 - SUBSEQUENT EVENT

In March 2022, the Borough issued General Obligation Bonds, Series of 2022, in the amount of \$10,450,000. Proceeds of the Bond will be used to currently refund the Borough's outstanding General Obligation Bonds, Series of 2012 and pay the costs and expenses related to the issuance of the 2022 Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF PHOENIXVILLE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES				
Taxes	\$ 8,154,935	\$ 8,154,935	\$ 8,947,173	\$ 792,238
Fees and fines	145,500	145,500	114,258	(31,242)
Licenses and permits	321,300	321,300	300,336	(20,964)
Intergovernmental	34,880	34,880	101,023	66,143
Charges for services	2,051,663	2,051,663	1,625,234	(426,429)
Investment earnings	12,000	12,000	16,555	4,555
Miscellaneous	25,000	25,000	145,832	120,832
TOTAL REVENUES	<u>10,745,278</u>	<u>10,745,278</u>	<u>11,250,411</u>	<u>505,133</u>
EXPENDITURES				
General government	345,574	388,773	267,605	121,168
Public safety	6,430,604	6,700,429	10,779,878	(4,079,449)
Public works	1,358,798	1,086,129	1,197,946	(111,817)
Culture and recreation	231,500	464,486	8,758,698	(8,294,212)
TOTAL EXPENDITURES	<u>8,366,476</u>	<u>8,639,817</u>	<u>21,004,127</u>	<u>(12,364,310)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,378,802</u>	<u>2,105,461</u>	<u>(9,753,716)</u>	<u>(11,859,177)</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	351,403	(351,403)
Interfund transfers out	(1,025,786)	(1,025,786)	(1,061,807)	36,021
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,025,786)</u>	<u>(1,025,786)</u>	<u>(710,404)</u>	<u>16,308,943</u>
NET CHANGE IN FUND BALANCE	1,353,016	1,079,675	(10,464,120)	4,449,766
FUND BALANCE AT BEGINNING OF YEAR	<u>24,036,697</u>	<u>24,036,697</u>	<u>24,036,697</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 25,389,713</u>	<u>\$ 25,116,372</u>	<u>\$ 13,572,577</u>	<u>\$ 4,449,766</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
TOTAL PENSION LIABILITY			
Service cost	\$ 495,597	\$ 463,348	\$ 441,284
Interest	1,150,985	1,084,311	1,003,948
Changes for experience	(589,359)	-	-
Differences between expected and actual experience	-	-	(35,121)
Changes of assumptions	312,585	-	-
Benefit payments	<u>(398,935)</u>	<u>(368,039)</u>	<u>(349,661)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	970,873	1,179,620	1,060,450
Total pension liability, beginning	<u>15,856,300</u>	<u>14,676,680</u>	<u>13,616,230</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>\$ 16,827,173</u>	<u>\$ 15,856,300</u>	<u>\$ 14,676,680</u>
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 598,587	\$ 521,942	\$ 518,140
Net investment income	2,454,296	2,543,190	2,613,039
Benefit payments, including refunds of member contributions	(398,935)	(368,039)	(349,661)
Administrative expense	<u>(20,515)</u>	<u>-</u>	<u>(11,925)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,633,433	2,697,093	2,769,593
Plan fiduciary net position, beginning	<u>18,339,345</u>	<u>15,642,252</u>	<u>12,872,659</u>
PLAN FIDUCIARY NET POSITION, ENDING (b)	<u>\$ 20,972,778</u>	<u>\$ 18,339,345</u>	<u>\$ 15,642,252</u>
NET PENSION (ASSET) LIABILITY, ENDING (a)-(b)	<u>\$ (4,145,605)</u>	<u>\$ (2,483,045)</u>	<u>\$ (965,572)</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>124.64%</u>	<u>115.66%</u>	<u>106.58%</u>
COVERED PAYROLL	<u>\$ 2,930,675</u>	<u>\$ 2,921,191</u>	<u>\$ 2,915,811</u>
NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>-141.46%</u>	<u>-85.00%</u>	<u>-33.12%</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.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	424,276	\$ 404,072	\$ 399,309	\$ 380,294	\$ 336,874
	933,058	866,484	810,556	751,072	723,044
	-	-	-	-	-
	-	(244,904)	-	(385,864)	-
	-	153,554	-	322,782	-
	<u>(373,199)</u>	<u>(371,783)</u>	<u>(331,934)</u>	<u>(327,900)</u>	<u>(314,537)</u>
	984,135	807,423	877,931	740,384	745,381
	<u>12,632,095</u>	<u>11,824,672</u>	<u>10,946,741</u>	<u>10,206,357</u>	<u>9,460,976</u>
\$	<u>13,616,230</u>	\$ <u>12,632,095</u>	\$ <u>11,824,672</u>	\$ <u>10,946,741</u>	\$ <u>10,206,357</u>
\$	401,509	\$ 318,252	\$ 316,607	\$ 393,533	\$ 280,262
	(957,617)	1,826,268	660,325	11,750	587,261
	(373,199)	(371,783)	(331,934)	(327,900)	(314,537)
	<u>(3,900)</u>	<u>(7,950)</u>	<u>(7,650)</u>	<u>(9,135)</u>	<u>(49,213)</u>
	(933,207)	1,764,787	637,348	68,248	503,773
	<u>13,805,866</u>	<u>12,041,079</u>	<u>11,403,731</u>	<u>11,335,483</u>	<u>10,831,710</u>
\$	<u>12,872,659</u>	\$ <u>13,805,866</u>	\$ <u>12,041,079</u>	\$ <u>11,403,731</u>	\$ <u>11,335,483</u>
\$	<u>743,571</u>	\$ <u>(1,173,771)</u>	\$ <u>(216,407)</u>	\$ <u>(456,990)</u>	\$ <u>(1,129,126)</u>
	<u>94.54%</u>	<u>109.29%</u>	<u>101.83%</u>	<u>104.17%</u>	<u>111.06%</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>
	<u>27.55%</u>	<u>-45.82%</u>	<u>-9.42%</u>	<u>-19.90%</u>	<u>-45.81%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 598,587	\$ 521,942	\$ 518,140
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>598,587</u>	<u>521,942</u>	<u>518,140</u>
CONTRIBUTION EXCESS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COVERED PAYROLL	<u>\$ 2,930,675</u>	<u>\$ 2,921,191</u>	<u>\$ 2,915,811</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>20.42%</u>	<u>17.87%</u>	<u>17.77%</u>

NOTES TO SCHEDULES

Valuation date: January 1, 2021

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	2.50%
Mortality	PubG-2010 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.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 401,509	\$ 314,652	\$ 316,607	\$ 344,034	\$ 280,261
<u>401,509</u>	<u>318,252</u>	<u>316,607</u>	<u>393,533</u>	<u>280,262</u>
\$ <u>-</u>	\$ <u>(3,600)</u>	\$ <u>-</u>	\$ <u>(49,499)</u>	\$ <u>(1)</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>
<u>14.88%</u>	<u>12.42%</u>	<u>13.79%</u>	<u>17.14%</u>	<u>11.37%</u>

BOROUGH OF PHOENIXVILLE

SCHEDULES OF POLICE PENSION PLAN INVESTMENT RETURNS LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>13.71%</u>	<u>16.17%</u>	<u>20.69%</u>

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u><u>-7.72%</u></u>	<u><u>15.31%</u></u>	<u><u>5.70%</u></u>	<u><u>0.08%</u></u>	<u><u>4.70%</u></u>

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

	2021	2020	2019
TOTAL PENSION LIABILITY			
Service cost	\$ 456,842	\$ 403,073	\$ 383,879
Interest	1,015,369	879,986	829,470
Changes for experience	884,837	-	-
Differences between expected and actual experience	-	-	(79,261)
Changes of assumptions	239,055	-	-
Benefit payments	(612,406)	(574,337)	(497,202)
NET CHANGE IN TOTAL PENSION LIABILITY	1,983,697	708,722	636,886
Total pension liability, beginning	12,730,561	12,021,839	11,384,953
TOTAL PENSION LIABILITY, ENDING (a)	\$ 14,714,258	\$ 12,730,561	\$ 12,021,839
PLAN FIDUCIARY NET POSITION			
Contributions			
Employer	\$ 508,518	\$ 360,871	\$ 358,434
Member	87,237	109,472	85,793
Net investment income	1,901,931	1,970,124	2,082,179
Benefit payments, including refunds of member contributions	(612,406)	(574,337)	(497,202)
Administrative expense	(25,950)	-	(15,900)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,859,330	1,866,130	2,013,304
Plan fiduciary net position, beginning	14,277,018	12,410,888	10,397,584
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 16,136,348	\$ 14,277,018	\$ 12,410,888
NET PENSION (ASSET) LIABILITY, ENDING (a)-(b)	\$ (1,422,090)	\$ (1,546,457)	\$ (389,049)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	109.66%	112.15%	103.24%
COVERED PAYROLL	\$ 4,328,564	\$ 4,289,089	\$ 4,196,669
NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	-32.85%	-36.06%	-9.27%

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.

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	343,955	\$ 327,576	\$ 298,325	\$ 284,119	\$ 275,389
	784,921	738,847	693,958	654,221	606,167
	-	-	-	-	-
	-	(525,427)	-	189,136	-
	-	561,384	-	229,840	-
	<u>(452,932)</u>	<u>(441,656)</u>	<u>(435,007)</u>	<u>(373,898)</u>	<u>(361,603)</u>
	675,944	660,724	557,276	983,418	519,953
	<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>
\$	<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>
\$	328,209	\$ 224,737	\$ 279,977	\$ 245,824	\$ 224,615
	82,315	76,280	73,338	66,482	66,678
	(773,034)	1,485,583	549,021	15,770	488,631
	(452,932)	(441,656)	(435,007)	(373,898)	(361,603)
	<u>(5,800)</u>	<u>(11,050)</u>	<u>(4,400)</u>	<u>(12,400)</u>	<u>(43,882)</u>
	(821,242)	1,333,894	462,929	(58,222)	374,439
	<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>
\$	<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>987,369</u>	<u>(509,817)</u>	<u>163,353</u>	<u>69,006</u>	<u>(972,634)</u>
	<u>91.33%</u>	<u>104.76%</u>	<u>98.37%</u>	<u>99.27%</u>	<u>111.43%</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>
	<u>24.06%</u>	<u>-13.70%</u>	<u>4.79%</u>	<u>2.03%</u>	<u>-29.22%</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ACTUARIALLY DETERMINED CONTRIBUTION	\$ 508,518	\$ 360,871	\$ 356,389
CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTION	<u>508,518</u>	<u>360,871</u>	<u>358,434</u>
CONTRIBUTION EXCESS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,045)</u>
COVERED PAYROLL	<u>\$ 4,328,564</u>	<u>\$ 4,289,089</u>	<u>\$ 4,196,669</u>
CONTRIBUTION AS A PERCENTAGE OF COVERED PAYROLL	<u>11.75%</u>	<u>8.41%</u>	<u>8.54%</u>

NOTES TO SCHEDULES

Valuation date: January 1, 2021

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	PubG-2010 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.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 225,321	\$ 224,737	\$ 209,911	\$ 245,824	\$ 196,291
<u>328,209</u>	<u>224,737</u>	<u>279,977</u>	<u>245,824</u>	<u>224,615</u>
\$ <u>(102,888)</u>	\$ <u>-</u>	\$ <u>(70,066)</u>	\$ <u>-</u>	\$ <u>(28,324)</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>
<u>8.00%</u>	<u>6.04%</u>	<u>8.22%</u>	<u>7.22%</u>	<u>6.75%</u>

BOROUGH OF PHOENIXVILLE
SCHEDULES OF MUNICIPAL EMPLOYEES'
PENSION PLAN INVESTMENTS RETURNS
LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT EXPENSE	<u>13.81%</u>	<u>15.95%</u>	<u>20.55%</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.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u><u>-8.16%</u></u>	<u><u>15.22%</u></u>	<u><u>5.76%</u></u>	<u><u>0.12%</u></u>	<u><u>4.62%</u></u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY				
Service cost	\$ 68,521	\$ 75,015	\$ 79,599	\$ 67,290
Interest	94,691	93,826	82,818	87,895
Changes of benefit terms	-	-	-	6,947
Differences between expected and actual experience	-	121,708	-	-
Changes of assumptions	642,771	127,593	(136,062)	135,713
Benefit payments	<u>(97,483)</u>	<u>(69,448)</u>	<u>(59,665)</u>	<u>(57,091)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	708,500	348,694	(33,310)	240,754
TOTAL OPEB LIABILITY, BEGINNING	<u>2,888,928</u>	<u>2,540,234</u>	<u>2,573,544</u>	<u>2,332,790</u>
TOTAL OPEB LIABILITY, ENDING (a)	<u>\$ 3,597,428</u>	<u>\$ 2,888,928</u>	<u>\$ 2,540,234</u>	<u>\$ 2,573,544</u>
COVERED PAYROLL	<u>\$ 7,048,035</u>	<u>\$ 7,048,035</u>	<u>\$ 6,181,622</u>	<u>\$ 6,181,622</u>
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	<u>51.04%</u>	<u>40.99%</u>	<u>41.09%</u>	<u>41.63%</u>

NOTES TO SCHEDULE

Changes in assumptions: In 2021 the discount rate was changed from 3.26% to 1.93%. In 2020 the discount rate was changed from 3.64% to 3.26%. In 2019 the discount rate was changed from 3.16% to 3.64% and the mortality tables were updated to the PubS-2010 for Police and PubG-2010 for nonuniform employees.

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, 2021

	<u>Special Revenue</u>	
	<u>Fire Fund</u>	<u>Liquid Fuels Fund</u>
ASSETS		
Cash and cash equivalents	\$ 465,180	\$ 1,215,293
Other receivables	3,552	36,664
Prepaid expenses	<u>164</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 468,896</u>	<u>\$ 1,251,957</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable and other current liabilities	<u>\$ 13,134</u>	<u>\$ -</u>
FUND BALANCES		
Nonspendable, prepaid expenses	164	-
Restricted for road and street improvements	-	1,251,957
Assigned to		
Fire protection	455,598	-
Debt service	-	-
Recreation activities	-	-
Pension	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>455,762</u>	<u>1,251,957</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 468,896</u>	<u>\$ 1,251,957</u>

Funds

<u>Debt Service Fund</u>	<u>Recreation Fund</u>	<u>Pension Fund</u>	<u>Total Other Governmental Funds</u>
\$ 65,236	\$ 686,555	\$ 91,513	\$ 2,523,777
-	12,621	-	52,837
-	753	-	917
<u>\$ 65,236</u>	<u>\$ 699,929</u>	<u>\$ 91,513</u>	<u>\$ 2,577,531</u>
<u>\$ -</u>	<u>\$ 91,081</u>	<u>\$ -</u>	<u>\$ 104,215</u>
-	753	-	917
-	-	-	1,251,957
-	-	-	455,598
65,236	-	-	65,236
-	608,095	-	608,095
-	-	91,513	91,513
<u>65,236</u>	<u>608,848</u>	<u>91,513</u>	<u>2,473,316</u>
<u>\$ 65,236</u>	<u>\$ 699,929</u>	<u>\$ 91,513</u>	<u>\$ 2,577,531</u>

BOROUGH OF PHOENIXVILLECOMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	<u>Special Revenue</u>	
	<u>Fire Fund</u>	<u>Liquid Fuels Fund</u>
REVENUES		
Taxes	\$ 1,082,275	\$ -
Intergovernmental	88,641	438,146
Charges for services	-	-
Investment earnings	35	931
TOTAL REVENUES	<u>1,170,951</u>	<u>439,077</u>
EXPENDITURES		
Current		
General government	-	-
Public safety	742,966	-
Public works	-	347,808
Culture and recreation	-	-
Debt service		
Principal	-	-
Interest and other charges	-	-
TOTAL EXPENDITURES	<u>742,966</u>	<u>347,808</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	427,985	91,269
OTHER FINANCING SOURCES (USES)		
Interfund transfers in	-	-
Interfund transfers out	(353,170)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(353,170)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	74,815	91,269
FUND BALANCES AT BEGINNING OF YEAR	<u>380,947</u>	<u>1,160,688</u>
FUND BALANCES AT END OF YEAR	<u>\$ 455,762</u>	<u>\$ 1,251,957</u>

Funds

<u>Debt Service Fund</u>	<u>Recreation Fund</u>	<u>Pension Fund</u>	<u>Total Other Governmental Funds</u>
\$ -	\$ 921,600	\$ -	\$ 2,003,875
-	-	623,774	1,150,561
-	122,270	-	122,270
26	43	17	1,052
<u>26</u>	<u>1,043,913</u>	<u>623,791</u>	<u>3,277,758</u>
-	-	1,112,029	1,112,029
-	-	-	742,966
-	-	-	347,808
-	619,958	-	619,958
585,000	-	-	585,000
642,273	-	-	642,273
<u>1,227,273</u>	<u>619,958</u>	<u>1,112,029</u>	<u>4,050,034</u>
(1,227,247)	423,955	(488,238)	(772,276)
1,279,519	-	488,256	1,767,775
-	(352,798)	-	(705,968)
<u>1,279,519</u>	<u>(352,798)</u>	<u>488,256</u>	<u>1,061,807</u>
52,272	71,157	18	289,531
<u>12,964</u>	<u>537,691</u>	<u>91,495</u>	<u>2,183,785</u>
<u>\$ 65,236</u>	<u>\$ 608,848</u>	<u>\$ 91,513</u>	<u>\$ 2,473,316</u>

BOROUGH OF PHOENIXVILLE

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

DECEMBER 31, 2021

	Pension Funds		
	Non-Uniformed Pension Fund	Police Pension Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 240,941	\$ 386,207	\$ 627,148
Accounts receivable			
Investments			
Mutual funds, at fair value	15,337,657	20,013,221	35,350,878
Unallocated insurance contract, at contract value	557,750	573,350	1,131,100
TOTAL INVESTMENTS	<u>15,895,407</u>	<u>20,586,571</u>	<u>36,481,978</u>
 TOTAL ASSETS	<u>\$ 16,136,348</u>	<u>\$ 20,972,778</u>	<u>\$ 37,109,126</u>
 NET POSITION			
Restricted for pensions	<u>\$ 16,136,348</u>	<u>\$ 20,972,778</u>	<u>\$ 37,109,126</u>

BOROUGH OF PHOENIXVILLE

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

YEAR ENDED DECEMBER 31, 2021

	Pension Funds		
	Non-Uniformed Pension Fund	Police Pension Fund	Totals
ADDITIONS			
Contributions			
Employer	\$ 508,518	\$ 598,587	\$ 1,107,105
Employee	87,237	-	87,237
TOTAL CONTRIBUTIONS	<u>595,755</u>	<u>598,587</u>	<u>1,194,342</u>
Investment earnings			
Net increase in fair value of investments	1,451,151	1,859,420	3,310,571
Realized gains on sale of investments	157,173	206,002	363,175
Interest	79,195	100,986	180,181
Dividends	263,385	341,026	604,411
Investment management expense	<u>(48,973)</u>	<u>(53,138)</u>	<u>(102,111)</u>
NET INVESTMENT INCOME	<u>1,901,931</u>	<u>2,454,296</u>	<u>4,356,227</u>
TOTAL ADDITIONS	<u>2,497,686</u>	<u>3,052,883</u>	<u>5,550,569</u>
DEDUCTIONS			
Benefits	612,406	398,935	1,011,341
Administrative	25,950	20,515	46,465
TOTAL DEDUCTIONS	<u>638,356</u>	<u>419,450</u>	<u>1,057,806</u>
CHANGE IN NET POSITION	1,859,330	2,633,433	4,492,763
NET POSITION AT BEGINNING OF YEAR	<u>14,277,018</u>	<u>18,339,345</u>	<u>32,616,363</u>
NET POSITION AT END OF YEAR	<u>\$ 16,136,348</u>	<u>\$ 20,972,778</u>	<u>\$ 37,109,126</u>